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October 4, 2016

Daniel P. Wolf  
Executive Secretary  
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-16-741

Dear Mr. Wolf:

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

A Petition for Approval by CenterPoint Energy Minnesota Gas (CenterPoint or the Company) To Establish a New Base Cost of Gas in Compliance with the Minnesota Public Utilities Commission's (Commission) *Order* in CenterPoint's General Rate Filing in Docket No. G008/GR-15-424.

The Petition was submitted on September 8, 2016 by:

Kevin Marquardt  
Regulatory Analyst  
CenterPoint Energy  
505 Nicollet Mall  
Minneapolis, MN 55402

Based on its review, the Department recommends that the Commission **approve** CenterPoint's new base cost of gas to coincide with the implementation of final rates in Docket No. G008/GR-15-424.

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-16-741

**I. SUMMARY OF THE BASE COST OF GAS COMPLIANCE FILING**

CenterPoint Energy Minnesota Gas (CenterPoint or the Company) requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas in compliance with the Commission's *Order* in CenterPoint's general rate case proceeding, Docket No. G008/GR-15-424. On June 3, 2016, the Commission issued its *Findings of Fact, Conclusions of Law, and Order (June 3 Order)* concerning the rate increase request by CenterPoint. Ordering Paragraph No. 44b of the Commission's *June 3 Order* required the Company to submit within 30 days a revised base cost of gas and supporting schedules.

On June 23, 2016, CenterPoint filed a petition for reconsideration of parts of the *June 3 Order*, and the Department filed a reply to the Company's reconsideration petition on July 5, 2016. In its August 9, 2016 *Order (August 9 Order)*, the Commission denied the CenterPoint's request for reconsideration.

On September 8, 2016, CenterPoint submitted its *Base Cost of Gas Filing (Petition)* pursuant to the Commission's *June 9 Order*, Minnesota Rules 7825.2700, subpart 2, and Minnesota Rules 7825.3200(B).<sup>1</sup>

**II. DEPARTMENT'S ANALYSIS**

**A. BACKGROUND OF BASE COST OF GAS**

The total amount of gas costs for which ratepayers pay is the sum of the base cost of gas (base) and the Purchased Gas Adjustment (PGA):

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<sup>1</sup> On September 8, 2016, CenterPoint also filed its *Compliance Filing* in Docket No. G008/GR-15-424 which includes the same information for the base cost of gas as submitted in this docket.

Current recovery of gas costs in rates = base + PGA

The base is used as a reference point, which is set in a general rate case, for calculating the monthly PGA. The PGA provides a mechanism for utilities to pass through changes in gas costs automatically on a monthly basis. The base cost rate is updated with the implementation of interim rates in each general rate case to give customers better information about current gas costs at the time of the general rate proceeding. The base cost rate is also reviewed at the time of final rates to determine if it complies with Minnesota Rules and Commission Orders.

**B. COMPLIANCE WITH MINNESOTA RULES AND COMMISSION ORDERS**

Both the *June 3 Order* and Minnesota Rules 7825.2700, subpart 2, require CenterPoint to submit a new base cost of gas as part of the rate case compliance filing submitted as a result of a general rate case proceeding. The Department reviewed CenterPoint's base cost of gas filing, and notes that the per-therm demand and commodity cost figures used by the Company in its base cost of gas are the same as the figures filed by CenterPoint in its December 18, 2015 *Cost of Gas Compliance Filing* in Docket No. G008/MR-15-728. The Department compared the current calculations to prevailing gas costs and concludes that the proposed base costs do not appear unreasonable. The Department's review also indicates that the Company complied with the requirements of Minnesota Rules 7825.2700, subpart 2, by stating separately the demand base cost and commodity base cost components for each rate type (e.g., firm, dual fuel).

Based on its review, the Department recommends that the Commission approve CenterPoint's final base cost of gas calculation.

**III. SUMMARY AND RECOMMENDATIONS**

Based on its review, the Department recommends that the Commission approve CenterPoint's new base cost of gas to coincide with the implementation of final rates in Docket No. G008/GR-15-424.

/ja

## **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-16-741**

**Dated this 4<sup>th</sup> day of October 2016**

**/s/Sharon Ferguson**

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