

March 18, 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: **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 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 regarding the Company's Petition and recommended that the Commission:

- approve CenterPoint's proposed level of demand entitlement subject to supplemental filing(s) by the Company related to the reallocation of units between TF-12 Base and TF-12 Variable services and the final Reservations Fees cost estimate; and
- accept the design-day level proposed by CPE.

The Department also requested:

- that CenterPoint use its regression point estimate, and not the upper-bound of its design-day analysis, in future demand entitlement filings; and
- in its Reply Comments, CenterPoint provide a detailed discussion regarding its proposal to allocate its two new storage contracts 75 percent to demand and 25 percent to commodity, as it does with reservation fees.

In its October 13, 2014 Reply Comments, CenterPoint accepted the Department's recommendations and responded to the Department's request for more information. The Department is satisfied with the Company's response regarding the allocation of new storage contracts and agrees with CenterPoint's proposed approach. Regarding the

Department's request for CenterPoint to use its regression point estimate, and not the upper-bound of its design-day analysis, the Company did not agree with this request. As indicated in its Comments, the Department concludes that using the upper-bound estimate to determine the appropriate total entitlement level is a conservative estimate appropriate for an expectation of an unusually cold heating season. The Department's request that CPE use its regression point estimate is intended to balance reliability and cost discipline. The Department will continue to assess the reasonableness of CPE's approach in future demand entitlement filings.

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 upcoming 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.

CenterPoint stated that it re-contracted for most of its Viking entitlements for a shorter term due to uncertainty regarding the outcome of the Viking rate case, which was in process at the time. CPE renewed its contract for one year, rather than greater than five years, as it had done in the past.

Regarding the Company's new Trailblazer Backhaul agreement, CPE said that this agreement is needed to ensure full capability to deliver NGPL storage withdrawals on the coldest days of winter.

CenterPoint stated that its Season Swing Reservation Costs increased because marketers' bids to supply swing (call) gas supplies included reservation fees at a much higher per-unit charge than in the past several years. CPE indicated that this was due to high volatility during the previous winter along with continuing TransCanada issues.

Final rates from CenterPoint's rate case were not scheduled to be implemented until December 1, 2014, however CPE stated that, as of November 1, 2014, it updated the Purchase Gas Adjustment (PGA) propane costs and the sales estimates to the costs and sales volumes set 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 on January 1, 2015, for January through October due to implementation of the new rates under the Viking Rate Case Settlement Agreement approved by FERC.

The Department has reviewed the October and December supplemental filings and concludes that most of the proposed changes are reasonable. Of concern are two changes from the October 31, 2014 Supplemental Filing. First, CenterPoint re-contracted its Viking entitlements for less than 3 years, rather than greater than 5 years, as it had done in the past. The Department requests that in Supplemental Reply Comments, CPE provide further discussion on why the uncertainty in the Viking rate case which, according to the Company, led to a shorter and more expensive contract. More specifically, the Company should explain its options for purchasing capacity from another pipeline.

Second, the Department has a concern with CenterPoint's November 1, 2014 implementation of the rate case estimated annual demand volumes in the PGA, instead of in the December 1, 2014 PGA when final rates were scheduled to be implemented. The Department understands that CenterPoint was using the new estimated demand volumes to avoid having to change the rate mid-winter, but the early application of rate case demand volumes does not follow Minnesota Rules. Minnesota Rule 7825.2700, Subp. 5 states,

The 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. After this time period, the demand adjustment must be computed on the basis of annual demand volume.

The Department recommends that in Supplemental Reply Comments CenterPoint request a variance to Minnesota Rule 7825.2700, Subp. 5. Further, the adjustment to the demand volumes resulted in a demand volume decrease from 1,009,900,000 to 962,546,190 therms, or a decrease of 47,353,810 therms. This decrease in volumes results in a higher demand rate charged per therm of gas in November than would have been charged had Minnesota Rule 7825.2700, Subp. 5 been followed. The Department notes that any potential over-charge will ultimately get trued-up in the next Annual Automatic Adjustment report.

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

- approve CenterPoint's proposed level of demand entitlement, subject to the Company filing a variance to Minnesota Rule 7825.2700, Subp. 5; and
- approve the design-day level proposed by CenterPoint.

Further, the Department:

- recommends that CenterPoint file a variance to Minnesota Rule 7825.2700, Subp. 5 for the early implementation of annual demand volumes set in its most recent rate case; and
- requests that CenterPoint provide further discussion on the uncertainty in the Viking rate case which led to a shorter and more expensive contract.

Sincerely,

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

AB/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 Comments**

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

Dated this **18<sup>th</sup>** day of **March 2015**

**/s/Sharon Ferguson**

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street  Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-561_M-14-561
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_14-561_M-14-561
James J.	Bertrand	james.bertrand@leonard.com	Leonard Street & Deinard	150 South Fifth Street, Suite 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave FL 14  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-561_M-14-561
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 551012147	Electronic Service	No	OFF_SL_14-561_M-14-561
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
William	Davis	N/A	Community Action of Minneapolis	505 East Grant St Ste 100 Minneapolis, Minnesota 55405	Paper Service	No	OFF_SL_14-561_M-14-561
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, 1400 BRM Tower St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-561_M-14-561
Marie	Doyle	marie.doyle@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue P O Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_14-561_M-14-561

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_14-561_M-14-561
Edward	Garvey	garveyed@aol.com	Residence	32 Lawton St  Saint Paul, MN 55102	Electronic Service	No	OFF_SL_14-561_M-14-561
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East  St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-561_M-14-561
Mary	Holly	mholly@winthrop.com	Winthrop & Weinstine, P.A.	225 S Sixth St Ste 3500  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street  St. Paul, MN 551012134	Electronic Service	No	OFF_SL_14-561_M-14-561
Eric	Jensen	ejensen@iwla.org	Izaak Walton League of America	Suite 202 1619 Dayton Avenue St. Paul, MN 55104	Electronic Service	No	OFF_SL_14-561_M-14-561
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_14-561_M-14-561
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	No	OFF_SL_14-561_M-14-561
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E  St. Paul, MN 55106	Electronic Service	No	OFF_SL_14-561_M-14-561
David	Moeller	dmoeller@allete.com	Minnesota Power	30 W Superior St  Duluth, MN 558022093	Electronic Service	No	OFF_SL_14-561_M-14-561

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
Karen	Olson	karen.olson@ag.state.mn.us	Office of the Attorney General-RUD	1400 Bremer Tower 445 Minnesota St St. Paul, MN 55101	Electronic Service	No	OFF_SL_14-561_M-14-561
LauraSue	Schlatter	LauraSue.Schlatter@state.mn.us	Office of Administrative Hearings	PO Box 64620  St. Paul, Minnesota 55164-0620	Electronic Service	No	OFF_SL_14-561_M-14-561
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	No	OFF_SL_14-561_M-14-561
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue PO Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_14-561_M-14-561
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_14-561_M-14-561
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_14-561_M-14-561
Daniel P	Wolf	dan.wolf@state.mn.us	Public Utilities Commission	121 7th Place East Suite 350 St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_14-561_M-14-561