

September 13, 2021

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

RE: **LATE-FILED Response of the Minnesota Commerce Department, Division of Energy Resources to Request for Reconsideration**
Docket No. G008/M-20-565

Dear Mr. Seuffert:

The Minnesota Commerce Department, Division of Energy Resources (Department), respectfully requests that the Commission accept this late-filed response to a request for reconsideration in the following matter:

CenterPoint Energy Minnesota Gas' (CenterPoint or the Company) Request for Change in Demand Units (Petition).

This letter delineates the Department's position regarding CenterPoint's request for reconsideration in the instant docket.

Introduction

The Minnesota Public Utilities Commission (Commission) issued its ORDER ACCEPTING DEMAND ENTITLEMENT LEVEL AND DISALLOWING RECOVERY OF CERTAIN COSTS on July 29, 2021 in this docket. In that ORDER at order point 3 the Commission authorized CenterPoint to recover the Northern Natural Gas (NNG) Contribution in Aid to Construction (CIAC) for an interstate pipeline expansion through the Company's purchased gas adjustment (PGA). In that same ORDER at order point 4, the Commission disallowed recovery of an amount equal to \$2,273,638 of the Northern Natural CIAC. The provenance of this disallowance was a Department Net Present Value (NPV) analysis that compared CenterPoint's preferred CIAC recovery of collecting approximately \$50 million from its ratepayers over a 10-month period from July 2020 through April 2021 and an alternative whereby NNG financed the CIAC and recovered those costs from CenterPoint's ratepayers over a period of 14 years beginning in November 2021.

CenterPoint's Request

CenterPoint explained in its Request for Reconsideration filed August 18, 2021:¹

Since the Commission's deliberations on this matter, the Company and NNG have continued discussions regarding the Company's payment of the CIAC and agree that the current CIAC can be returned to the Company and a new agreement entered into that reflects the fourteen-year NNG-financed option found by the Commission to be the better option for customers. footnote omitted Implementing this NNG-financed option for payment of this necessary demand entitlement can be accomplished through the following steps:

1. NNG would return the up-front nearly \$50 million CIAC payment to the Company;
2. The refunded payment would be applied to the Company's purchased gas adjustment (PGA) upon Commission reconsideration of the Order and approval of the revised payment structure preferred by the Commission and the Department;
3. The Company would pay for the new construction over fourteen years, as previously offered by NNG;
4. The Company would begin recovery from its customers of the new payment structure to NNG effective November 1, 2021. footnote omitted

The Company also noted in that document that its PGA is currently under-recovered by almost \$90 million for the 2020-2021 heating season. The Commission's granting its request for reconsideration would have positive short-term financial benefits for ratepayers.

Department Response

The Department appreciates the Company's efforts to address this issue. From an economic perspective, the Department is largely indifferent between the option the Commission approved -- ratepayers paying the CIAC over 10 months with CenterPoint providing an additional \$2.73 million from shareholders via a disallowance, and the option the Company proposed in its request for reconsideration to refund the approximately \$50 million it has

¹ Request for Reconsideration, pages 3-4.

already collected from ratepayers and to enter into an agreement whereby NNG finances the CIAC and recovers those costs from CenterPoint and its ratepayers over 14 years. By the Department's estimates, those two options are roughly equal to ratepayers on a NPV basis.

The Department is also cognizant of the financial effects of the extraordinary natural gas costs currently under consideration related to the February 2021 price spikes. Any action that can reduce the PGA in the near-term is likely warranted.

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

Sincerely,

/s/ JOHN KUNDERT
Financial Analyst

JK/ja

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
Response to Request for Reconsideration**

Docket No. G008/M-20-565

Dated this 13th day of September 2021

/s/Sharon Ferguson

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