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July 20, 2020

Mr. Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

RE: In the Matter of the Petition of the Minnesota Rate Regulated Electric and Gas Utilities for Authorization to Track Expenses Resulting from the Effects of COVID-19 and Record and Defer Such Expenses into a Regulatory Asset

Reply Comments

Docket No. E,G-999/M-20-427

Dear Mr. Seuffert:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or the “Company”) respectfully submits these Reply Comments to the Minnesota Public Utilities Commission (“Commission”) in response to the Comments of the Minnesota Department of Commerce (“Department”) filed on July 10, 2020 in this docket. The Company is one of the Joint Petitioners in this docket and supports the Reply Comments filled by the Joint Petitioners but is additionally filing these Reply Comments to address an issue of concern to the Company that is not common to all of the Joint Petitioners.

I. Introduction

In these Reply Comments the Company addresses the Department’s comments with regard to decoupling. The Department takes the position that for utilities with decoupling or sales true up mechanisms “additional recovery above Department recommended and Commission approved caps is not appropriate.”¹

As noted by the Department, CenterPoint Energy has a decoupling mechanism that may function to protect the Company from some losses in revenue associated with the COVID-19 pandemic. However, as described below, the Company’s decoupling mechanism is not complete protection against revenue losses. If the overall financial consequences of the

¹ Department Comments at 6.

pandemic are significant for the Company, we should be able to make our case for including these lost revenues in a future request for recovery.

It is appropriate for the Commission to consider revenue loss as part of its holistic review of the financial effects of the pandemic on the Company; the Company agrees with the Department that the Commission's consideration of the financial impact of the pandemic should not be limited only to increased costs, but should take into account increased revenues and related cost decreases. Similarly, it should also then consider lost revenues that are not captured by our decoupling mechanism. If the Company ultimately seeks recovery pursuant to this docket, it is, of course, our burden to demonstrate that the full net financial effect of the pandemic on the Company satisfies the Commission's test for recovery, and part of that effect may be lost revenues not captured by our decoupling mechanism.

II. Ways Lost Revenues May Not Be Captured by the Company's Decoupling Mechanism

There are three ways in which the Company's decoupling mechanism may not insulate us from significant lost revenues resulting from pandemic.

1) Revenue losses per customer in excess of the decoupling cap

The Company's decoupling mechanism is not symmetrical. If the Company receives more revenue per customer than expected in a given year for a given class, the Company must refund ratepayers all of the excess revenue. On the other hand, if the Company takes in less revenue per customer than expected in a given class, the Company may only surcharge customers in the class for up to ten percent of its total revenue requirement. Accordingly, the Company is not protected from a substantial loss in revenue per customer if there are significant reductions in expected use.

2) Revenue losses due to customer loss

The Company's decoupling mechanism protects the Company from losses due to reduced revenue per customer, but it does not protect the Company from losses due to reduced customer count. Accordingly, if the Company experiences substantial losses due to, for example, closing of businesses, the decoupling mechanism would not protect the Company from those losses.

Such revenue loss is tracked by comparing actual customer count in each class to the count proposed in our pending rate case or the count approved at the conclusion of the current rate case.²

3) Market Rate Customers

Finally, the Company's decoupling mechanism does not include customers taking service under the Market Rate Rider,³ so the Company is not protected from this type of reduced revenue. The Company proposes to track revenue losses attributed to market rate customers by comparing expected market rate customer revenue from the Company's pending rate case to actual market rate customer revenues.

III. Conclusion

The Company thanks the Commission for consideration of these Reply Comments. As discussed above, the Company should be permitted to track revenue losses that are not captured by the Company's decoupling mechanism. The Commission need not make a decision at this time on whether recovery for these losses is appropriate. If the Company does seek recovery of lost revenues at a future date, the Commission may make its decision at that time.

Please feel free to contact me at 612-321-4625 or amber.lee@centerpointenergy.com with any questions.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee
Director, Regulatory Affairs

C: Service List

² *In the Matter of the Application by CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas, for Authority to Increase Natural Gas Rates in Minnesota*, Docket No. G-008/GR-19-524.

³ CenterPoint Energy Gas Rate Book, Section V, Interim Twelfth Revised Page 11.

CERTIFICATE OF SERVICE

Erica Larson served the above Reply Comments of CenterPoint Energy to all persons at the addresses indicated on the attached list by having the document delivered by electronic filing.

/s/

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Regulatory Analyst
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