

March 15, 2013

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 to CenterPoint Energy's Compliance Filing
Docket No. G008/M-97-807

Dear Dr. Haar:

On March 1, 2013, CenterPoint Energy (the Company) submitted its 2012 New Town Rate Surcharge Compliance Filing for the Carlos Project natural gas expansion project for which the Minnesota Public Utilities Commission (Commission) previously authorized the collection of a New Area Surcharge (NAS), in compliance with orders issued in the above referenced docket.¹ The Company stated that this is the final report on the Carlos area surcharge:

CenterPoint Energy began collecting the surcharge in October 1997. The tariff expiration date for the surcharge was September 30, 2012. CenterPoint Energy discontinued including a surcharge on Carlos area customers effective October 1, 2012. The Commission approved the revision of the New Area Surcharge Rider tariff page (section V page 10.c-1) on December 10, 2012.²

The Minnesota Department of Commerce, Division of Energy Resources (Department) reviewed the final compliance filing and recommends that the Commission accept the report as discussed below.

The Carlos Project NAS was charged for the full 15 years as authorized by the Commission. CenterPoint Energy summarized the final report as follows:

¹ A NAS is designed to permit a natural gas company to extend service into a new area that would be uneconomic to serve at tariffed rates, by permitting the utility to collect a surcharge in addition to the tariffed rate. This makes natural gas available to communities previously not served by a natural gas utility without imposing the costs of expansion on existing ratepayers.

² Filing, page 2.

As discussed in the Company's 2004 general rate case,³ "After the Commission-approved termination date for a surcharge, any balance that remains in Accounts Receivable is written off as a loss. The amount of the loss is debited to Loss from Surcharge Undercollection and credited to Accounts Receivable. This effectively zeroes out the Accounts Receivable balance." The necessary accounting entries have been made and the account receivable that was established when the surcharge was originated has a balance of \$0.⁴

The Department requested the accounting entries made to show the amount debited to Loss from Surcharge Undercollection. See Department Attachment 1 for this information.

Based on its review, the Department concludes that accounting for the balance in the NAS Accounts Receivable as a loss is appropriate. Therefore, the Department recommends that the Commission:

- accept CenterPoint Energy's annual NAS report for the Carlos Project;
- discontinue the annual reporting requirement; and
- close Docket No. G008/M-97-807.

Sincerely,

/s/ MICHELLE ST. PIERRE
Financial Analyst

MS/sm
Attachment

³ Ms. Catherine Ostazeski direct testimony pages 34-36 in Docket No. G008/GR-04-901.

⁴ Filing, page 2.

StPierre, Michelle (COMM)

From: Sorum, Peggy J. [peggy.sorum@centerpointenergy.com]
Sent: Wednesday, March 13, 2013 4:43 PM
To: StPierre, Michelle (COMM)
Subject: Carlos New Area Surcharge Accounting

Michelle - The information below summarizes the Carlos New Area Surcharge (NAS) entries.

Please note that the entries to plant (account 3763), including an adjustment made in 2008 to reflect activity to date (including additional plant and related required contribution), represent the contribution that reduces the plant balance due to the surcharge.

As discussed previously (see Ostazeski testimony in G008/GR-04-901),

- CenterPoint Energy treated the surcharge revenues as CIACs for accounting and ratemaking purposes:
 - The total estimated surcharge revenues over the life of the project were debited to Accounts Receivable,
 - The net present value of the surcharge revenues over the life of the project were credited to plant, and
 - The difference between gross revenues and the net present value of the revenues was recorded as a credit to Accounts Receivable – Contra.
- During the surcharge period, cash was debited and Accounts Receivable was credited. The portion of the revenue that was interest was debited to Accounts Receivable – Contra and credited to Interest Income.
- After the Commission-approved termination date for the surcharge, the balance that remained in Accounts Receivable was written off as a loss. The amount of the loss was debited to Loss from Surcharge Undercollection and credited to Accounts Receivable which effectively zeroed out the Accounts Receivable balance.

The accounting treatment is slightly different than the revenue requirements model that was used to determine a new area surcharge. The revenue requirements model treats the gross amount of the revenue flow generated by the fixed monthly surcharge as rate base reduction and the actual accounting treatment treats the net present value of the CIAC as a reduction to net plant investment. This difference in treatment assures that the project's ratepayers pay their true economic cost of higher depreciation expense; the project's ratepayers get credit for the carrying costs on the funds that they supply via the rate base reduction for the full amount of the surcharge revenues collected and; current ratepayers will not subsidize the project through general rates.

	A/R Carlos 121081	A/R Carlos Contra 121082	Plant AC 3763	Interest Income 481010	Loss From Surcharge Undercollection (FERC 495 Other Gas Revenues)
Original Entry 1997	385,112.00	(132,833.00)	(252,279.00)		
Adjustment 2008	261,282.00	(175,957.00)	(85,325.00)		
Surcharge Revenue	(636,358.41)				
Interest Income		308,790.00		(308,790.00)	
Final Adj/Write-off 2013	(10,035.59)				10,035.59
	<hr/> 0.00	<hr/> 0.00	<hr/> (337,604.00)	<hr/> (308,790.00)	<hr/> 10,035.59

Please let me know if there are any questions.

Thanks,

Peggy

Peggy Sorum
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CERTIFICATE OF SERVICE

I, Jan Mottaz, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, 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.

Comments of the Minnesota Department of Commerce, **Division of Energy Resources**

Docket No. G008/M-97-807

Dated this **15th day of March 2013**

/s/Jan Mottaz

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