July 1st, 2021

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 Seventh Place East, Suite 350
St. Paul, MN 55101

Re: In the Matter of the Petition of CenterPoint Energy for Approval for Recovery of a Natural Gas Extension Project Costs through Rate Base Treatment and for a New Area Surcharge for the Lake Jessie Project; Case No. 21-383.

COMMENTS OF THE MINNESOTA PROPANE ASSOCIATION

On behalf of the Minnesota Propane Association (MPA), which represents propane marketers, suppliers and equipment manufacturers across Minnesota, we appreciate the opportunity to provide comments in this case regarding CenterPoint Energy's application to expand its natural gas distribution system in Douglas County, Minnesota.

As a competing energy provider, the propane industry has a unique interest in CenterPoint's application to raise revenue from incumbent customers to pay for the extension of gas delivery infrastructure to new applicants in areas currently served by other energy sources. Our members provide clean-burning and critical energy to residential, commercial and agricultural customers in the state. Minnesota's propane industry generates more than $2.5 billion in economic activity annually – the third most of any state.[1]

CenterPoint is petitioning the Commission for approval of a natural gas expansion project that would extend utility service to new customers near Alexandria, Minnesota – the "Lake Jessie Project."[2] However, in order for the company to achieve its revenue requirement for the project, it needs additional revenue streams, such as those from a Natural Gas Extension Project (NGEP) Rider, to make

[1] https://www.npga.org/wp-content/uploads/2020/06/Minnesota_Propane-1-Pager_2020.pdf

[2] https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={A019EC79-0000-CA14-8B80-D2325CC6E66E}&documentTitle=20216-174853-01

the endeavor economically feasible and financially attractive to prospective customers.[3] As justification for this course of action, the utility references Minnesota Statute §216B.1638. This law allows a gas utility, in certain situations, to offset a portion of the costs to extend gas infrastructure to new customers by utilizing a financial rider that shifts those costs to its captive customer base. For this project specifically, CenterPoint proposes to recover 33 percent of the revenue deficiency via base rates that are paid for by current ratepayers.[4]

The company concedes that the new area surcharge (NAS), by itself, "would not generate results that would be acceptable to potential customers to encourage converting to natural gas." To this point, it is important that customers are made fully aware of all conversion costs, for which they would be liable, if they decide to transition to natural gas service. This information is vital so energy consumers can properly understand the costs, benefits and ramifications of any particular fuel switching decision.

Unfortunately, it is difficult to understand how much the Lake Jessie Project will actually cost, the size of the revenue deficiency, or how much incumbent gas customers are being asked to finance, because large portions of the filing have been redacted under the guise of trade secret data. Nobody disputes the fact that truly sensitive information may be omitted from utility filings to properly protect business operations. But the Commission should closely analyze these redactions to determine if they are indeed warranted. Being opaque and redacting too much data does not serve the public interest. In order to act like a monopoly and sell energy in an approved service area, there is an expectation that utilities adhere to strict regulatory and transparency requirements; it is simply part of the social contract that underpins their legitimacy as entities that are allowed to operate in a world free of traditional competition. Further, we contend that because the Public Utilities Commission is charged with ensuring utility services are reasonably and fairly priced, they have an overt responsibility to consumers to make sure that regulated companies are disclosing all information that properly belongs in the public arena.[5]

An important principle of utility ratemaking is cost causation. This principle dictates that utility costs should be assigned to the customers who cause the utility to incur them. In other words, those who are responsible for the costs, should pay for them. Compelling captive gas customers to pay for gas extension projects, like this one, unfairly shifts this cost burden. Existing ratepayers are saddled with higher energy bills even though they do not require an investment from the utility, nor are they responsible for it incurring a cost. Preferred rate design avoids subsidies and inter-customer cost shifting to ensure rates are fair, equitable and nondiscriminatory. The company's proposal in this docket is antithetical to these goals and would result in poor ratemaking.

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3 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={A019EC79-0000-CA14-8B80-D2325CC6E66E}&documentTitle=20216-174853-01

4 https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId={A019EC79-0000-CA14-8B80-D2325CC6E66E}&documentTitle=20216-174853-01

5 https://mn.gov/puc/about-us/

While Statute §216B.1638 may authorize, under certain conditions, subsidized line extensions, it does not absolve the Commission from its core ratemaking responsibilities or duty to protect energy consumers. Regulated utilities like CenterPoint should not be encouraged to finance the extension of natural gas service to new applicants by increasing rates on current customers to pay for it. CenterPoint should only engage in expansion projects that are truly economic and prudent investments from which the estimated revenues will cover the costs, including a profit for the utility in a reasonable time frame, without necessitating customer subsidies. Connecting new consumers to a utility's distribution system is a different type of infrastructure investment than a pipeline placed into service for the purpose of increasing fuel reliability or system security, and these costs should not be socialized amongst all incumbent customers. Rather, gas extension infrastructure should be paid for by the party receiving new service and to the degree appropriate, the utility itself. To do otherwise sends improper price signals to consumers and distorts utility decision-making.

Although enlarging the customer base may be advantageous to the utility's bottom line, forcing captive ratepayers, including households of limited means and those on fixed incomes to pay higher utility rates to finance the construction of gas infrastructure in this fashion is wrong. And of course, because utilities operate as monopiles in defined geographic areas, customers cannot shop around for competing service, so they are forced to swallow price increases.

Regarding the NGEP Rider and the concept of an "inadequately served area," if a Minnesotan is not connected to CenterPoint's delivery infrastructure, it should not be assumed that their energy needs are lacking or that they live in an area underserved by providers. For example, in Douglas County, where this project would take place, in addition to natural gas, residents currently use a variety of fuels to meet their unique heating and energy needs, including: electricity, propane, fuel oil, and wood.[6] Clearly, residents have an abundance of energy options.

The direct use of natural gas, just like the direct use of propane, is a clean and efficient way to receive energy. And to be clear, we have no issue with the expansion of gas service into new areas as long as project economics are sound and prospective customers pay their own way, just like propane customers do. However, if a potential investment requires an applicant to pay a contribution in aid of construction – or a new area surcharge – then it should generate sufficient monies to cover all revenue deficiencies stemming from the uneconomic portion of the pipeline extension.

Ratepayers are not the only parties harmed by subsidized gas expansion. This anticompetitive behavior is also detrimental to competing energy sources. Minnesota's propane industry does not socialize the costs of its gas delivery infrastructure in this fashion, yet must compete against entities that do. Propane's energy infrastructure is properly paid for by the industry and the customer receiving service. Therefore, if it is uneconomic to bring service to a potential applicant, then it likely will not happen.

CenterPoint believes that this project is in the public interest because, among other things, participating customers would benefit from lower energy bills, which would "free money for investment and

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https://data.census.gov/cedsci/table?q=home%20heating%20fuel&g=0500000US27041&tid=ACSDT5Y2019.B25040

purchases in the area, spurring economic development." While it is difficult to know if this prediction of positive economic development will come to pass, the Commission can be assured that if this expansion project is approved, in its current form, it will hurt Minnesota's propane industry and the workers it supports, today.

While the company is requesting expedited approval of its petition so it may be in a position to begin providing natural gas during the 2021-2022 heating season, we encourage the Commission to take adequate time to consider the costs, benefits and reasonableness of its request.[7] The utility's desire to trench pipe and establish service in time for winter should in no way pressure commissioners to feel that they must complete their analysis and evaluation in a hurried fashion to meet this arbitrary deadline.

As the Public Utilities Commission continues to evaluate CenterPoint's gas expansion proposal in this proceeding, we ask that you closely scrutinize it and, unless its proposed financing scheme is altered, reject the petition as it is contrary to good ratemaking principles, harms captive utility customers, and distorts the marketplace for competing energy sources, including propane.

Thank you again for the opportunity to provide comment.

Respectfully submitted,

Dave Wager

Dave Wager
Executive Director
Minnesota Propane Association

12475 273rd Ave NW
Zimmerman, MN 55398
dave@mnpropane.orgm
Telephone: 763-633-4271

[7] https://www.edockets.state.mn.us/EFiling/edockets/searchDocuments.do?method=showPoup&documentId=%7bA019EC79-0000-CA14-8B80-D2325CC6E66E%7d&documentTitle=20216-174853-01