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August 19, 2019

Mr. Daniel Wolf  
Executive Secretary  
Minnesota Public Utilities Commission  
121 7<sup>th</sup> Place East, Suite 350  
St. Paul, MN 55101-2147

**RE: In the Matter of a Commission Inquiry into the Impact of Severe Weather in January and February 2019 on Utility Operations and Service**

**Reply Comments**

**Docket No. E,G-999/CI-19-160**

Dear Mr. Wolf:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy” or the “Company”) respectfully submits reply comments to the Response Comments of the Minnesota Department of Commerce (“Department”) and the Response Comments of the Office of Attorney General – Residential Utilities and Antitrust Division (“OAG”), both filed on August 9, 2019 in this docket.

The Department and OAG make several recommendations intended to address concerns about the failure of some interruptible customers to curtail during severe weather events such as the Polar Vortex experienced in January and February of this year. As noted in its June 28, 2019 Reply Comments, the Company believes its curtailment activity, through its people and systems, was successful in reducing system load to provide supply and pressures needed to meet the demand of our firm customers in the cold weather of January and February 2019. CenterPoint Energy agrees that more can always be done to partner with interruptible customers to comply with their curtailment obligations and agrees that many of the recommendations made are reasonable. The Company discusses each recommendation applicable to CenterPoint Energy below.

**I. Increasing the Penalty for Unauthorized Gas Use**

The Department recommended that the Commission require CenterPoint Energy to increase its penalty for unauthorized gas usage to \$5 per therm, or, if the Commission decides to increase penalty levels for other utilities, to the level the Commission selects. CenterPoint Energy does not oppose increasing its per therm penalty but disagrees with the specific recommendation to increase its penalty amount to \$5 per therm.

CenterPoint Energy's penalty structure differs slightly than the structure used by other gas utilities. In reviewing the penalty structures used by other gas utilities, it is the Company's understanding that other Minnesota gas utilities charge non-curtailing customers a penalty of \$5 per therm and also charge customers the applicable weighted average cost of gas ("WACOG") for unauthorized volumes used.<sup>1</sup> CenterPoint Energy charges customers \$1 per therm or \$2 per therm, depending on whether it is the customer's first occurrence of unauthorized use or a subsequent occurrence in the same year, and in addition the highest incremental supply cost for the day, rather than the WACOG. In some cases, this results in a penalty that is significantly higher than \$5 per therm plus WACOG. For example, during the 2013-2014 winter, some customers were charged as much as \$7.47 per therm. CenterPoint Energy's current tariff language is as follows:

If a customer fails to discontinue use of gas within one hour of being requested to do so by CenterPoint Energy, the customer will be deemed to have taken Unauthorized Gas. The penalty for unauthorized use of gas will be:

- a) For the first occurrence of the gas year: the prevailing delivery charge plus the highest incremental supply cost of the day plus \$1.00 per therm.
- b) For subsequent occurrences: the prevailing delivery charge plus the highest incremental supply cost for the day plus \$2.00 per therm.
- c) Further, CenterPoint Energy shall have the right to shut off customer's supply of gas in the event of failure to discontinue use after being requested to do so.

CenterPoint Energy prefers its structure to the flat penalty structure used by other Minnesota utilities. Charging non-compliant interruptible customers the highest incremental supply cost of the day more effectively compensates firm customers for actual costs incurred due to interruptible customer non-compliance and sends appropriate price signals to interruptible customers about the cost of their violation.

The Company agrees, however, that it may be appropriate to increase its penalty amounts and proposes to charge non-compliant customers \$3 per therm or \$6 per therm, depending on whether it is the first or second occurrence in the heating season, in addition to the highest incremental supply cost for the day. The Company is concerned that a \$5 penalty for a first instance of non-compliance (in addition to the highest incremental supply cost of the day) could be excessive, but agrees with the Office of the Attorney General that an escalation to a higher

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<sup>1</sup> See *e.g.*, Northern States Power Company, Minnesota Gas Rate Book, Section No. 5, 5<sup>th</sup> Revised Sheet No. 12.

penalty for repeat offenders is appropriate. CenterPoint Energy will file a supplemental filing in this docket showing proposed tariff changes.

## **II. Doubling of the Per-Therm Penalty for Every Subsequent Failure to Curtail**

The OAG proposed that the Commission could require gas utility tariffs to provide for a doubling of the per-therm penalty for subsequent failures to curtail. The Company notes that, as discussed above, its existing tariff increases the penalty for subsequent instances of non-compliance. However, the Company opposes further increasing the per therm penalty for third or fourth violations.

More than two instances of non-compliance per winter is uncommon in the Company's experience. For example, during the 2018-2019 winter, no customers failed to comply with multiple curtailment events. The Company believes that the administrative and programming effort required to set up the capability to bill customers differently for third or fourth non-compliance occurrences would likely outweigh the potential benefit to firm customers. The Company prefers to work with customers who repeatedly engage in unauthorized use to either move to firm service, if available, or improve their processes or backup systems so they are able to curtail as requested.

## **III. Analysis of Circumstances around Failure to Curtail**

The Department recommended that gas utilities undertake an annual analysis of customers that fail to curtail repeatedly or have a single significant non-compliance event. Specifically, the Department recommended that the Commission:

require natural gas utilities, when a customer fails to curtail twice, or a single noncompliant event is significant, to fully analyze the circumstances around the noncompliance by the interruptible customer. As part of this analysis, the utility should provide an estimate of the costs and requirements to move this customer to firm service. The utilities shall file these analyses annually with the Commission on May 1.

CenterPoint Energy appreciates the Department's position on the serious responsibility of interruptible customers to meet their obligation to curtail natural gas use when requested and does not object to filing an annual report analyzing the circumstances around customer noncompliance. CenterPoint Energy contends that the process of moving a customer to firm service can be complicated, and it is not necessary or appropriate to complete a full analysis of the costs of moving a customer to firm service in every case of repeated or significant non-compliance.

Current our curtailment practices include a detailed follow-up with any customer that used unauthorized gas during a curtailment period to determine the cause of the unauthorized gas use. In most cases the noncompliant usage is relatively low and temporary, and the problems are easily explained and resolved. For example, miscommunication or a short-term failure or shut-down of a back system could cause minor instances of noncompliance. In some cases, a minor issue may even result in repeated instances of non-compliance. For example, if a customer has both interruptible and firm meters, but has inadvertently connected a small continuously operating appliance, such as a residential-sized water heater, to their interruptible service, it could cause the customer to unintentionally use unauthorized gas during multiple curtailment periods until the problem is identified. In such cases, CenterPoint Energy will generally determine that no change is needed on its side of the customer's service, instead insisting the customer correct its own piping. In that instance, completing a full analysis of the costs and requirements to move the customer to firm service would be unnecessarily burdensome.

In other cases, follow up with the customer will reveal that a more serious issue has caused the unauthorized gas usage during the curtailment period. This could be because a backup system was removed or is in serious disrepair. In such circumstances, the Department's suggestion for annual customer attestation will signal in a more timely manner a need to address the customer's services provided by the utility. For small customers in this situation, it is generally not unduly difficult to move the customer to a firm service tariff within a short period of time. For large customers, and medium size customers behind smaller town border stations ("TBS"), it can be very lengthy and complicated to make changes required to move a customer to firm service.

For large customers it will generally not be possible to "make the necessary system improvements" to move the customer to firm service by the next heating season. (Department Comments at 18.) This is because, in addition to possible distribution system expansion, the provision of firm service often requires additional firm interstate pipeline capacity to the TBS serving the customer. CenterPoint Energy does not hold firm interstate pipeline capacity for interruptible customers. The time required to acquire additional firm pipeline capacity can be up to two or three years. In addition, firm pipeline capacity additions can be very expensive. For some customers these upgrade costs will be substantially more than repair or replacement of the customer's back up system.

Because of the extended time and expense involved in moving customers to firm service it can be more appropriate for the Company to pursue other options. In many cases, it may be that customer education is all that is needed to prevent repeated noncompliance. In other cases, it may be possible to move a customer to one of the Company's partial firm/partial interruptible

tariff offerings. In addition, the Company has the right under its existing tariff to discontinue service for failure to comply with directives to curtail.<sup>2</sup>

The Company recommends that, instead of requiring a determination of the costs and requirements to move the customer to firm service in all cases of repeated or significant noncompliance, the Commission allow the Company to report, for each repeated or significant noncompliance event, either (1) the costs and requirements to move the customer to firm service or (2) a justification for not completing this analysis and a description of what the Company or customer has done or is doing to prevent further non-compliance.

#### **IV. Other Matters**

The Company has no objection to the other recommendations offered by the Department. In addition to the recommendations discussed above, the Department recommended:

- That the Commission require the utilities to report by November 1, 2019 on their progress in implementing various process improvements to address severe weather events.
- That utility interruptible service tariffs should be changed to require interruptible customers to maintain three current contacts to receive notice of curtailment.<sup>3</sup> If the customer does not have three qualified contacts, the customer shall provide an annual attestation to the Company that it is unable to have three qualified contacts and the customer understands that they are obligated to curtail service when requested. The Company will make an annual request that customers confirm that contact information is correct.<sup>4</sup>
- That the utility interruptible service tariffs should be changed to require an annual attestation by the customer to the utility that the customer has functioning back-up equipment and/or the ability to curtail natural gas use when requested. The operation and functionality of the back-up equipment is the sole responsibility of the interruptible customer. Failure to maintain this equipment or failure to curtail represents a breach of the terms of the interruptible service and may result in termination of the agreement.

The Department also stated that the Commission may wish to consider convening a workgroup of utilities, state agencies, and other interested parties to create a framework governing communication to the public during severe weather and other high consequence events.

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<sup>2</sup> See e.g. CenterPoint Energy, Gas Rate Book, Section V, Fifth Revised Page 7.

<sup>3</sup> CenterPoint Energy notes that it already collects three or more current contacts for all interruptible customers that are able to prove at least three. See e.g. CenterPoint Energy's Gas Rate Book, Section VII, Third Revised Page 1.b.

<sup>4</sup> CenterPoint Energy notes that it is already its practice to annually seek to confirm the accuracy of interruptible customer contact information.

CenterPoint Energy has no objection to such a workgroup and would participate if the Commission chooses to convene one.

In addition, Minnesota Energy Resources Corporation ("MERC") proposed, in its June 18, 2019 filing in this docket, to change its firm/interruptible service tariff so that if a partial day curtailment is called, the number of firm volumes remaining for the customer's use will be prorated depending on the number of hours remaining in the gas day when curtailment goes into effect. For example, if a firm/interruptible customer has 24 Dth of firm volumes and curtailment is called at exactly half way through the gas day, the customer will be able to use 12 Dth in the second half of the day without being assessed a curtailment penalty. The Department recommended approval of this change to MERC's tariff. CenterPoint Energy believes that making this change to its own tariffs could help avoid unauthorized use of gas for customers that are in process of changing over to backup systems in the first hours of a curtailment event and therefore proposes to change its firm/interruptible tariffs in a similar fashion.

## **V. Conclusion**

The Company appreciates the opportunity to respond to the Response Comments of the Department and OAG. As discussed above, the Company believes that many of the recommendations are generally reasonable, although the Company has specific concerns about certain recommendations as discussed above.

Please feel free to contact me at 612-321-4625 or [amber.lee@centerpointenergy.com](mailto:amber.lee@centerpointenergy.com) with any questions.

Sincerely,

/s/ Amber S. Lee

Amber S. Lee  
Director, Regulatory Affairs

C: Service List

**AFFIDAVIT OF SERVICE**

STATE OF MINNESOTA    )  
                                          ) ss.  
COUNTY OF HENNEPIN    )

Marie Doyle, being first duly sworn on oath, deposes and says she 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 or by placing in the U.S. Mail at the City of Minneapolis, Minnesota.

/s/ \_\_\_\_\_  
Marie Doyle  
Regulatory Analyst  
CenterPoint Energy

Subscribed and sworn to before me  
this 19th day of August 2019

/s/ Melodee S. Carlson Chang  
Melodee S. Carlson Chang  
Notary Public (Commission Expires January 31, 2024)

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