

September 12, 2018

Daniel P. Wolf
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket Nos. G008/MR-18-533 and G008/GR-17-285

Dear Mr. Wolf:

Attached are the *Comments* of the Minnesota Department of Commerce, Division of Energy Resources (Department) in the following matter:

A Petition for Approval by CenterPoint Energy Minnesota Gas (CenterPoint or the Company) to Establish a New Base Cost of Gas in Compliance with the Minnesota Public Utilities Commission's (Commission) *Order* in CenterPoint's General Rate Filing in Docket No. G008/GR-17-285.

The Petition was submitted on August 13, 2018 by:

Marie Doyle
Regulatory Analyst
CenterPoint Energy
505 Nicollet Mall
Minneapolis, MN 55402

Based on its review, the Department recommends that the Commission **approve** CenterPoint's new base cost of gas to coincide with the implementation of final rates in Docket No. G008/GR-17-285.

The Department is available to answer any questions that the Commission may have.

Sincerely,

/s/ DANIEL W. BECKETT
Rates Analyst
651-539-1874

DWB/ja
Attachment



Before the Minnesota Public Utilities Commission

Comments of the Minnesota Department of Commerce Division of Energy Resources

Docket Nos. G008/MR-18-533, G008/GR-17-285

I. SUMMARY OF THE BASE COST OF GAS COMPLIANCE FILING

CenterPoint Energy Minnesota Gas (CenterPoint or the Company) requests that the Minnesota Public Utilities Commission (Commission) approve a new base cost of gas in compliance with the Commission's *Order* in CenterPoint's general rate case proceeding, Docket No. G008/GR-17-285.

On July 20, 2018, the Commission issued its *Findings of Fact, Conclusions of Law, and Order (July 20 Order)* concerning the rate increase request by CenterPoint. Ordering Paragraph No. 3a of the Commission's *July 20 Order* required the Company to submit, within 30 days, a revised base cost of gas and supporting schedules.

On August 13, 2018, CenterPoint submitted its *Base Cost of Gas Filing (Petition)* pursuant to the Commission's *July 20 Order*, Minnesota Rules 7825.2700, subpart 2, and Minnesota Rules 7825.3200(B).¹

II. DEPARTMENT'S ANALYSIS

A. BACKGROUND OF BASE COST OF GAS

The total amount of gas costs for which ratepayers pay is the sum of the base cost of gas rate (base) and the Purchased Gas Adjustment (PGA) rate:

$$\text{Current recovery of gas costs in rates} = \text{base} + \text{PGA}$$

The base is used as a reference point, which is set in a general rate case, for calculating the monthly PGA. The PGA provides a mechanism for utilities to pass through changes in gas costs automatically on a monthly basis. The base cost rate is updated with the implementation of interim rates in each general rate case to give customers better information about current gas

¹ On February 2, 2018, CenterPoint also filed its *Compliance Filing* in Docket No. G008/GR-17-285, which includes the same information for the base cost of gas as submitted in this docket.

costs at the time of the general rate proceeding. The base cost rate is also reviewed at the time of final rates to determine if it complies with Minnesota Rules and Commission Orders.

B. COMPLIANCE WITH MINNESOTA RULES AND COMMISSION ORDERS

Both the *July 20 Order* and Minnesota Rules 7825.2700, subpart 2, require CenterPoint to submit a new base cost of gas as part of the rate case compliance filing submitted as a result of a general rate case proceeding. The Department compared the current calculations to prevailing gas costs and concludes that the proposed base costs do not appear unreasonable and thus are acceptable. The Department's review also indicates that the Company complied with the requirements of Minnesota Rules 7825.2700, subpart 2, by stating separately the demand base cost and commodity base cost components for each rate type (*e.g.*, firm, dual fuel).

However, the Department notes that Exhibit E, Page 3, Line 14 (Total sales figures for the different classes) of the Company's Compliance Filing in Docket No. G008/GR-18-533 did not match the total sales figures the parties agreed upon in the general rate case and that was filed on March 9, 2018 in the Schedule E2 errata filing. Subsequent to discussions with the Department, on September 4, 2018, the Company filed supplemental information in Docket Nos. G008/GR-17-285 and G008/MR-18-533 containing corrected sales figures. These sales figures reconcile with the sales figures in the rate case settlement in the March 9, 2018 Schedule E2 errata filing.

As a result, the Department recommends that the Commission approve CenterPoint's final base cost of gas calculation.

III. SUMMARY AND RECOMMENDATIONS

As discussed above, the Department recommends that the Commission approve CenterPoint's new base cost of gas to coincide with the implementation of final rates in Docket No. G008/GR-17-285.

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