

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
Hwikwon Ham
Valerie Means
Joseph K. Sullivan
John A. Tuma

Chair
Commissioner
Commissioner
Commissioner
Commissioner

In the Matter of the Consumer Appeal of
Consumer Complaint 82340

Docket No. G-008/C-24-191

**RESPONSE TO CONSUMER APPEAL BY
CENTERPOINT ENERGY RESOURCES CORP**

Pursuant to Order of the Minnesota Public Utilities Commission (“Commission”) dated October 17, 2024, CenterPoint Energy Resources Corp d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or the “Company”) respectfully submits this response to the consumer appeal set forth in the above-described docket.

I. Introduction

CenterPoint Energy appreciates this opportunity to respond to the consumer appeal that is the subject of this proceeding. CenterPoint Energy staff have been engaged on this matter for several months, seeking to reach a positive and cooperative resolution with the customer and the Commission’s Consumer Affairs Office. Efforts to resolve the matter with the customer continue during the pendency of this proceeding, and CenterPoint Energy hopes to confirm a resolution to the satisfaction of the customer.

CenterPoint Energy has confirmed this customer account is fully compliant with applicable regulations. More broadly, there are existing procedures available to ensure that customers who

have both natural gas service and Home Service Plus® (“HSP®”) purchases and/or services, may direct their payments to be applied as they choose.

The Company summarizes this response as follows: (1) this customer was disconnected from gas service solely due to a gas delinquency and not as a result of a furnace installment plan or HSP® service delinquency, (2) CenterPoint Energy’s current method of allocating payments is in compliance with all Commission rules and tariffs, and (3) CenterPoint Energy customers presently may direct how payments are applied between gas charges and unregulated business charges. Mandating that payments must be applied to all gas charges (past due and current) before applying payments to any unregulated business charges is not necessarily beneficial to customers. Customers should be allowed to have choice in how they allocate their payments, and many customers want payments applied solely to HSP® charges (for example, to avoid contractual interest). Finally, if the Commission were to consider mandating a certain payment allocation scheme, that action should be undertaken through a rule of general application to all utilities rather than an order specifically directed to just one utility.

II. This Customer was Not Disconnected Based on Non-Gas Arrearages

The Commission’s Order summarizes the complaint as follows: “The Complainant questioned whether it was proper for CenterPoint Energy to apply portions of her payments toward an appliance repair plan and a furnace she previously purchased from CenterPoint Energy, despite the fact that her account had past-due balances for natural gas service putting her at risk of disconnection.”¹ Under the Company’s current policy, no portion of a payment should be applied to non-gas obligations if there is a past-due balance for natural gas service at the time of the

¹Order at 1.

payment. Below we review CenterPoint Energy's payment application process generally, and then review the specifics of this customer's account.

As the Commission correctly found in its Order, CenterPoint Energy's policy prioritizes payments to natural gas arrears before applying funds to any HSP[®] balances.² The specific payment priority is as follows: (1) gas arrears installment plan, (2) gas arrears not included in installment plan, (3) unregulated business arrears, (4) current gas charges, (5) current unregulated business charges. The payment allocation process does not allow for payments to be applied toward a furnace or repair plan before being applied to any natural gas arrearage that could put the customer at risk of disconnection of service.

Details of the customer's account are reflected in a spreadsheet attached as Exhibit A to the Declaration of Greg Schirmers. As indicated in the timeline detailed in the Commission's Order, this customer had gas service, HSP[®] repair service, and purchased a furnace from CenterPoint Energy on an installment payment plan. As of March, 2023, the customer agreed to an installment payment for the furnace of \$92.37 per month, and an HSP[®] monthly charge of \$34.85, in addition to natural gas service charges.

As of March 7, 2023, the customer had a past-due gas balance of \$427.49, reflected in column N of the spreadsheet. On March 27, 2023, the customer agreed to a payment plan that set her payments at current consumption plus \$25.00/month. This resulted in a new amount due of \$256.80, comprised of the current bill of \$231.80 (column I) plus \$25.00. Because of the payment plan, the \$256.80 amount was set as a current amount due (not in arrears), and payable in May

²See Order at 3.

2023. Also because of the payment plan, the customer was not at risk of disconnection of gas service as long as the customer made the plan payments.

CenterPoint Energy records indicate that the customer contacted the Company on April 4, 2023, requesting information about her account. She wanted confirmation that CenterPoint Energy received a payment she had made in the amount of \$273.39, and the Company representative confirmed receipt of that payment. The customer then indicated she thought that had been a partial payment of a bill and she wanted to pay the remainder of the prior bill amount. The CenterPoint Energy representative determined that the amount due on the current gas bill as of that day was \$131.84.³ The customer determined she wanted to pay that amount, and the representative transferred her to the automated payment system to make that payment.

The customer then made a payment of \$131.24 through the automated payment system. At that time, however, the gas account was deemed current due to the recently implemented payment plan, for which the first payment was not yet due. Because of the payment plan, the account did not show a past due gas balance, and consequently the \$131.24 payment was applied to the past due furnace installment plan (column R). CenterPoint Energy acknowledges that, given the customer's intention expressed in the April 4 phone call, this payment should have been applied to the gas account. This has now been corrected. This action, however, did not result in disconnection of service, as set forth below.

Entry into the payment plan avoided disconnection of service in April 2023. Thereafter, however, the customer did not make a payment of any kind in May 2023. At that time, the first installment

³This amount appears to have been calculated as the sum of the \$92.37 furnace payment, \$4.62 furnace late payment charge, and \$34.85 HSP® monthly charge. Consequently, the amount did not reflect the gas balance.

plan payment, for gas service only, was due in the amount of \$256.80. Failure to pay this amount resulted in a default on the gas payment plan. This rendered the full gas balance to become due, which at that time was \$853.73 (column N). The customer made a \$100.00 payment in June 2023, which was applied fully to the gas account (column L) that was delinquent. There remained a substantial delinquency, however, which resulted in disconnection of service later that month. After a subsequent payment in July of \$175.44 that was applied fully to the gas arrearage, service was restored per request of the CAO in October 2023.

The complaint takes issue with the application of the \$131.24 payment to the furnace installment contract in April 2023. Even if that payment had been applied to the gas account, it would not have changed the course of events. The agreed payment plan amount on the gas account was \$256.80. The total of the two payments made prior to disconnection—\$131.24 and \$100.00—do not meet that amount. Consequently, this customer would have been in default on the payment plan, and disconnected based solely on the arrearage in the gas account, no matter how those payments had been applied.

In light of the incorrect application of the \$131.24 payment, CenterPoint Energy has made the following adjustments to the customer's account both to remedy the application and for good will purposes: (1) the \$131.24 payment has been applied to the gas balance and removed from the appliance balance, (2) late fees of \$93.72 and an insufficient funds fee of \$10.00 have been removed from the gas account, and (3) a reconnection fee of \$28.00 has been removed from the account. With these changes and subsequent payments made by the customer she presently has a small credit balance on her gas account.

III. The Requested Relief is Not Supported by Rule or Tariff

The customer's requested relief is to have the bill recalculated with a retroactive payment allocation scheme that does not presently exist in rule or tariff. The customer seeks to have all payments (for an unspecified period of time) reallocated to be first applied to gas service, and then applied to her appliance purchase and HSP[®] service only if additional funds are available after paying all current or past due gas service. Because this requested relief has no basis in present rule or tariff, the Commission should not grant that request. A utility should not be subject to *ex post facto* regulation in violation of due process.

The requested relief also does not recognize the customer's own choices, and the benefits the customer has received from the furnace and appliance protection plan provided by CenterPoint Energy. The customer chose to purchase a furnace from the Company and agreed to pay for it on an installment payment plan.⁴ Similarly, the customer chose to receive HSP[®] services, and received the peace of mind and appliance protection that comes with that service. The customer has already enjoyed these benefits and agreed to pay for them. There is no basis to relieve a customer from two contractual obligations (furnace and HSP[®]) in favor of a third contractual obligation (gas service) that were all voluntarily made and agreed to by both the customer and the utility.

Having a safe, operating furnace is a critical component of providing gas service. Payment for all three is necessary and CenterPoint Energy's current practice of paying arrears before current charges is the best method to ensure that all remain in place. Recalculation of the bills as proposed,

⁴The customer acknowledged purchase of the furnace, and inquired about the balance owing on the furnace, in the April 4, 2023, phone call.

if done at that time, could have resulted in adverse consequences for the appliance and HSP[®] contracts, including termination of the HSP[®] contract and default on the furnace installment plan.

IV. CenterPoint Energy's Current Allocation of Payments Process Complies with All Applicable Regulations and Tariffs

There is no Commission rule or tariff that governs how CenterPoint Energy should apply payments as between charges for regulated utility service and unregulated appliance sales and service plans.⁵

The Company has determined to allocate payments in a manner that prioritizes payment of natural gas arrears before any other obligation and prioritizes payment of HSP[®] arrears ahead of current charges. This benefits customers by avoiding disconnection of service and avoiding contractual interest, late charges or termination of services for unregulated products and services.

The current allocation of payments also does not violate cost separation principles, as the accounting standards in Docket No. G, E-999/CI-90-1008 do not include specific cost allocation requirements. No payments designated for payment of gas service amounts due have been applied to furnace or HSP[®] bills (after the correction referenced above).

For the same reasons, payment application on this account did not violate Minn. R. 7820.1300(B). That rule provides that a utility may not disconnect residential gas service for “failure to pay for merchandise, appliances, or services not approved by the commission as an integral part of the utility service.” As demonstrated above, this customer was not disconnected for failure to pay for non-regulated purchases; rather, the disconnection was based on a natural gas arrears on the customer’s account.

⁵The Commission acknowledges this on page 3 of its Order.

Finally, the current allocation is consistent with the Commission's authority to require just and reasonable practices under Minn. Stat. 216B.09, subd. 1. Customers choose to have gas service as well as HSP[®] service. Customers choose to purchase a furnace and enjoy the benefits of an installment payment plan. It is reasonable to require a customer to pay for services the customer chooses to purchase and to apply payments to gas arrears first, to avoid disconnection of service for the customer. This also limits bad debt expense that otherwise become an expense to all ratepayers. The Company also finds it is reasonable to allocate payments to HSP[®] arrears, after gas arrears, given that the customer has voluntarily assumed that obligation and should meet that obligation. This benefits the customer, as payments to arrears on an installment plan can: (1) maintain the installment or HSP[®] plan (i.e., avoid default), (2) avoid late charges, and (3) avoid interest.

V. CenterPoint Energy Allows for Customer Choice in Designating Payments

Under current practices CenterPoint Energy allows customers to designate how a payment should be applied. Customers may contact the Company and request that a payment be applied in a certain manner. CenterPoint Energy's policy is to honor those requests, and the Company regrets that measures were not taken to ensure that the \$131.24 payment was applied to this customer's gas account. As stated above, however, that action would not have eliminated the delinquency and would not have prevented disconnection of service based on the arrearage in the gas account.

The Commission should not assume that customers in all cases wish to designate payments to their gas accounts. There are many instances, particularly with construction contractors, where customers specifically request that a payment be applied to appliance installment contracts or HSP[®] charges only. Customers manage their obligations, keeping in mind the balances owed, and desiring to limit or avoid interest and late charges. Thus, mandating an allocation of payments by

rule or tariff would be inflexible and contrary to the wishes of certain customers. CenterPoint Energy's current payment allocation procedure allows for customer choice while also prioritizing payment of gas account arrears to assist customers in avoiding disconnection of gas service.

Mandating a different allocation system would have several adverse consequences. First, it would require CenterPoint Energy to incur costs to re-program what is largely an automated payment processing system. Mandating an allocation that subordinates appliance and HSP[®] arrears likely will result in more defaults on appliance sales and service contracts, more customers dealing with inoperative heating and hot water appliances, and more instances of interest and late fee obligations for customers. In contrast, prioritizing payment of arrears for both gas and appliance sale and repair contracts works to ensure customers can maintain all of these products and services that they have chosen to purchase. Ensuring heat, hot water and cooking gas in the home requires safe and operating gas appliances as much as it requires uninterrupted natural gas service.

VI. Any Regulation of Allocation of Payments Should be Made as a General Rule for All Utilities

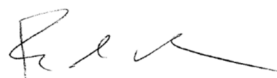
If the Commission determines it necessary to regulate allocate of payments, this should be done as a rule of general applicability. Presumably the same considerations that would motivate a rule with respect to CenterPoint Energy would apply with respect to other utilities. And the Commission would benefit from input and comments more generally from utilities and other stakeholders. Because allocation of payments is not an issue limited to CenterPoint Energy, any Commission action on that topic should be considered as part of a proposed rule of general applicability.⁶

⁶The Commission has determined that this matter should proceed informally pursuant to Minn. Rules pt. 7829.1200. Order at 6. The Order does not include findings that any of the criteria under

VII. Conclusion

CenterPoint Energy's payment allocation procedures comply with all applicable rules and regulations and allows customer choice as to how to apply payments. The customer account at issue here was disconnected due to gas arrears, not because of any arrears on appliance or HSP[®] contracts. Prioritizing payment of all regulated and non-regulated past due balances before paying current balances benefits customers by avoiding disconnection of service, late fees and interest charges when possible. The current system does not require correction. The Company requests the Commission decide not to mandate an order of payments between gas service and unregulated appliance and HSP[®] sales and service, as it could be detrimental to many customers if the Commission narrows focus too closely on this one instance. The Company appreciates the ongoing coordination efforts from CAO staff. CenterPoint Energy continues to work towards a solution with the customer during the pendency of this proceeding and hopes to confirm a resolution to the satisfaction of the customer and the CAO.

Dated: November 15, 2024



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**ATTORNEYS FOR RESPONDENT
CENTERPOINT ENERGY RESOURCES
CORP**

Subpt. 1 of the Rule have been met. Further the Commission has not promulgated implementing regulations under Minn. Stat. § 216B.172, subd. 6. Consequently, CenterPoint Energy submits this response in obedience of the Commission's Order but reserves all rights with respect to due process and procedure.

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben
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In the Matter of the Consumer Appeal of
Consumer Complaint 82340

ISSUE DATE: October 17, 2024

DOCKET NO. G-008/C-24-191

DECLARATION OF GREG SCHIRMERS

I, Greg Schirmers, hereby declare:


1. My name is Greg Schirmers, and I am Manager of Credit and Collections for CenterPoint Energy in its Minnesota service area. I submit this Declaration in support of CenterPoint's Response to the Commission's Order dated October 17, 2024.

2. Attached hereto as Exhibit A is a true and accurate copy of a spreadsheet detailing account records for the customer that is the subject of this complaint. The spreadsheet has been prepared at my direction to separately show activity for the gas, furnace installment plan and HSP® service portions of the customer's account.

3. I have reviewed the factual assertions set forth in CenterPoint's Response filed with this Declaration. These assertions are true and accurate to the best of my knowledge.

I declare under penalty of perjury that everything I have stated in this document is true and correct.

Dated: November 14, 2024


Greg Schirmers

CERTIFICATE OF SERVICE

On Friday, November 15, 2024, Melodee Carlson Chang certifies she served the attached Response to Consumer Appeal by CenterPoint Energy Resources Corp to all persons at the addresses indicated on the attached service list for Docket No. G-008/C-24-191 by having the document delivered via electronic filing.

/s/

Melodee Carlson Chang
Senior Regulatory Paralegal
CenterPoint Energy

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Generic Notice	Commerce Attorneys	commerce.attorneys@ag.state.mn.us	Office of the Attorney General-DOC	445 Minnesota Street Suite 1400 St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_24-191_G008-C-24-191
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 280 Saint Paul, MN 55101-2198	Electronic Service	No	OFF_SL_24-191_G008-C-24-191
Sherry	Kemmetmueller	Sherry.Kemmetmueller@CenterPointEnergy.com	CenterPoint Energy	505 Nicollet Mall F3 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_24-191_G008-C-24-191
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Complainant c/o	PUC	consumerappeal.puc@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	No	OFF_SL_24-191_G008-C-24-191
Generic Notice	Residential Utilities Division	residential.utilities@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 55101-2131	Electronic Service	Yes	OFF_SL_24-191_G008-C-24-191
Will	Seuffert	Will.Seuffert@state.mn.us	Public Utilities Commission	121 7th PI E Ste 350 Saint Paul, MN 55101	Electronic Service	Yes	OFF_SL_24-191_G008-C-24-191
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