

April 24, 2015

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

**RE: Supplemental Response Comments of the Minnesota Department of Commerce,  
Division of Energy Resources  
Docket No. G008/M-14-561**

Dear Mr. Wolf:

This letter serves as the Supplemental Response Comments of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A request by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint, CPE, or the Company) for approval of the Minnesota Public Utilities Commission (Commission) of a change in demand units effective November 1, 2014.

On July 1, 2014, CenterPoint filed a petition requesting a change in demand units (Petition).

On October 2, 2014, the Department filed its Comments recommending that the Commission approve CenterPoint's proposed level of demand entitlement subject to supplemental filing(s) by the Company and to accept the design-day level proposed by CPE. Also, the Department requested that CenterPoint use its regression point estimate in future demand entitlement filings and to provide a detailed discussion in Reply Comments regarding its proposed allocation of its two new storage contracts.

In its October 13, 2014 Reply Comments, CenterPoint provided additional information on its proposed allocation of its storage contracts. The Company also provided a discussion on why using the upper-bound of its design-day analysis was more accurate than using its regression point estimate.

On October 31, 2014, CenterPoint filed Supplemental Information. Since July 1, 2014, the Company updated:

- its Base/Variable split;
- the discounted winter rate to conform with changes under the discount agreement;
- the rate for the commodity credit to conform with new annual charge adjustment (ACA) rates;

- the Viking Gas Transmission Co. (Viking) pipeline rate following renegotiation of entitlement units that expired on 10/31/2014;
- the new entitlement on Trailblazer Pipeline, needed to move Natural Gas Pipeline Company of America (NGPL) gas from storage;
- the seasonal reservation schedule for the 2014/2015 winter season;
- the NGPL cost allocation between Firm and Small Volume Dual Fuel (SVDF) due to changes in sales estimates;
- the propane costs to rate case values; and
- annual Firm sales volume to the Firm sales estimate used in the rate case.

On December 30, 2014, the Company filed additional Supplemental Information. In this filing, CenterPoint updated its Base/Variable split and updated the Viking rate based on the new rates under the Viking Rate Case Settlement Agreement approved by the FERC.

On March 18, 2015, the Department filed its Response Comments. The Department reviewed the October and December supplement filings and concluded that most of the proposed changes were reasonable. Of concern were two changes from the October 31, 2014 Supplemental Filing. The Department requested that the Company provide additional information on the uncertainty in the Viking rate case which led to a shorter and more expensive contract. Further, because CPE implemented the rate case annual demand volumes in its November 1, 2014 PGA rather than matching implementation with the December 1, 2014 implementation of final rates, the Department also recommended that CenterPoint file a request for a variance to Minnesota Rule 7825.2700, subp. 5 for the early implementation of annual demand volumes set in its most recent rate case.

On March 30, 2015, CenterPoint filed Supplemental Reply Comments, which provided a detailed discussion of the uncertainty in the Viking rate case that led to CPE executing a shorter and more expensive contract. In addition, at the recommendation of the Department, CPE provided information to vary Minnesota Rule 7825.2700, subpart 5.

The Department appreciates CenterPoint's discussion regarding the shorter Viking contract and has no further concerns at this time.

Upon reviewing the discussion CenterPoint provided regarding the potential variance of Minnesota Rule 7825.2700, subpart 5, the Department realized that the Commission had previously issued an order clarifying the use of rate case test year volumes for the monthly demand adjustment. In the 2011 Annual Automatic Adjustment (AAA) Report,<sup>1</sup> the Department expressed concerns with the inconsistency in which the natural gas utilities were applying the test year volumes. In its October 17, 2013 *Order Accepting Gas Utilities' Automatic Adjustment Reports and True-Up Proposals, Clarifying Requirements, and Setting Further Requirements* (2011 AAA Report Order), the Commission stated the following,

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<sup>1</sup> In the Matter of the Review of the 2010-2011 Annual Automatic Adjustment Reports and Annual Purchased Gas Adjustment True-Up Filings in Docket No. G999/AA-11-793.

To calculate this adjustment, Minn. R. 7825.2700, subp. 5, directs the utility to consider the “test year demand volumes for three years after the end of the utility’s most recent general rate case test year.” But the Department found that many utilities calculate the adjustment on the basis of the first three years *after new rates took effect*, rather than the three years *following the end of the rate case test year*. The Department recommends that the Commission direct the utilities to comply with the rule as written or seek a variance.<sup>[2]</sup>

...

When Minn. R. 7825.2700, subp. 5, states “The [demand] adjustment must be computed using test year demand volumes for three years after the end of the utility’s most recent general rate case test year,” the Commission clarifies that the three year period begins at the conclusion of the utility’s rate case test year.<sup>[3]</sup>

CenterPoint’s most recent rate case test year was defined as October 1, 2013 through September 30, 2014.<sup>4</sup> Based on the 2011 AAA Report Order, the Department concludes that CenterPoint should have implemented the demand volumes in its October 2014 purchased gas adjustment (PGA),<sup>5</sup> not in the November PGA as the Company did, or in the December PGA as the Department previously recommended. The Department should have caught this discrepancy when reviewing CenterPoint’s October PGA and apologizes for the oversight and confusion of this issue.

Even though the Company provided information to vary Minn. R. 7825.2700, subp. 5 for implementing its demand volumes a month early, rather than a month late, the Department concludes that CenterPoint has submitted sufficient information to grant the correct variance. Modifying the variance to accommodate implementing the volumes a month later than required by the rule still meets the requirements for granting a variance as follows:

A. *ENFORCEMENT OF THE RULE WOULD IMPOSE AN EXCESSIVE BURDEN UPON THE APPLICANT OR OTHERS AFFECTED BY THE RULE*

As noted in the Department’s March 18, 2015 Response Comments, the adjustment to the demand volumes in the Company’s rate case resulted in a demand volume decrease from 1,009,900,000 to 962,546,190 therms. This decrease in volumes results in a higher demand rate, which should have been implemented in October 2014 rather than November 2014. Enforcement of the rule would impose an excessive burden because at this point in time, the rates implemented in October cannot be changed. Imposing a surcharge to correct the October 2014 undercharge is possible but complex given the nature of this cost recovery

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<sup>2</sup> 2011 AAA Report Order, page 5.

<sup>3</sup> 2011 AAA Report Order, page 6.

<sup>4</sup> Docket No. G008/GR-13-316.

<sup>5</sup> Docket No. G008/AA-14-854.

mechanism, and burdensome given that the costs would otherwise be trued-up in the 2014-2015 Annual Automatic Adjustment (AAA) Report proceeding.

*B. GRANTING THE VARIANCE WOULD NOT ADVERSELY AFFECT THE PUBLIC INTEREST*

As previously noted, the per-unit demand rate billed in October would have been higher than what was charged. This difference in the demand rate billed versus the demand rate that should have been charged was less than five percent and will be trued-up in the 2014-2015 AAA Report.

*C. GRANTING THE VARIANCE WOULD NOT CONFLICT WITH STANDARDS IMPOSED BY LAW*

CenterPoint Energy is not aware of any laws that would be violated by granting this variance.

Based on its review of the Company's Reply and Supplemental Reply Comments, as well as supplemental filings, the Department recommends that the Commission:

- approve CenterPoint's proposed level of demand entitlement;
- approve the design-day level proposed by CenterPoint; and
- approve the variance to Minnesota Rule 7825.2700, Subp. 5, to allow a one-month delay in implementing CenterPoint's test year demand volumes.

The Department is available for any questions the Commission may have.

Sincerely,

/s/ ANGELA BYRNE  
Financial Analyst  
651-539-1820

AB/It

## **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  
Supplemental Response Comments**

**Docket No. G008/M-14-561**

Dated this 24<sup>th</sup> day of April 2015

**/s/Sharon Ferguson**

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