

September 29, 2016

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/GR-15-424

Dear Mr. Wolf:

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

Compliance Filing submitted by CenterPoint Energy Resources Corporation d/b/a CenterPoint Energy Minnesota Gas (CPE or the Company), pursuant to the Minnesota Public Utilities Commission's (Commission) June 3, 2016 *Findings of Fact, Conclusions, and Order*

The Compliance Filing was submitted on September 8, 2016 by:

Peggy Sorum
Manager, Regulatory Financial Activities
CenterPoint Energy
Minneapolis, Minnesota 55402

The DOC recommends **approval** of the Company's Compliance Filing. The DOC will separately address CPE's base cost of gas in Docket No. G008/MR-16-741. The DOC is available to answer any questions that the Commission may have.

Sincerely,

/s/ NANCY A. CAMPBELL
Financial Analyst

NAC/ja
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

**COMMENTS OF THE
MINNESOTA DEPARTMENT OF COMMERCE, DIVISION OF ENERGY
RESOURCES**

DOCKET No. G008/GR-15-424

I. INTRODUCTION

On June 3, 2016, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions, and Order* (Order) in the above-referenced docket concerning the request by CenterPoint Energy Resources Corporation d/b/a CenterPoint Energy Minnesota Gas (CPE or the Company) to increase natural gas rates in Minnesota. Ordering Paragraph No. 44 of the Commission's Order required CPE to submit certain information as discussed below.

On August 9, 2016, the Commission issued its *Order Denying Reconsideration*.

On September 8, 2016, CPE submitted its Compliance Filing in accordance with Ordering Paragraph No. 44 of the Commission's Order.

Pursuant to Ordering Paragraph No. 44 of the Order, the DOC submits these comments that address each compliance item.

II. THE DOC'S ANALYSIS OF THE COMPLIANCE FILING BY ORDERING PARAGRAPH

Ordering Paragraph No. 1 of the Commission's Order states that CPE is entitled to increase Minnesota jurisdictional revenues by \$27,541,000 to produce jurisdictional total gross revenue of \$817,092,000 for the test year ending September 30, 2016. Based on our review, the DOC concludes that the Company's financial schedules in the Compliance Filing incorporated the authorized amounts identified above.

Ordering Paragraph No. 44 of the Commission's Order requires that the Company include the following items in its Compliance Filing:

- a. Revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - i. Breakdown of Total Operating Revenues by type;
 - ii. Schedules showing all billing determinants for the retail sales (and sale for resale) of natural gas. These schedules shall include but not be limited to:
 1. Total revenue by customer class;
 2. Total number of customers, the customer charge and total customer-charge revenue by customer class; and
 3. For each customer class, the total number of commodity- and demand-related billing units, the per unit of commodity and demand cost of gas, the non-gas margin, and the total commodity- and demand-related sales revenues.
 - iii. Revised tariff sheets incorporating authorized rate-design decisions.
 - iv. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
- b. A revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
- c. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
- d. A schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective.
- e. Because final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.

Each of these items in Ordering Paragraph No. 44 is discussed below.

A. REVISED SCHEDULES OF RATES AND CHARGES

Ordering Paragraph No. 44(a), Subparts (i) and (ii) required the Company to provide revised schedules of rates and charges reflecting the Commission's revenue requirement and rate design decisions, including the information noted above. The Company provided this information in Schedules A through A-2c of its Compliance Filing.

The DOC reviewed Schedule A through A-2c of CPE's Compliance Filing. Based on our review, the DOC concludes that these schedules comply with the Commission's Order.

B. REVISED TARIFF SHEETS

Ordering Paragraph No. 44(a) Subpart (iii) required CPE to provide revised tariff sheets incorporating the Commission's authorized rate design decisions. The Company provided this information in Schedule A-3 of its Compliance Filing.

The DOC reviewed Schedule A-3 of CPE's Compliance Filing and notes that these schedules comply with the Commission's Order.

C. CUSTOMER NOTICES

Ordering Paragraph No. 44(a) Subpart (iv) required the Company to provide its proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing. The Company provided this information in Schedule A-4 of its Compliance Filing.

The DOC reviewed Schedule A-4 of CPE's Compliance Filing and notes that these schedules comply with the Commission's Order.

D. BASE COST OF GAS

Ordering Paragraph No. 44(b) required the Company to provide its revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented. The Company filed this information on September 8, 2016 in the instant petition in Schedule B and in Docket No. G008/MR-16-741. As noted in the cover letter to these comments, the DOC will separately address CPE's base cost of gas in in Docket No. G008/MR-16-741.

E. RATE RIDERS AND CHARGES IN EFFECT

Ordering Paragraph No. 44(c) required the Company to provide a summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented. The Company provided this information in Schedule C of its Compliance Filing.

The DOC reviewed Schedule C of CPE's Compliance Filing and notes that these schedules comply with the Commission's Order.

F. CIP TRACKER

Ordering Paragraph No. 44(d) required the Company to provide a schedule detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective. CPE provided this information in Schedule D of its Compliance Filing.

In Schedule D of its Compliance Filing, CPE provided schedules detailing its CIP tracker account balance at the beginning of interim rates, revenues and costs recorded during the period of interim rates, and the CIP tracker account balance at the time final rates are assumed to become effective (December 2016). Since CPE assumed that final rates would be effective beginning December 2016, the DOC recommends that the Commission require CPE to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 10 days after the actual date final rates become effective.

CPE calculated its proposed CCRC of \$0.1928 per dekatherm by dividing total approved test-year CIP expense of \$28,032,002 by test-year sales volumes of 145,384,322 dekatherms. For the purpose of the proposed CCRC calculation, CPE calculated test-year volumes of 145,384,322 dekatherms by subtracting CIP exempt volumes of 33,800,188 dekatherms from total sales volumes of 179,184,510 dekatherms. These subtracted dekatherms are associated with large electric customer facilities and large energy facilities that have been granted exemptions by the Commissioner of the Department of Commerce and the Commission from participating in, or paying for, respectively, the Company's gas CIP. The DOC concludes that CPE's proposed calculation of its CCRC is in compliance with the Commission's Order. Thus, the DOC recommends that the Commission approve CPE's proposed CCRC of \$0.1928 per dekatherm to be applied to all customer classes except for approved CIP-exempt facilities.

G. INTERIM RATE REFUND PLAN

Ordering Paragraph No. 44(e) required the Company to provide a proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers.

On Schedule E-2 of its Compliance Filing, CPE proposed to refund with interest the difference between the approved interim rate level of \$47,808,000 and the final approved revenue increase of \$27,541,000, resulting in a \$20,267,000 refund prior to adjustments. CPE then used the \$20,267,000 divided by \$46,258,502, which is the estimated interim rate revenues expected to be collected through November 2016 as shown on Schedule E-3, resulting in an approximate 43 percent refund factor. The \$46,258,502 times the refund factor results in the refund amount of \$19,609,904 before interest. CPE on Schedule E-3 shows \$457,798 in interest on the refund amount based on using a 3.25 to 3.5 percent interest rate in its refund calculation, resulting in a total refund obligation of \$20,067,702.

In summary, CPE's schedules show an estimated total refund obligation of \$20,067,702 and a refund factor of approximately 43 percent. CPE stated that these schedules will be updated when actual interim revenues billed are known. CPE also stated that:

For every customer assessed an interim rate charge, a refund will be calculated based on each customer's assessed interim rate charge multiplied by approximately 43% (see attached schedule A). Applicable franchise fees and sales taxes will be applied to the refund amount. Existing customers will receive a bill credit. Customers due a refund who are no longer CenterPoint Energy customers will receive a check if the refund amount is at greater than \$2.00. Unrefunded monies will be handled in accordance with Minn. Statute 345.34.

Refunds will be credited to accounts or checks issued as close as possible to the implementation of final rates for all eligible customers. It is anticipated that interim rate refunds will be applied to accounts starting the first week of December 2016.

The DOC reviewed CPE's refund proposal and agrees that it is appropriate to apply a 43 percent refund rate to the interim rates actually billed. As required by Minnesota Rules part 7825.3300, CPE will apply interest at the average prime rate to the refund of interim rates.

Based on our review, the DOC concludes that the refund plan complies with Ordering Paragraph No. 44. Therefore, the DOC recommends that the Commission approve CPE's refund plan. Additionally, the DOC recommends that the Commission require CPE to submit, within 10 days of the completion of the refund for all of its customers, a compliance filing that separately shows the actual refunds and interest paid by rate class including supporting calculations.

III. SUMMARY OF THE DOC'S RECOMMENDATIONS

In conclusion, the DOC recommends that the Commission:

- 1) approve CPE's proposed tariffs;
- 2) approve CPE's proposed CCRC of \$0.1928 per dekatherm to be applied to all customer classes except for approved CIP-exempt facilities;
- 3) require CPE to resubmit the CIP tracker account (including rates, revenues, expenses, and ending balance) for the entire period that interim rates were in effect within 10 days after the actual date final rates become effective;
- 4) approve CPE's refund plan; and
- 5) require CPE to submit, within 10 days of the completion of the refund for all of its customers, a compliance filing that separately shows the actual refunds and interest paid by rate class including supporting calculations.

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/GR-15-424

Dated this 29th day of September 2016

/s/Sharon Ferguson

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
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