



505 Nicollet Mall
P.O. Box 59038
Minneapolis, MN 55459-0038

July 15, 2019

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 East Seventh Place, Suite 350
St. Paul, MN 55101-2147

Re: In the Matter of the Report on the 2017-2018 (FYE18) Annual Automatic Adjustment (AAA) Reports and 2017-2018 Annual Purchased Gas Adjustment (PGA) True-up Filings – CenterPoint Energy
Reply to the Department's Response Comments
Docket No. G999/AA-18-374 and G-008/AA-18-573

Dear Mr. Wolf:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") submits its reply comments to the Department of Commerce's ("Department" or "DOC") Response Comments in its Review of the 2017-2018 Annual Automatic Adjustment ("AAA") Reports and Natural Gas Utilities' Purchased Gas Adjustment ("PGA") True-up filings dated June 14, 2019.

CenterPoint Energy thanks the Department for its additional review of the Company's True-up and AAA filings. The Company notes that the Department is satisfied with the information on mains strikes and gas losses provided by the Company in reply comments. The Department has also determined that CenterPoint Energy has complied with clarified Commission requirements ordered in Docket G-999/AA-17-493 related to post-mortem analysis in reporting its financial instruments and hedging activity.

However, there is one remaining issue. The Department has changed its earlier recommendation from accepting the Company's True-up related to the 2017-2018 gas year and allowing the Company to implement its True-up billing factors (Department Comments, April 25, 2019, p. 37), to recommending "that the Commission withhold its decision on CenterPoint Energy's True-up, pending resolution of the demand cost issue in the Company's 2017 and 2018 Demand Entitlements, Dockets G-008/M-17-533 and G-008/M-18-462, respectively." As discussed below, the Company respectfully disagrees with the Department's recommendation. The Company also addressed this issue in its reply comments in the 18-462 Demand Entitlement Docket ("18-462 Docket"), filed on July 1, 2019.

For purposes of the instant dockets, CenterPoint Energy purchased 20,000 units of Viking capacity under a 12-month contract with Viking, beginning November 1, 2017 ("Viking Demand Costs"). As the Department has noted, "since the Viking contract is needed to serve firm demand, there is no dispute that the contract and its associated capacity is reasonable." (Department Response Comments, 18-462 Docket, June 19, 2019, p. 8).

These necessary and reasonable Viking Demand Costs are appropriately included in the Company's PGA True-up. Under the Commission's Rules, Minn. R. 7825.2700, subp. 7 (PGA True-up Rule):

The true-up amount is the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year. The true-up adjustment must be computed annually for each class by dividing the true-up amount by the forecasted sales volumes and applied to billings during the next 12-month period beginning on September 1 each year, provided that the adjustment has been filed under part 7825.2910, subpart 3. (Emphasis added.)

There can be no dispute that the Company actually incurred the Viking Demand Costs which the Department found to be reasonable. Further, the Company has demonstrated that customers have not yet paid for the full Viking demand costs incurred, with the Company yet to recover \$224,226 in costs incurred in the 2017-18 gas year and included in the PGA True-up in Docket 18-573 and \$437,060 in costs incurred in the 2018-19 gas year, that will be included in the yet to be filed 2018-19 PGA True-up. Therefore, under the plain language of the PGA True-up Rule, the \$224,226 in costs incurred in the 2017-18 gas year, and at issue in this docket, should be included in the Company's True-up amount.

The Department argues in the 18-462 Docket (and by extension in this docket) that Minn. R. 7825.2920 (Approval for Automatic Adjustment or AAA Rule) governs in this instance, not the PGA True-up Rule, and that it bars CenterPoint Energy from recovering the Viking Demand Costs. The Department states that under the AAA Rule, subp. 2, a utility cannot "surcharge" customers due to an "error" in an AAA filing. (See Department Response Comments, 18-462 Docket, June 19, 2019, p. 9). The Company respectfully disagrees for several reasons.

First, the PGA True-up Rule, by its plain language, allows for recovery of these prudently incurred costs. As quoted above, the Rule provides that CenterPoint may recover the "true-up amount," defined as "the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year." Minn. R. 7825.2700, subp. 7. This is precisely the amount the Company has proposed to recover in these dockets. The 18-462 Docket and the 2017-18 AAA and PGA dockets at issue here (18-374 and 18-573) remain open dockets before the Commission. The purpose of these dockets is to provide for recovery of the Company's prudently incurred gas costs in compliance with the PGA True-up Rule.

Second, the AAA Rule is not applicable in this situation. The AAA Rule states that errors “must be refunded by check or credits...if...the amount of the error is greater than five percent of the corrected adjustment amount.” The Department argues that the AAA Rule forbids recovery of amounts not originally collected due to utility error because it only speaks to the refund of amounts over-collected. If this were the correct interpretation of the AAA Rule, the Rule would also prevent a utility from returning any funds over-collected if the over-collection amounted to less than five percent. Such a rule would be to the clear detriment of customers and would be inconsistent with the PGA True-up Rule. An overly broad reading of the AAA Rule runs counter to the PGA Rule in at least two other respects. First, it is unclear what is meant by the timing requirements of the Rule that an “order” would need to be filed within “90 days after receipt of the filing...or at the end of the next major rate proceeding, whichever is later.” This language would seem allow an automatic adjustment filing to be “corrected” many years after filing, in the event the utility did not have a major rate case during that time, rather than being addressed in the True-up. Second, as discussed above, by only providing for a refund if “the amount of the error is greater than five percent of the corrected adjustment charge,” the Rule would appear to allow a utility to retain funds if the “error” is less than five percent.

To read the AAA Rule and PGA True-up Rule consistently and give them both meaning, as required by the rules of statutory construction (Minn. Stat. § 645.17), it becomes clear that the AAA Rule applies narrowly to the case where a utility has over-collected substantially such that return of funds through the PGA mechanism would be inappropriate. In the instant case, by contrast, not reflecting the full amount of the Viking demand costs in the initial demand entitlement filing has caused a relatively small under-collection. In such a case, the PGA Rule applies, allowing inclusion of the Viking Demand Costs in the Company’s PGA True-up.

Finally, to the extent there is conflict between the PGA True-up Rule and the AAA Rule, the specific and clear language of the PGA True-up Rule should apply. “When the words of a law in their application to an existing situation are clear and free from all ambiguity, the letter of the law shall not be disregarded.” (Minn. Stat. § 645.16).

The AAA Rule, subp. 2, relied on by the Department, provides:

Errors made in adjustment must be refunded by check or credits to bills to the consumer in an amount not to exceed the amount of the error plus interest computed at the prime rate upon the order of the commission if (1) the order is served within 90 days after the receipt of the filing defined in part 7825.2900 or 7825.2910 or at the end of the next major rate proceeding, whichever is later, and (2) the amount of the error is greater than five percent of the corrected adjustment charge.

In contrast to the clear language of the PGA True-up Rule, the AAA Rule, subp. 2, does not describe what kind of “errors made in adjustment” it targets. However, the Company is not aware of an instance in which this Rule has been applied to deny a utility recovery of prudently incurred gas costs, when its Demand Entitlement, PGA and AAA dockets all remain open

dockets before the Commission. Again, it appears the AAA Rule, subp. 2, was intended to address the more narrow instance of a substantial over-collected by the utility, such that return of funds through the PGA mechanism would be inappropriate. Therefore, and for the reasons set forth in its earlier comments, CenterPoint Energy respectfully requests that the Commission apply the plain language of the PGA True-up Rule and accept the Company's AAA and PGA True-up filings.

Notwithstanding the discussion above, if the Commission nevertheless finds that the AAA Rule, subp. 2, applies to the costs at issue here, the Company respectfully requests the Commission grant a variance to that Rule and allow the Viking Gas Costs to be included in the PGA True-up, consistent with the plain language of the PGA True-up Rule. Under Commission Rule 7829.3200:

The commission shall grant a variance to its rules when it determines that the following requirements are met:

- A. enforcement of the rule would impose an excessive burden upon the applicant or others affected by the rule;
- B. granting the variance would not adversely affect the public interest; and
- C. granting the variance would not conflict with standards imposed by law.

All three requirements for a variance are met in this instance. First, attempting to apply the AAA Rule, subp. 2, to the Viking Demand Costs would deny the Company recovery of costs acknowledged to be necessary and reasonable. It would be excessively burdensome to deny prudently incurred costs simply because 100 percent of the prudently incurred costs was included in the still-open AAA and PGA dockets, but less than 100 percent was included in the initial Demand Entitlement filing.

Second, providing inclusion of these costs in the PGA True-up, as provided for in the PGA True-up Rule, would not adversely impact the public interest. Since necessary and reasonable gas costs are a direct pass-through, on which the Company earns no return, it is in the public interest that the Company be adequately compensated for them.

Finally, granting a variance would not conflict with standards imposed by law but would appropriately provide for inclusion of the Viking Demand Costs in the Company's PGA True-up. CenterPoint Energy is not aware of any laws that would be violated by the Commission's approval of the variance (if the Commission determines a variance is needed).

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If you have any questions regarding the information provided in this filing, please contact Amber Lee at 612-321-4625/amber.lee@centerpointenergy.com or Brenda Bjorklund at 612-321-4976/brenda.bjorklund@centerpointenergy.com.

Sincerely,

/s/
Amber Lee
Director Regulatory Affairs

/s/
Brenda Bjorklund
Associate General Counsel

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
)ss.
COUNTY OF HENNEPIN)

Marie Doyle, being first duly sworn on oath, deposes and says she served or caused to be served on behalf of CenterPoint Energy its reply to the response comments of the Department on the:

- Minnesota Public Utilities Commission electronically;
- Department of Commerce Division of Energy Resources electronically;
- Office of the Attorney General electronically; and
- persons on the enclosed service list; electronically if requested or via paper service for those requesting such, by delivering by hand at the respective addresses on the list or by placing in the U.S. Mail at the City of Minneapolis.

/s/

Marie M. Doyle

Subscribed and sworn to before me this
15th day of July, 2019

/s/

Melodee S. Carlson Chang, Notary Public
My Commission expires January 31, 2024

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First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Lisa	Peterson	lisa.r.peterson@xcelenergy.com		Xcel Energy 414 Nicollet Mall - 7th Floor Minneapolis, MN 55401	Electronic Service	No	OFF_SL_18-374_AA-18-374
Catherine	Phillips	catherine.phillips@we-energies.com	We Energies	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-374_AA-18-374
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	505 Nicollet Mall Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-374_AA-18-374
Kristin	Stastny	kstastny@briggs.com	Briggs and Morgan, P.A.	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_18-374_AA-18-374
Lynnette	Sweet	Regulatory.records@xcelenergy.com	Xcel Energy	414 Nicollet Mall FL 7 Minneapolis, MN 554011993	Electronic Service	No	OFF_SL_18-374_AA-18-374
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_18-374_AA-18-374
Mary	Wolter	mary.wolter@wecenergygroup.com	Minnesota Energy Resources Corporation (HOLDING)	231 West Michigan St Milwaukee, WI 53203	Electronic Service	No	OFF_SL_18-374_AA-18-374