

April 12, 2021

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. G008/MR-21-182 and G008/GR-19-524

Dear Mr. Seuffert:

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

A Petition by CenterPoint Energy Minnesota Gas (CenterPoint or the Company) to Establish a New Base Cost of Gas in Compliance with the Commission's Order in CenterPoint's General Rate Filing in Docket No. G008/GR-19-524.

The Petition was filed on March 12, 2021 by:

Andrew Sudbury
Manager, Regulatory Portfolio Management
CenterPoint Energy
505 Nicollet Mall
Minneapolis, Minnesota 55459-0038

The Department recommends that the Minnesota Public Utilities Commission (Commission) **approve** CenterPoint's base cost of gas filing to coincide with the implementation of final rates in Docket No. G008/GR-19-524.

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

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket No. G008/MR-21-182

I. BACKGROUND AND SUMMARY OF CENTERPOINT'S PROPOSAL

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, (CenterPoint, CPE, or the Company), requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas (BCOG) in compliance with the Commission's *March 1, 2021 Order Accepting and Adopting Agreement Setting Rates, and Initiating Development of Conservation Programs for Renters* (March 1 Order) in Docket No. G008/GR-19-524 (Docket 19-524). Ordering Paragraph No. 4a of the Commission's March 1 Order required the Company to submit within 30 days a revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.

On December 18, 2019, the Commission issued its *Order Setting New Base Cost of Gas* (BCOG Order) in Docket No. G008/MR-19-525 (Docket 19-525). In its BCOG Order, the Commission required the following:

1. The Company's application to establish a new base cost of gas is approved.
2. The Company shall file periodic updates on the commodity cost of gas in this docket and in the general rate case docket (Docket No. G-008/GR-19-524). The Company shall work with the Department and Commission staff to determine the appropriate timing for providing this information and whether this updated information should be applied to the base cost of gas.
3. This order shall become effective immediately.

On April 2, 2020, the Administrative Law Judge (ALJ) issued his *Third Prehearing Order* (ALJ PHO) that scheduled the update on the BCOG with a due date of August 12, 2020.

On August 12, 2020, CPE filed its update in compliance with the BCOG Order in Docket No. 19-525 and the ALJ's *Third Prehearing Order*.

On August 27, 2020, CenterPoint filed a Settlement on all contested issues other than the City of Minneapolis proposed Tariff-on-Bill Financing (TOB) program (Settlement).

On November 20, 2020, the ALJ issued his *Findings of Fact, Conclusions of Law and Recommendation to Approve the Parties' Settlements* (ALJ Report) in Docket No. 19-524.

On March 12, 2021, CPE submitted its Base Cost of Gas Filing (Petition) pursuant to the Commission's March 1 Order, Minnesota Rules part 7825.2700, subpart 2, and Minnesota Rules 7825.3200(B).¹

The Minnesota Department of Commerce, Division of Energy Resources' (Department) analysis of CenterPoint's Petition is presented below.

II. THE 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) rate:

$$\text{Current recovery of gas costs in rates} = \text{base} + \text{PGA}$$

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 March 1 Order and Minnesota Rule 7825.2700, subpart. 2, require CenterPoint to submit a new base cost of gas as part of its rate case compliance filing submitted as a result of a general rate case proceeding. The Company, in compliance with the BCOG Order in Docket No. 19-525, made changes during the rate case proceeding to the commodity and demand cost elements of the base cost of gas for its customer classes approved in the Commission's March 1 Order in docket 19-524.

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 the commodity base cost components for each rate type (i.e., firm and dual fuel).

The Department reviewed CenterPoint's current base cost of gas compliance filing for consistency with the Commission's March 1 Order. The Department notes that Supporting Sch C-1, Line 2 (Total sales figures for the different classes) of the Company's Compliance Filing in Docket No. G008/GR-19-524 and the instant Petition match the total sales figures the parties agreed upon in the general rate case and that was filed on September 17, 2020 in Attachment 2 of the Settlement filing.

¹ On March 12, 2021, CenterPoint also filed its Compliance Filing in Docket 19-524, which includes the same information for the base cost of gas as submitted in this docket.

However, these sales figures will not match the sales figures in supporting Schedules A-2 of the Petition given that the Company used its initially filed sales figures from the rate case in developing its updated BCOG. Additionally, parties to the Settlement agreed to this approach.

Thus, the Department recommends that the Commission approve CenterPoint's final base cost of gas calculation.

III. CONCLUSION AND RECOMMENDATIONS

As discussed above, the Department recommends that the Commission approve CenterPoint's new base cost of gas to coincide with the implementation of final rates in Docket 19-524.

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