

**STATE OF MINNESOTA
PUBLIC UTILITIES COMMISSION**

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In the Matter of the Consumer Appeal of Consumer
Complaint 82340

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

**Initial Comments of the Citizens Utility Board of Minnesota
and the Legal Services Advocacy Project**

The Citizens Utility Board of Minnesota (“CUB”) and the Legal Services Advocacy Project (“LSAP”) respectfully submit these Initial Comments in response to the Minnesota Public Utilities Commission’s (“Commission”) Notice of Comment Period issued on November 22, 2024 in the above-referenced matter.

I. Background

On October 16, 2023, a residential customer (the “Customer” or the “Complainant”) of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint” or the “Company”) submitted a complaint to the Minnesota Public Utilities Commission’s (the “Commission”) Consumer Affairs Office (“CAO”).¹ The Customer explained that her natural gas service was disconnected for non-payment, but she believed CenterPoint had erroneously applied portions of a previous payment she made toward an appliance repair plan and installment plan for a new furnace she purchased from the Home Service Plus (“HSP”) program, the Company’s unregulated business, rather than to her past due balance.² The Customer requested to have her bill recalculated with all payments being applied first to gas service, then to the unregulated business accounts; to be credited back the reconnection fee; and for CenterPoint to change the default order in which it applies payments, so that unregulated business charges are only paid once a customer’s balance owed to regulated natural gas service has been fully paid.

After reviewing the complaint and attempting to mediate between the Customer and CenterPoint, the CAO concluded the Complainant was entitled to the relief requested. CenterPoint disagreed and refused to take the action recommended. On April 14, 2024 the Customer filed a consumer appeal under Minn. Stat. § 216B.172, subd. 3(a), requesting Commission review.

¹ *In the Matter of the Consumer Appeal of Consumer Complaint 82340*, Docket No. G-008/C-24-191, CAO Case Record (May 22, 2024).

² *Id.*

On October 17, 2024 the Commission issued an Order Authorizing Informal Commission Proceeding on the Consumer Appeal,³ finding a reasonable basis to refer the Consumer's complaint to the full Commission for review:

The Complainant has raised significant questions about whether CenterPoint's practices in applying customer payments between utility-service and non-utility-service charges are just, reasonable, and consistent with applicable orders, rules, and law. The Commission will consider both the Complainant's request for relief with respect to her own account and the request that CenterPoint change its practice for all customers going forward.⁴

On November 15, 2024, CenterPoint filed a response to the Customer's appeal (the "Response").⁵ The Commission issued a Notice of Comment Period on November 22, 2024, initiating the instant comment period, asking what action the Commission should take on the consumer appeal.⁶

II. The Instant Complaint

CUB and LSAP reviewed the CAO Case Record, CenterPoint's Response, and the Excel spreadsheet filed as Exhibit A to CenterPoint's Response, containing a breakdown of the Customer's payment history and accounts since November 2020 (the "Spreadsheet"). CUB and LSAP understand that in 2020, the Customer purchased a new furnace from CenterPoint on an installment payment plan that required monthly payments of \$92.37. She was also paying monthly charges for an appliance repair plan through CenterPoint's HSP program. Both charges appeared on the Customer's monthly gas bill, along with the charges associated with her gas utility service. The gas service CenterPoint provides is part of the utility's regulated business, while HSP and the sale of appliances such as the new furnace are conducted as part of the Company's unregulated business.

By March 7, 2023, the Customer's gas service account was \$427.49 in arrears, plus an additional \$335.14 in new gas charges. On March 20, 2023, the Customer made a payment of \$273.39, bringing her gas arrears balance to \$154.10, with the \$335.14 in new charges remaining—a total of \$495.65 in her gas account balance.⁷

On April 4, prior to receiving her next bill, the Customer called CenterPoint and requested information about her account, including confirmation on whether the Company had received her payment of \$273.39 on March 20. As CenterPoint explains, she "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."⁸ However, rather than calculating the customer's remaining gas account balance at \$495.65, CenterPoint notified the

³ *In the Matter of the Consumer Appeal of Consumer Complaint 82340*, Docket No. G-008/C-24-191, Order Authorizing Informal Commission Proceeding on Consumer Appeal (Oct. 17, 2024).

⁴ *Id.* at 5-6.

⁵ *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 (Nov. 15, 2024) (hereinafter "CenterPoint Response to Consumer Complaint").

⁶ *In the Matter of the Consumer Appeal of Consumer Complaint 82340*, Docket No. G-008/C-24-191, Notice of Comment Period (Nov. 22, 2024).

⁷ This total also includes an additional \$6.41 late fee CenterPoint applied to her account.

⁸ CenterPoint Response to Consumer Complaint at 4.

Customer she owed \$131.84 on her current gas bill, which was the total for that month's charges of the furnace payment (\$92.37) and HSP plan (34.85). The Customer proceeded to make a payment for \$131.24 which CenterPoint allocated to the furnace installment plan only.

CenterPoint has admitted that "given the customer's intention expressed in the April 4 phone call, this payment should have been applied to the gas account."⁹ The Company notes it has "corrected" that misallocation and retroactively applied the payment to the Customer's gas account.

CenterPoint has also stated that the Company applies payments received from customers in the following default order: (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.¹⁰ The Customer's March 20 payment still left \$160.51 remaining in gas arrears for the month—before current gas charges. According to CenterPoint's allocation process, those arrears should have been paid before any unregulated business arrears. However, on March 27, 2023, prior to the Customer's April 4 phone call and payment, the Customer entered into a payment plan that set her payments at current consumption costs, plus \$25 per month towards arrears. CenterPoint claims that entering into the payment plan also resulted in her account reflecting a new "current gas charges" amount of \$256.80, with no arrears, payable in May 2023.

We note that the Spreadsheet does not clearly reflect that the \$256.80 payment plan was entered into prior to the Customer's April 4 call. But CenterPoint posits this is why the Customer's account did not automatically apply the April 4 payment to the remaining \$160.51 in gas arrears.

The Customer made no payments in May 2023, when CenterPoint states the first installment to her new payment plan was due.¹¹ CenterPoint then required the Customer pay the full gas balance to maintain service, a total of \$853.73.¹² Although the Customer submitted a payment for \$100 on June 15, 2023, CenterPoint disconnected her gas service later that month due to the remaining unpaid \$753.73 balance on her account.¹³

CenterPoint also claims that "[e]ven if th[e] \$131.24] payment had been applied to the gas account, it would not have changed the course of events 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."¹⁴ The Company attempts to argue that, even if the

⁹ *Id.*

¹⁰ *Id.* at 3.

¹¹ *Id.* at 4-5.

¹² The Customer had accumulated \$853.73 in past-due gas charges by May 2023. According to the Spreadsheet, the Customer missed a payment on her November 4, 2022 bill. She made a payment the following month, but still had \$71.77 remaining in arrears. She was then billed for \$459.33 in new gas charges in January. On January 5, the Customer made a payment of \$100, of which \$71.77 was applied to her gas arrears balance, and the remaining \$28.23 applied to her furnace plan arrears. On January 31, 2023, the Customer made a second payment for \$323, but none of it was applied to her gas account. The Customer made subsequent payments in March and April but not in sufficient amounts to clear her accumulated arrears balance, while consistently incurring new gas charges each month above \$300. This resulted in a total of \$853.73 accruing to her gas account balance by the May 4, 2023 billing cycle. *Id.*, Exhibit A.

¹³ *Id.* at 5.

¹⁴ *Id.*

\$131.24 payment was applied to the Customer's gas arrears balance correctly, that amount plus the Customer's later \$100 payment was still insufficient to cover the \$256.80 due in May—and it was that failure to pay that subsequently resulted in her disconnection.

However, CenterPoint's argument fails to account for the fact that the Customer's inadequate payment of only \$131.24 was a direct result of the Company's misinformation regarding her gas arrears balance. The Customer proactively called CenterPoint to determine how much money was owed on her gas account, and subsequently paid the exact amount CenterPoint told her was owed:

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. The customer determined she wanted to pay that amount, and the representative transferred her to the automated payment system to make that payment.¹⁵

If CenterPoint had provided the correct information to the Customer during her April 4 phone call, where she *explicitly* asked to pay the remaining balance on her gas bill, the Customer's gas arrears may have been cleared going into the next month. We cannot know for certain what would have happened in the months following had the Customer's arrears been removed at that time. However, facing a much lower gas bill with only the current charges accumulated would have resulted in a significant difference for the Customer's remaining balance in June—only \$358.08 compared with \$853.73. To definitively say the disconnection would have happened regardless of CenterPoint's error ignores the very real difference that amount could have made for the Customer, and cannot be conclusively determined.

We appreciate CenterPoint's willingness to refund the Customer's late fees of \$93.72, insufficient funds fee of \$10, and reconnection fee of \$28.¹⁶ However, CUB and LSAP disagree with the Company's assertion that the issue hinges solely on the misallocation of the April 4 payment. While we do not take a position on the relief requested by the Customer as it applies only to the instant complaint at this time, we are concerned by CenterPoint's broader policies and practices central to this case. Therefore, we support the Customer's request to modify CenterPoint's default practice of applying payments to the Company's unregulated business accounts before customer's current gas charges. Our comments and recommendations below focus on that requested relief and broader policy implications of the case.

III. CenterPoint Policies and Practices

There are several underlying issues inherent in the consumer complaint that cause CUB and LSAP great concern. The policies employed by CenterPoint prioritize payments for goods and services not

¹⁵ *Id.* at 4.

¹⁶ *Id.* at 5.

subject to Commission oversight and result in the commingling of regulated and unregulated business funds. Engaging in such practices generates significant confusion and could increase the likelihood of involuntary residential disconnections. As detailed more fully below, we recommend the Commission take immediate action to increase transparency and reduce the potential for adverse customer impacts.

A. Regulated and unregulated utility businesses must be adequately separated to protect ratepayers.

The Commission has consistently upheld the importance of separation between regulated and unregulated utility businesses. As captured in the Commission's Order Setting Filing Requirements in Docket No. E,G-999/CI-90-1008, utilities' "[d]iversification into affiliated operations . . . holds the possibility of harm to . . . ratepayers" as there is a "natural impetus to shift costs from the nonregulated to the regulated operation, where costs are covered in rates, or to not acknowledge benefits to the nonregulated entity from joint operations."¹⁷ In rendering its decision in that docket, the Commission established accounting and cost allocation principles to reduce the risk of cross-subsidization.¹⁸

Beyond the shifting of costs, utility practices that blur the lines between regulated and unregulated businesses can have severely adverse consequences for individual customers, as is the case in this proceeding. The Commission has promulgated rules prohibiting the disconnection of utility service for nonpayment of merchandise, appliances, or services received from non-utility businesses.¹⁹ Customers must be adequately apprised of the distinction between these entities—and their rights under Commission rules. Company policies that fail to reasonably distinguish between regulated and unregulated business enterprises therefore dilute this protection and must be modified.

B. At a minimum, the Commission should require CenterPoint to modify the default method by which payments are applied to balances owed for regulated service.

The default order in which payments are applied should be updated to prioritize regulated utility services and minimize the potential for residential disconnection. Unless directed otherwise, the Company's policy is to apply customer payments first to gas arrears, followed by unregulated business arrears, and finally, to any balances currently owed.²⁰ This means that even if a customer has a current gas balance on their account, funds are diverted to pay for merchandise or Home Service Plus arrears before being applied to utility services. Employing this methodology as the default payment process increases the risk that customers will be subject to future gas service arrears, will be unable to meet payment agreement terms, or will have their service terminated.

¹⁷ *In the Matter of an Investigation into the Competitive Impact of Appliance Sales and Service Practices of Minnesota Gas and Electric Utilities*, Docket No. E,G-999/CI-90-1008, Order Setting Filing Requirements at 3 (Sep. 28, 1994).

¹⁸ *Id.* at 6-8.

¹⁹ Minn. R. 7820.1300.

²⁰ CenterPoint Response to Consumer Complaint at 3, 8.

By “allocat[ing] payments to HSP arrears, after gas arrears”²¹ CenterPoint is prioritizing the recovery of unregulated costs from customers. Under this approach, a customer could provide payment in an amount sufficient to satisfy all outstanding arrears and balances for gas services, but nonetheless accrue additional gas service arrears at the end of the month. In the hypothetical example detailed below, a customer payment of \$200 is first applied to gas arrears, followed by HSP arrears, and finally, to the customer’s current gas bill. By applying the payment to HSP arrears before regulated services, the customer is left with an outstanding gas bill at the end of the month. This amount is then converted into an arrearage balance during the next billing cycle.

<i>First Billing Cycle</i>					
	Customer Payment	Regulated Gas Service		Unregulated Merchandise and Home Service Plus Services	
		Arrears	Current Bill	Arrears	Current Bill
		\$50	\$150	\$100	\$125
	\$200	- \$50	- \$50	- \$100	- \$0
Outstanding Balances		\$0	\$100	\$0	\$125
Arrears Next Billing Cycle		\$100		\$125	

Under this allocation methodology, a customer could see increased gas arrears—and potential late fees—any time they provide partial payment of the combined gas service and HSP amounts owed. This is particularly concerning given the prohibition against disconnecting customers for “failure to pay for merchandise, appliances, or services not approved by the commission as an integral part of the utility service.”²² While CenterPoint is unable to conduct disconnections for unregulated arrearages, prioritizing payments towards those balances offsets the amount paid towards regulated gas service. This in turn increases gas service arrears, for which disconnection is permitted. In other words, CenterPoint’s prioritization of HSP arrears increases the likelihood that customers will be disconnected from service.

These concerns are further compounded if HSP customers are also enrolled in CenterPoint’s gas affordability program (“GAP”). GAP participants are protected against disconnection if they stay current with their bills, but can be terminated from the program if they “fail[] to pay two consecutive

²¹ *Id.* at 8.

²² Minn. R. 7820.1300.

monthly payments in full.”²³ We are concerned that CenterPoint’s payment allocation process makes it more likely that customers will be removed from GAP. Rerouting payments towards unregulated business arrearages reduces the amount applied to gas charges currently due, thereby risking customers not paying their monthly balance “in full.” In other words, prioritizing HSP arrears over currently due gas bills could cause customers to become noncompliant with the conditions of their GAP participation. Removal from GAP would then render the customer subject to “regular collection practices including the possibility of disconnection.”²⁴ Given this concerning interplay between GAP and the Company’s allocation methodology, we request that CenterPoint provide additional information about how payments are prioritized for customers enrolled in affordability programs.

Lastly, it is possible that some Low-Income Home Energy Assistance Program (LIHEAP) recipients have chosen to enroll in HSP, despite the fact that LIHEAP recipients may be eligible for help repairing or replacing their heating systems.²⁵ This raises questions about how energy assistance payments are applied, and whether the Company maintains the same allocation methodology when LIHEAP funds are at issue. We request CenterPoint provide clarification about the order in which LIHEAP funds are allocated if participants are enrolled in HSP.

In sum, CenterPoint’s current payment allocation methodology increases disconnection risks for residential customers and must be modified. We strongly recommend CenterPoint be ordered to establish a default process by which payments are applied to gas service arrears and bills prior to any unregulated balances. While customers could choose to modify allocation priorities under this approach, the default methodology would better protect customers from disconnection.

C. Additional transparency should be required regarding the distinction between CenterPoint’s regulated and unregulated gas businesses and the Company’s policies related to payments and disconnection.

Given the overlap between CenterPoint’s regulated and unregulated businesses, and the opacity of its payment policies, we recommend the Commission require the Company to prominently display its disconnection, payment agreement, and billing practices on its website and share with customers the protections afforded them by Minnesota laws and rules. These sorts of policies are often shielded from public view, hindering customers’ ability to understand how payments are applied, how down payment amounts are calculated, or how disconnection processes function. Providing additional transparency would better facilitate customer awareness of this critical information.

In Docket No. E-002/M-24-27, Xcel was recently required to file its disconnection and payment agreement policies with the Commission, and submit additional filings whenever those policies are

²³ CenterPoint Energy, *Gas Rate Book § V, Twentieth Revised Page 25.a* (effective Feb. 9, 2024), <https://www.centerpointenergy.com/en-us/Documents/RatesandTariffs/Minnesota/MN-Tariff-Book.pdf>.

²⁴ *Id.*

²⁵ Minn. Dep’t of Comm., *Get Help with Energy Emergencies* (last accessed Dec. 13, 2024), <https://mn.gov/commerce/energy/consumer-assistance/energy-assistance-program/emergencies.jsp>.

revised. In addition, Xcel was ordered to publish plain language descriptions of these policies on its website and share information regarding customers' rights to payment plans that account for their individualized financial circumstances. CenterPoint does not include this information on its website, nor does it provide a disclaimer about the distinction between its gas utility and HSP services. We recommend CenterPoint be required to prominently post on its website the same information required of Xcel, as well as additional language denoting the difference between its regulated and unregulated businesses.

Specifically, we recommend that, within 30 days of Order issuance, CenterPoint be required to file in Docket No. E,G-999/PR-YR-02 its disconnection, payment agreement, and billing practices. CenterPoint should likewise be ordered to clearly articulate the following information on its website:

1. The costs of gas service are subject to regulation, while payments for merchandise and HSP services are not subject to the same regulatory oversight;
2. Merchandise and HSP arrears cannot form the basis for customer disconnection;
3. The default order in which customer payments are applied, and what actions a customer must take to adjust these payment allocations;
4. The manner in which disconnections are carried out, including any threshold arrearage balance used to determine whether a customer is liable for disconnection;
5. Payment agreement requirements employed by the Company, including the methodology used to determine the down payment amount requested from customers.

We also recommend CenterPoint be required to publish the following language about customer rights in a conspicuous place on its website:

1. Under Minnesota law, CenterPoint customers are entitled to a payment agreement for the payment of arrears. This payment agreement must consider a customer's financial circumstances and any extenuating circumstances of the household.
2. If the payment agreement terms offered are not affordable to you, or if your household is facing financial or extenuating circumstances, you should contact a CenterPoint customer account representative at [PHONE NUMBER and/or EMAIL ADDRESS].
3. If you are unable to reach a mutually agreeable arrangement with a customer account representative, you may appeal the decision with the Minnesota Public Utilities Commission's Consumer Affairs Office. The Consumer Affairs Office can be contacted at 651-296-0406 or 800-657-3782, or by email at consumer.puc@state.mn.us.

Any time these policies are modified, CenterPoint should update the language on its website and submit a compliance filing with the Commission. This additional information provides a level of transparency that will reduce customer confusion and frustration around the Company's payment and disconnection processes. Understanding the specifics of these policies will better enable customers to proactively address the allocation of payments and/or access assistance resources to minimize the potential for service termination.

IV. Conclusion

CUB and LSAP appreciate the opportunity to provide comments on this important issue. We remain deeply concerned about the specific customer complaint in question, and believe the recommended course of action will help to alleviate the potential that similar issues will arise again in the future. To summarize, we recommend the Commission order the following:

1. CenterPoint must modify its default allocation of payments such that all payments received from customers must first be applied to current regulated natural gas service charges and next to arrears for regulated natural gas service before any payment amounts from customers are applied to charges related to any of CenterPoint's unregulated businesses.
2. Within 30 days of Order issuance, CenterPoint must file in Docket No. E,G-999/PR-YR-02 its disconnection, payment agreement, and billing practices, subject to any changes approved by the Commission.
3. CenterPoint must submit a compliance filing in Docket No. E,G-999/PR-YR-02 whenever the Company modifies its disconnection, payment agreement, or billing practices.
4. CenterPoint must post the following information in a conspicuous place on its website using easy-to-understand language:
 - a. The costs of gas service are subject to regulation, while payments for merchandise and HSP services are not subject to the same regulatory oversight;
 - b. Merchandise and HSP arrears cannot form the basis for customer disconnection;
 - c. The default order in which customer payments are applied, and what actions a customer must take to adjust these payment allocations;
 - d. The manner in which disconnections are carried out, including any threshold arrearage balance used to determine whether a customer is liable for disconnection;
 - e. Payment agreement requirements employed by the Company, including the methodology used to determine the down payment amount requested from customers.
5. CenterPoint must post the following language in a conspicuous place on its website:
 - a. Under Minnesota law, CenterPoint customers are entitled to a payment agreement for the payment of arrears. This payment agreement must consider a customer's financial circumstances and any extenuating circumstances of the household.
 - b. If the payment agreement terms offered are not affordable to you, or if your household is facing financial or extenuating circumstances, you should contact a CenterPoint customer account representative at [PHONE NUMBER and/or EMAIL ADDRESS].
 - c. If you are unable to reach a mutually agreeable arrangement with a customer account representative, you may appeal the decision with the Minnesota Public Utilities Commission's Consumer Affairs Office. The Consumer Affairs Office can be contacted at 651-296-0406 or 800-657-3782, or by email at consumer.puc@state.mn.us.

Sincerely,

December 23, 2024

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