

August 17, 2015

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

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**  
Docket No. G008/MR-15-728

Dear Mr. Wolf:

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

A *Petition* by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint or the Company) to the Minnesota Public Utilities Commission (Commission) requesting approval to implement new base gas costs (Purchased Gas Adjustment [PGA] zero-out) to coincide with the implementation of interim rates in its general rate case filing, Docket No. G008/GR-15-424.

The petition was filed on August 3, 2015 by:

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

Based on its review of the Company's *Petition*, the Department recommends that the Commission **approve** CenterPoint's base cost of gas filing subject to CenterPoint providing Exhibit E, Attachment 3, Page 1 of 2, without rounding.

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

Sincerely,

/s/ ADAM J. HEINEN  
Rates Analyst  
(651)-539-1825

AJH/ja  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. G008/MR-15-728

**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 October 2, 2015 implementation of interim rates requested in its general rate case Docket No. G008/GR-15-424.<sup>1</sup> The Minnesota Department of Commerce, Division of Energy Resources' (Department) analysis of CenterPoint's *Petition* is presented below.

**II. THE DEPARTMENT'S ANALYSIS**

Minnesota Rules part 7825.2700, subpart 2, requires a utility to petition for a new base cost of gas, submitted as a miscellaneous rate change, to coincide with the implementation of interim rates during a general rate proceeding. This Rule requires that "The base cost of gas must separately state the commodity base cost and the demand base cost components for each class." Through its review of CenterPoint's *Petition*, the Department concludes that the Company has complied with these requirements through its Exhibit E, Attachment 4. The Department discusses CenterPoint's demand and commodity costs separately below.

**A. DEMAND GAS COSTS**

The Department reviewed CenterPoint's filing for consistency with the calculations in the rate case and those in the base cost of gas filing. The Department's analysis indicates that

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<sup>1</sup> Although not noted in the cover letter of this *Petition*, the Company also requests minor changes to its tariffs to reflect changes in terminology. These proposed minor tariff changes are similar to changes that were initially proposed by the Company, and subsequently approved by the Commission, in Docket No. G008/M-14-753. The Department reviewed the changes, which agree with the previously approved language in Docket No. G008/M-14-753.

the information is generally consistent between the rate case and base cost of gas filings. CenterPoint calculated its demand cost of gas based, in most part, on the demand entitlement units and costs that are estimated to be charged in the Company's November 2015 Purchased Gas Adjustment (PGA) filing.<sup>2</sup> These estimated demand costs are representative of the entitlement levels and costs proposed by the Company in Docket No. G008/M-15-644 (2015-2016 Demand Entitlement Filing). However, the demand costs are slightly different between the estimated November 2015 PGA and the rate case and base cost of gas filings because the rate case and base cost of gas have updated propane costs, and do not contain capacity release adjustments, which are included in the monthly PGA filings.

Based on a review of the rate case schedules and the demand cost information included in the base cost of gas filing, the Department observed two different demand cost figures. In the rate case and base cost of filings, CenterPoint reported demand costs of \$81,386,446<sup>3</sup> and also reported test-year demand costs of \$81,384,000.<sup>4</sup> The Department observed a similar instance in the Company's previous base cost of gas filing (Docket No. G008/MR-13-674) and requested that CenterPoint clarify the reason for the difference in cost in that proceeding. CenterPoint responded in its September 2, 2013 *Reply Comments* in Docket No. G008/MR-13-674 that the small difference was related to expected incurred demand costs and the amount of demand costs expected to be recovered during the test year. The Department concluded that the difference in demand costs was acceptable in the previous base cost of gas filing. Moreover, this approach is reasonable since it reflects the revenue credit that ratepayers are expected to receive. Thus, the Department agrees with CenterPoint's proposal to set base rates using the \$81,384,000 figure.

## B. COMMODITY GAS COSTS

CenterPoint estimated its commodity costs based on forecasted Henry Hub wellhead prices, forecasted basis point differentials for delivery of natural gas to Ventura, estimates of lost and unaccounted for gas, and pipeline transportation charges.<sup>5</sup> The Company's price forecasts were based on estimated New York Mercantile Exchange (NYMEX) Henry Hub gas prices over the period April 2015 to September 2016 as provided by CenterPoint's Gas Supply Group. The Department compared these estimated commodity cost rates to current NYMEX market expectations and, at this time, the rate estimates do not appear to be inappropriate. However, the Department notes that these estimates should be compared to actual gas costs when final rates are set, when the Commission may wish to consider

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<sup>2</sup> In its rate case schedules, the Company incorrectly labels these costs as being effective with the April 1, 2015 PGA filing (See Docket No. G008/GR-15-424: Exh\_\_\_\_(KRN-WP), Vol. 3, Schedule 61, Page 1 of 1, Workpaper 3).

<sup>3</sup> See Docket No. G008/GR-15-424: Exh\_\_\_\_(KRN-WP), Vol. 3, Schedule 61, Page 1 of 1, Workpaper 3

<sup>4</sup> See Docket No. G008/GR-15-424: Exh\_\_\_\_(KRN-D), Vol. 3, Schedule 61, Page 2 of 3, Workpaper 3 and Attachment 2 in this *Petition*.

<sup>5</sup> See Docket No. G008/GR-15-424: Exh\_\_\_\_(KRN-WP), Schedule 61, Page 1 of 1, Workpaper 5.

whether any adjustments to gas costs and corresponding effects on other costs in the rate case, should be reflected in final rates.

After estimating commodity costs for its customers, and accounting for lost gas and pipeline transportation charges, CenterPoint's total commodity cost recovery amount was calculated by multiplying the proposed test-year sales estimates in its rate case filing by the commodity cost rates presented in Exhibit E, Attachment 3, Page 2 of 2 of its base cost of gas filing. The total commodity costs CenterPoint includes in its rate case filing are identified in Attachment 3 of its base cost of gas filing as \$428,363. This cost figure is rounded from \$428,362,617, which is the same figure included in CenterPoint's rate case filing Kirk R. Nesvig, Workpaper Volume 3, Schedule 62, Workpaper 2. The Department notes that the test-year sales and commodity costs presented in the Company's *Petition*, Exhibit E, Attachment 3, Page 1 of 2, are rounded appropriately; however, they do not match the figures presented in the rate case filing. As such, the Department recommends that CenterPoint provide, in *Reply Comments*, Exhibit E, Attachment 3, Page 1 of 2 without rounding.

### C. TOTAL GAS COSTS

When the test-year demand gas cost (\$81,384,000)<sup>6</sup> and test-year commodity gas cost (\$428,362,617)<sup>7</sup> proposals that CenterPoint recommend in this filing are added together, it translates into total gas costs of approximately \$509,746,617. As noted in Section A of these *Comments*, there are two demand cost figures reported by CenterPoint in its rate case filing and in the base cost of gas filing. The demand cost issue occurred in the Company's previous initial base cost of gas filing, and CenterPoint explained that this difference is related to the difference between expected incurred demand costs and the amount of demand costs expected to be recovered during the test year. After confirming with the Company that the same circumstances exist in this proceeding, the Department concludes that this explanation is reasonable and that CenterPoint's total gas costs are appropriate and reconcile with the cost figures presented in the rate case filing.

### III. THE DEPARTMENT'S RECOMMENDATIONS

Based on its review of the Company's *Petition*, the Department recommends that the Commission approve CenterPoint's base cost of gas filing subject to the provision of Exhibit E, Attachment 3, Page 1 of 2, without rounding.

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<sup>6</sup> See Attachment 2.

<sup>7</sup> See Docket No. G008/GR-15-424: Exh\_\_\_\_(KRN-WP), Schedule 61, Page 1 of 1, Workpaper 5.

## **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  
Comments**

**Docket No. G008/MR-15-728**

**Dated this 17<sup>th</sup> day of August 2015**

**/s/Sharon Ferguson**

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