

Minnesota Public Utilities Commission
Staff Briefing Papers

Meeting Date: February 26, 2015 *Agenda Item # 3

Company: CenterPoint Energy

Docket No. G-008/GR-13-316
In the Matter of the Application of CenterPoint Energy Minnesota Gas for Authority to Increase Natural Gas Rates in Minnesota

Issues: (1) Should the Commission accept CenterPoint Energy’s proposed action plan for its revenue decoupling education and consumer outreach program?

(2) Should the Commission delegate to the Executive Secretary authority to approve CenterPoint’s revenue decoupling of customer notices, bill insert, fact sheets, frequently asked questions (FAQs) and other education and consumer outreach materials?

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Relevant Documents

Minnesota Public Utilities Commission
Findings of Fact, Conclusions and Order, pp. 43-49 and p. 57, paragraph 3 June 9, 2014
CenterPoint Energy, Revenue Decoupling Compliance FilingOctober 14, 2014

The attached materials are workpapers of the Commission Staff. They are intended for use by the Public Utilities Commission and are based upon information already in the record unless otherwise noted.

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Statement of the Issues

- (1) Should the Commission accept CenterPoint Energy's proposed action plan for its revenue decoupling education and consumer outreach program?
- (2) Should the Commission delegate to the Executive Secretary authority to approve CenterPoint's revenue decoupling of customer notices, bill insert, fact sheets, frequently asked questions (FAQs) and other education and consumer outreach materials?

Introduction

On June 9, 2014, the Commission issued its Findings of Fact, Conclusions and Order (Order) on CenterPoint Energy's general rate case, in Docket No. G-008/GR-13-316. The Order included approval of a new pilot *full* revenue decoupling program to be implemented July 1, 2015. Implementation was delayed until July 1, 2015 due to concerns about the possible effects on customers, including confusion about their bills and uncertainty about the relationship between decoupling and energy conservation efforts. For those reasons, CenterPoint, in conjunction with the Department and other interested stakeholders, were instructed to develop and implement a plan to help customers better understand the goals and functions of decoupling. The education and outreach program's objective is to mitigate potential customer confusion related to decoupling's effects on customer bills and its relationship to customer energy conservation.

Background

In 2007, the Minnesota legislature enacted Section 216B.2412, in which it defined an alternative approach to utility regulation – *decoupling*. The legislation directed the Commission to “establish criteria and standards for decoupling” to be adopted for the state's rate-regulated utilities. Section 216B.2412 authorized the Commission to allow one or more utilities “to participate in a pilot program to assess the merits of a rate-decoupling strategy to promote energy efficiency and conservation,” subject to the criteria and standards that the Commission established.

In CenterPoint's 2008 rate case, in Docket No. GR-08-1075, the Commission approved a pilot *partial* decoupling thus making the Company the first utility to participate in the pilot program. This partial decoupling program ran from July 1, 2010 and ending June 30, 2013 and applied to four customer classes: Residential, Commercial A, Commercial & Industrial B and Commercial & Industrial C.

In its 2013 rate case, in this docket, CenterPoint proposed implementation of a full decoupling mechanism and various stakeholders proposed that the Company implement partial decoupling instead. CPE rejected all partial decoupling proposals stating that it would prefer no decoupling over partial decoupling. One of the main reasons for CenterPoint's opposition to partial

decoupling is what it believes are “illogical results” under partial decoupling.¹ In its Order, the Commission ultimately approved full-decoupling and stated:

“The Commission will direct that the pilot program be in effect for three years and start on July 1, 2015. Before the program goes into effect, the Commission will require the Company to work with interested stakeholders to develop proposals concerning evaluation reports and an education and outreach program concerning the goals and operation of revenue decoupling.”²

The Order required the Company to file within 60 days of the Order’s date, a compliance filing that included the development of a comprehensive, effective, and meaningful education and consumer outreach program that sets forth the goals of, and explains, revenue decoupling.

CenterPoint’s compliance filing was filed on October 14, 2014.

CenterPoint Compliance Filing and Initiatives

On October 3, 2014, prior to its Compliance Filing, CenterPoint hosted an informational meeting at their Minneapolis offices to preview and discuss some of the ideas the Company had regarding decoupling education and outreach. In addition to CPE and Commission Staff, environmental intervenors were in attendance. Representatives from the OAG and the Department were invited but unable to attend.

At the meeting, CenterPoint indicated that it researched other decoupled utilities and non-profit organizations for ideas, but found very few examples of decoupling education and outreach programs. The Company also shared most of its action plan and the proposed initiatives that ultimately were the basis of the Compliance Filing and asked for input and critiques from everyone in attendance.

In its October 14, 2014 Compliance Filing, CenterPoint provided a 24-step action plan³ along with an estimated timetable for completion of most items:

1. Bill Insert with implementation of final rates for all customers (December 2014)
2. Carrier Envelope for monthly bills (December 2014)
3. Bill Insert with implementation of the revenue decoupling mechanism to all customers (July 2015)
4. Website updates (Ongoing, beginning December 2014)

¹ 2012’s weather-normalized, partial decoupling calculation showed that the Company had *over*-collected \$2.6 million when in fact, due to warmer than normal weather, the Company *under*-collected approximately \$20 million.

² MN Public Utilities Commission, Findings of Fact, Conclusions of Law and Order, issued June 9, 2014 in Docket No. G-008/GR-13-316, Page 49.

³ CenterPoint Energy, Revenue Decoupling Compliance Filing in Docket No. G-008/GR-13-316, Attachment 2, Pages 3-9.

5. Social Media Campaign (Ongoing, beginning first quarter 2015)
6. Customer Email (Spring 2015)
7. Customer Email (July 2015)
8. Customer Email (August 2016)
9. Interactive Web-based Communication Product (Second Quarter 2015)
10. Fact Sheet (First Quarter 2015)
11. General Newsletter Feature Article (September/October 2016 Issue)
12. Quarterly Newsletter for Commercial and Industrial Customers and Trade Allies Feature Article (January 2015 Issue)
13. Residential Trade Ally Marketing Meeting (September 2015)
14. Commercial Trade Ally Kick-Off Meetings (January/February 2015)
15. Seasonal Energy Management Seminars (SEMS) (September 2015)
16. Employee E-mail
17. Training Customer Service Representatives (CSRs)
18. FAQs for CSRs (December 2014)
19. Pocket card (December 2014)
20. Communication to communities served (December 2014)
21. New Customer Brochure updated (December 2014)
22. Bill Insert when decoupling factor appears on customer bills (September 2016)
23. Work with external organizations to educate and communicate about decoupling (Ongoing)
24. External Communication and Media

The Compliance Filing also included the table on the next page of the briefing papers:

Timing and Primary Messages of Communication Tactics Table⁴

Timing	Primary Message	Communication Tactic
December 2014 (Final Rates become effective)	<ul style="list-style-type: none"> ● Notify customers of new rates ● Explain interim rate refunds ● Introduce the new full decoupling pilot program 	<ul style="list-style-type: none"> ● Bill Insert ● Carrier Envelope for monthly bills ● Employee E-mail ● Training Customer Service Representatives ● FAQs for CSRs* ● Pocket cards * ● Communication to communities served
1st Quarter 2015	<ul style="list-style-type: none"> ● Continue to introduce the new full decoupling pilot program, including timeline of implementation ● Educate customers about decoupling 	<ul style="list-style-type: none"> ● Web site updates* ● Customer Email ● Fact Sheet* ● Quarterly Newsletter for Commercial and Industrial Customers and Trade Allies Feature Article ● Commercial Trade Ally Kick-Off Meetings ● Social Media Campaign*
2nd Quarter 2015	<ul style="list-style-type: none"> ● Continue educating customer about full decoupling ● Remind customer about the upcoming effective date of the Company's new full decoupling pilot program 	<ul style="list-style-type: none"> ● Interactive Web-based Communication Product*
July 2015 (Revenue Decoupling Pilot becomes effective)	<ul style="list-style-type: none"> ● Notify customers that the full decoupling pilot program is in effect ● Continue educating customers about full decoupling 	<ul style="list-style-type: none"> ● Bill Insert ● Customer Email ● Employee E-mail
3rd Quarter 2015	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Residential Trade Ally Marketing Meeting ● Seasonal Energy Management Seminars ● Training Customer Service Representatives
4th Quarter 2015	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Ongoing communication items*
1st Quarter 2016	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Ongoing communication items*
2nd Quarter 2016	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Training for Customer Service Representatives
September 2016 (Decoupling factor appears on customer bills)	<ul style="list-style-type: none"> ● Explain the decoupling factor on customer bills ● Continue educating customers about decoupling. 	<ul style="list-style-type: none"> ● Customer Email ● General Newsletter Feature Article ● Employee E-mail ● Bill Insert
3rd Quarter 2016	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Ongoing communication items*
4th Quarter 2016	<ul style="list-style-type: none"> ● Continue educating customers about decoupling 	<ul style="list-style-type: none"> ● Ongoing communication items*

* Materials will become available at the time specified in the chart; however, will be used on an

⁴ Ibid, page 10

ongoing basis throughout the implementation of the decoupling pilot program.

Staff Comments

By going beyond the “usual” informational methods (i.e., flyers, inserts, Company website info, etc.) and using a combination of social media, creating various, new print materials, tying into various stakeholders’ websites and producing an informational video, Staff believes that CenterPoint’s plan has complied with the Commission Order. Staff also found the Company’s 24-item action plan to be comprehensive in both content and breadth.

Staff found the following theoretical example of the decoupling impact on a customer that consumes 100 therms per month and reduces consumption by 5% to be particularly effective:

MODEST DECOUPLING ADJUSTMENT: SURCHARGE							Annual Bill Impact
Line No.	Description	Final Rate \$ / Therm	Year 1 Customer uses 100 /month	Year 2 Rate \$ / Therm	Year 2 w/ Decoupling	Year 2 w/ Decoupling Uses 5% less	(h = g - d)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h = g - d)
1	therms		1200		1200	1140	60
2	FIRM:						
3	<u>Residential</u>						
4	Basic Charge	\$9.50	\$9.50	\$9.50	\$9.50	\$9.50	\$0.00
5	Delivery Charge(w/o CCRA)	\$0.17744	\$212.93	\$0.17744	\$212.93	\$202.28	(\$10.65)
6	Decoupling Adjustment	\$0.00000	\$0.00	\$0.00800	\$9.60	\$9.12	\$9.12
7	GAP Charge	\$0.00519	\$6.23	\$0.00519	\$6.23	\$5.92	(\$0.31)
8	Cost of Gas	\$0.47740	\$572.88	\$0.47740	\$572.88	\$544.24	(\$28.64)
9	Total Effective Rate	\$0.66003	\$801.54	\$0.66803	\$811.14	\$771.06	(\$30.48)

Staff believes that this example’s brevity and ease of use addresses the common complaint of “why should I invest in efficiency, if my rates are then going to be raised?” This example shows that, despite the decoupling adjustment (surcharge), consumers that invest in energy saving home improvements or change their behavior to save energy will still pay less than what they would have otherwise paid *had they not invested in conservation or changed their behavior*.

Although Staff applauds CenterPoint’s efforts and all the parties’ feedback, Staff has concerns about how to best resolve disagreements about specific education and outreach materials. To date, there has been some disagreement about the content and language in the proposed Fact Sheet (item #10) and the proposed Frequently Asked Questions (FAQs) (item #18). Some of the

disagreement reflects differences of opinion about the merits of decoupling and its effect on other aspects of the Company's energy conservation efforts. Other disagreements involve tension between providing technically accurate information and the need to use plain language to explain complex information about revenue decoupling.

Because the Order instructs parties to work together in the plan's development, staff expects most of these disagreements will be resolved informally. However, there is no established or formal mechanism for resolving disputes. To facilitate the review of these materials, the Commission may want to consider delegating authority to the Executive Secretary to resolve disputes about the content and language used in CenterPoint's revenue decoupling education and outreach materials. This approach would be consistent with how approval of customer notices is handled in other dockets.

Decision Alternatives

1. Should the Commission accept CenterPoint Energy's proposed action plan for its revenue decoupling education and consumer outreach program?
 - A. Accept CenterPoint's proposed action plan for its education and consumer outreach program.
 - B. Modify CenterPoint's proposed action plan for its education and consumer outreach program.
 - C. Reject CenterPoint's proposed action plan for its education and consumer outreach program.
 - D. Take no action.
2. Should the Commission delegate to the Executive Secretary authority to approve CenterPoint's revenue decoupling of customer notices, bill insert, fact sheets, frequently asked questions (FAQs) and other education and consumer outreach materials?
 - A. Delegate to the Commission's Executive Secretary authority to resolve any disputes that arise involving the materials used in CenterPoint's revenue decoupling action plan for education and consumer outreach.
 - B. Do not delegate authority to the Commission's Executive Secretary and require full Commission approval of all materials used in CenterPoint's revenue decoupling action plan.
 - C. Take no action.