

October 8, 2014

Burl W. Haar  
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-13-316

Dear Dr. Haar:

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

A 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 9, 2014 *Findings of Fact, Conclusions of Law, and Order*; and the August 15, 2014 *Order Granting Request for Clarification*.

The Compliance Filing was submitted on September 8, 2014 by:

Peggy Sorum  
Manager, Regulatory Financial Activities  
CenterPoint Energy  
800 LaSalle Avenue, 15th Floor  
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-14-766. The DOC is available to answer any questions that the Commission may have.

Sincerely,

/s/ MARK A. JOHNSON  
Financial Analyst

MAJ/lt  
Attachment

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

COMMENTS OF THE  
MINNESOTA DEPARTMENT OF COMMERCE  
DIVISION OF ENERGY RESOURCES

DOCKET No. G008/GR-13-316

**I. INTRODUCTION**

On June 9, 2014, the Minnesota Public Utilities Commission (Commission) issued its *Findings of Fact, Conclusions of Law, 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. 29 of the Commission's Order required CPE to submit certain information as discussed below.

On August 15, 2014, the Commission issued its *Order Granting Request for Clarification*. The Commission's order denied the Minnesota Department of Commerce, Division of Energy Resources' (DOC or Department) request for reconsideration, except for the limited purpose of clarifying the Small Volume Dual Fuel Transportation customer charges.

On September 8, 2014, CPE submitted its Compliance Filing in accordance with Ordering Paragraph No. 29 of the Commission's Order.

Pursuant to Ordering Paragraph No. 29 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 \$32,943,000 to produce jurisdictional total gross revenue of \$882,470,000 for the test year ending September 30, 2014. 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. 3 requires the Company to work with the parties and interested stakeholders to develop and file, within 60 days of the date of the order, a compliance filing

that includes proposals for both an annual evaluation plan and a comprehensive, effective and meaningful education and consumer outreach program that sets forth the goals of, and explains, the pilot Revenue Decoupling Rider that will be implemented July 1, 2015. The Company stated on page 2 of its Compliance Filing that it will provide the required information on Wednesday, October 15, 2014

Ordering Paragraph No. 29 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:
  1. Breakdown of Total Operating Revenues by type;
  2. 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:
    - a) Total revenue by customer class;
    - b) Total number of customers, the customer charge and total customer charge revenue by customer class; and
    - c) 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.
- B. Revised tariff sheets incorporating authorized rate design decisions.
- C. Proposed customer notices explaining the final rates, the monthly basic service charges, and any and all changes to rate design and customer billing.
- D. A revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
- E. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
- F. 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.
- G. 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. 29 is discussed below.

*A. REVISED SCHEDULES OF RATES AND CHARGES*

Ordering Paragraph No. 29(A), Subparts (1) and (2) 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 that review, the DOC notes that CPE adjusted the revenue apportioned to the firm classes by proportionately allocating the non-CCRC approved increase based on the overall proposed revenue apportionment (*i.e.*, 67.49% for the residential class, 2.86% for the C&I-A Class, etc.). The result of this methodology is that some firm class, such as the residential class, are allocated a lower percentage of the total revenue requirement than initially proposed by CPE and approved by the Commission, while other classes, such as the C&I-B and C&I-C classes, are allocated a higher percentage. Further, the resulting increases to the C&I-B and C&I-C classes are greater than those initial proposed by CPE despite a lower approved revenue requirement than proposed. As this result may be inconsistent with the Commission's Order, the DOC recommends that CPE provide an additional revenue apportionment that more closely reflects the initially proposed apportionment. The DOC suggests that one option would be to adjust the initially proposed increase to each firm class by the proportion of the non-CCRC increase approved by the Commission. This methodology would result in increases to each firm class that more closely reflect the initial proposed apportionment adjusted for the final approved revenue requirement.

*B. REVISED TARIFF SHEETS*

Schedule B of the Compliance Filing responded to Ordering Paragraph No. 29(B), which required CPE to provide revised tariff sheets incorporating the Commission's authorized rate design decisions.

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

*C. CUSTOMER NOTICES*

Ordering Paragraph No. 29(C) 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. However, the Commission also stated in Ordering Paragraph No. 29 that parties need not comment on the Company's proposed customer notices. Accordingly, the DOC does not have a specific recommendation on these notices.

*D. BASE COST OF GAS*

Ordering Paragraph No. 29(D) 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, 2014 in the instant petition and in Docket No. G008/MR-14-766. 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-14-766.

*E. RATE RIDERS AND CHARGES IN EFFECT*

Ordering Paragraph No. 29(E) 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 E of its Compliance Filing.

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

*F. CIP TRACKER*

Ordering Paragraph No. 29(F) 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 F of its Compliance Filing.

In Schedule F 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 2014). Since CPE assumed that final rates would be effective beginning December 2014, 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 \$0.1849 per dekatherm by dividing total approved test-year CIP expense of \$24,664,167 by test-year sales volumes of 133,401,104 dekatherms. For the purpose of the proposed CCRC calculation, CPE calculated test-year volumes of 133,401,104 dekatherms by subtracting 25,834,190 dekatherms from approved test-year volumes of 159,235,294 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 \$0.1849 per dekatherm to be applied to all customer classes except for approved CIP-exempt facilities.

*G. INTERIM RATE REFUND PLAN*

Ordering Paragraph No. 29(G) required the Company to provide a proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers.

In Schedule G of its Compliance Filing, CPE proposed to refund with interest the difference between the approved interim rate level (\$42,917,000) and the final approved revenue increase (\$32,943,000) with adjustments related to the reconnect fees and prior rate case expenses.

CPE's schedules show an estimated total refund obligation of \$14,259,876 and a refund factor of approximately 25 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 25% (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 2014.

The DOC reviewed CPE's refund proposal and agrees that it is appropriate to apply a 25 percent refund rate to the interim rates actually billed. The DOC also agrees with CPE's proposed adjustments for reconnect fees and prior rate case expenses. 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. 29(G). 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) consider whether CPE's proposed revenue apportionment and resulting tariffs are consistent with the Commission's Order or if an alternative revenue apportionment is more appropriate;
- 2) approve CPE's proposed CCRC of \$0.1849 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.

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## 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-13-316**

Dated this 8<sup>th</sup> day of October 2014

**/s/Sharon Ferguson**



First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street  Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave FL 14  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Mary	Holly	mholly@winthrop.com	Winthrop & Weinstine, P.A.	225 S Sixth St Ste 3500  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Karen	Olson	karen.olson@ag.state.mn.us	Office of the Attorney General-RUD	1400 Bremer Tower 445 Minnesota St St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
LauraSue	Schlatter	LauraSue.Schlatter@state.mn.us	Office of Administrative Hearings	600 North Robert Street  St. Paul, Minnesota 55101	Paper Service	Yes	OFF_SL_13-316_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue PO Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_13-316_Official CC Service List
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List