June 19, 2019

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

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-18-462

Dear Mr. Wolf:

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

> CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas' (CenterPoint) Request for Change in Demand Units (Petition) and Supplemental Information (Supplemental Filing).

The Petition was filed on July 2, 2018, the Supplemental Filing was made on November 1, 2018 and a Notice Letter was filed on April 24, 2019 by:

> Marie Doyle
> Regulatory Services
> CenterPoint Energy
> 505 Nicollet Mall, PO Box 59038
> Minneapolis, MN, 55489-0038

Based on its review of CenterPoint's Reply Comments, the Department recommends that the Minnesota Public Utilities Commission (Commission):

- Accept the Company's proposed level of demand entitlement;
- Allow CenterPoint to recover the associated demand costs, as presented in the Department's *Comments*, through the monthly Purchased Gas Adjustment effective November 1, 2018;
- Disallow recovery, through the annual true up factor, of the under-recovered Viking demand costs associated with a calculation error; and

- Require CenterPoint to credit Market Support Payments from Northern Natural Gas to ratepayers through the monthly Purchased Gas Adjustment.

The Department is available to respond to any questions that the Commission may have on this matter.

Sincerely,

/s/ ADAM J. HEINEN
Public Utilities Rates Analyst

AJH/ja
Attachment

Before the Minnesota Public Utilities Commission

Response Comments of the Minnesota Department of Commerce
Division of Energy Resources

Docket No. G008/GR-18-462

I. BACKGROUND AND INTRODUCTION

On July 2, 2018, CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas (CenterPoint or the Company) filed its initial *Request for Change in Demand Units* (Petition) with the Minnesota Public Utilities Commission (Commission). In its Petition, CenterPoint provided its forecast of expected demand for the 2018-2019 heating season and projections for natural gas capacity (entitlements) that the Company expected to procure for the heating season. CenterPoint also discussed its new long-term agreement with Northern Natural Gas (Northern) for natural gas contracts and delivery. The Company made a Supplemental Filing on November 1, 2018 detailing its final heating season entitlement levels and procurement strategy. CenterPoint filed a correction to its Petition on April 24, 2019.

On December 31, 2018, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed Comments analyzing CenterPoint's Petition and Supplemental Filing. In its Comments, the Department expressed general support for the Company's Petition, concluding that the Company's negotiated agreement with Northern was reasonable for ratepayers[1] and its design-day analysis was acceptable. However, the Department was concerned with CenterPoint's low reserve margin level and withheld final recommendation on the Company's Petition pending additional discussion on this topic. As such, the Department requested that CenterPoint provide the following in Reply Comments:

- a full explanation of why the Company did not procure additional capacity for this heating season and what, if any, other measures CenterPoint has available to ensure firm reliability on a peak day if peak shaving capacity is unavailable; and
- a full explanation, and detail, of how the Company conducts planning at the [Town Border Station] TBS[2] level and what steps it takes to maintain reliability

[1] Regarding the terms of the Company's agreement with Northern, the Department requested additional information on the topic Market Support Payments from Northern. The Department noted in its Comments (Page 7) that CenterPoint agreed to return these payments to ratepayers as a credit to the Purchased Gas Adjustment (PGA).

[2] The TBS is generally the point where the natural gas is transferred to CenterPoint from an interstate transportation company such as Northern.

> at the TBS level and to correct instances where consumption exceeds the [Maximum Daily Quantity] MDQ.

On January 14, 2019, CenterPoint filed Reply Comments responding to the Department's Comments. CenterPoint provided additional information regarding its design-day analysis and an explanation of its peak-shaving capabilities and their relation to the reserve margin. The Company also discussed its distribution planning policies and procedures. The Department provides its response to CenterPoint's Reply Comments below.

The Department notes that subsequent to the Company's Reply Comments, CenterPoint's service territory, along with the rest of Minnesota, experienced a significant cold weather event that resulted in near design-day conditions. This event marked the first time that temperatures approached weather conditions experienced in 1996, which serves as the basis for the Company's planning objective of -25F or 90 Heating Degree Days (HDD) on average over a 24-hour period. The Department notes that CenterPoint's system generally operated well during the recent cold spell, but the Department limits its discussion in these Response Comments to existing information and discussion in this proceeding. Any discussion or analysis related to performance of the CenterPoint system, and the cold weather event, will occur in the Commission's investigation into this matter in Docket No. E,G999/CI-19-160.

II. DEPARTMENT ANALYSIS

In its Reply Comments, CenterPoint provided discussion and analysis in response to the following topics raised in the Department's Comments:

- Northern Contract;
- Design-Day Analysis;
- Reserve Margin; and
- Planning and Integration.

The Department responds to each of these areas separately below. The Department also responds separately to CenterPoint's Notice Letter filed on April 24, 2019.

A. NORTHERN CONTRACT

The Department concluded in its Comments that CenterPoint's negotiated Northern contract is reasonable and represents the best option for ratepayers. In its Reply Comments, CenterPoint stated that, going forward, as new capacity becomes available under the new Northern contract, it "may release capacity to facilitate customer switching from interruptible service to firm transport service"[3] and that it will report on any capacity release transactions and resulting revenues in future Annual Automatic Adjustment (AAA) filings.

The Department notes that the point of CenterPoint's statement about capacity releases being used to facilitate customers switching from interruptible service to firm transport service is unclear. Since neither interruptible nor transport customers are included in design-day estimates, these customers switching service should have no influence on the entitlements procured to meet design-day needs.[4] As such, there should be no connection between interruptible or transportation customers and capacity releases. To be clear, CenterPoint should release the capacity to the market, to help offset costs that firm customers are charged for capacity, if the capacity is not needed to serve firm demand. The Department will continue to monitor these issues in future AAA and demand entitlement filings.

B. DESIGN-DAY ANALYSIS

As noted in our Comments, the Department reviewed CenterPoint's design-day regression models and conducted an alternative regression analysis. After reviewing these models, the Department observed potential issues with the Company's models and accompanying results but ultimately concluded that CenterPoint's models are acceptable and are likely adequate to model firm consumption on a peak day. The Department also concluded that coupling CenterPoint's current design-day method with an additional probabilistic analysis, which attempts to estimate the mostly likely day of the week and period during the heating season when the peak day will occur, may work to create a more robust estimate of potential peak-day consumption. The Department expressed a willingness to work with the Company to investigate potential improvements to the design-day analysis.

In its Reply Comments, CenterPoint stated that it believes its current model meets the operational needs of the Company and supports the use of the regression model as provided in its Petition. CenterPoint also stated that it shares the same goal as the Department to produce a robust estimate, or model result, as a risk assessment tool. The Company also stated that it is willing to work with the Department during its next design day calculation and planning cycle to investigate potential improvements to the design-day analysis.

The Department appreciates CenterPoint's willingness to work on improvements to its design-day analysis, especially in light of the significant cold weather event that occurred during the 2018-2019 heating season. The Department agrees with the Company that working on these

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[3] Reply Comments, page 1.

[4] An exception may occur if some of the interruptible customers have a joint-firm service agreement. Under this type of agreement, the interruptible customer reserves a certain amount of firm capacity that a utility must provide. The amount of firm entitlement associated with these agreements is small relative to CenterPoint's total entitlement on Northern.

improvements during the next demand entitlement filing and planning cycle is an appropriate means of investigating the design-day method.

C. RESERVE MARGIN

In its Comments, the Department raised concerns that CenterPoint's reserve margin may be too low and is lower than the desired amount of reserve typically approved by the Commission. The Department also noted that if issues arise with the Company's peak shaving capabilities CenterPoint did not have an operational reserve margin. Based on these concerns, the Department withheld recommendation on CenterPoint's proposed total entitlement level and recommended that the Company fully justify, in Reply Comments, the Company's decision not to procure additional capacity for this heating season and what, if any, other measures CenterPoint has available to ensure firm reliability on a peak day if peak shaving capacity is unable.

The Company provided extensive discussion of its entitlement procurement strategy and derivation of its reserve margin in Reply Comments. CenterPoint argued that the utility has adopted conservative approaches to maintain system reliability and that it generally agreed that some amount of additional capacity (*i.e.,* reserve margin) over the design-day is a prudent approach. The Company explained that the theoretical reserve margin is necessary for three reasons:[5]

> 1) design-day estimates are based on data for weather that hasn't been experienced in recent history, 2) the utility must be able to offset the impact of possible equipment failures or interruptible customers' inability to curtail, and 3) there are not reasonable options for obtaining additional pipeline capacity or delivered gas supplies on a design day.

CenterPoint also noted that it tends to use a conservative approach to determining required entitlement levels because the consequences of lost service in Minnesota are significant and represent a serious risk to ratepayers.

Regarding entitlement procurement for the 2018-2019 heating season, CenterPoint explained why it did not increase capacity over the previous heating season despite the relatively small reserve margin. The Company explained that its plan was that capacity additions for the 2017-2018 heating season would be sufficient to cover expected growth for the 2018-2019 heating season. In addition, CenterPoint noted that adding capacity in off years[6] is typically done via

[5] CenterPoint Reply Comments, Page 2.
[6] "Off years" refer to years when CenterPoint does not have the right, or ability, via its contract with Northern to purchase capacity at an agreed upon rate. In the case of CenterPoint, its "off years" occur in even numbered years (*e.g.,* 2020).

capacity release markets or through more expensive means based on Northern's tariff and the contract between CenterPoint and Northern. The Company further explained that it explored options for adding capacity prior to the 2018-2019 heating season, particularly in light of additional firm service requests, but there were few cost-effective alternatives in the short-term. CenterPoint also stated that it is prepared to purchase spot market supplies if needed during peak-day conditions; as such, given its belief that it procured sufficient capacity, and expectations of additional capacity procurement in the future (as provided for in the new Northern contract), the Company did not believe additional short-term capacity procurement for the 2018-2019 heating season was necessary.

The Department appreciates CenterPoint's clarification of its decision not to procure additional capacity for the 2018-2019 heating season. The Department acknowledges the difficulties associated with procuring short-term capacity and the costs associated with this capacity, especially in light of CenterPoint's expected and planned capacity additions for the 2019-2020 heating season. After reviewing this information, the Department better understands the Company's procurement strategy.

CenterPoint's note that it would turn to the spot market and/or secondary capacity release market to the extent necessary in the event that peak-day conditions occur is somewhat troubling. Based on information in Docket No. E,G999/CI-19-160,[7] the Department is aware that spot market supplies were available during the most recent cold weather event, but there is no guarantee that these supplies will be available when needed. Although the information and discussion in the Company's Reply Comments does not suggest that CenterPoint will rely on spot capacity resources to serve firm load on a regular basis, the Department is concerned when utilities rely on the market for spot capacity since it is not guaranteed and is less reliable than firm entitlements. Nevertheless, based on the information provided by CenterPoint in this docket, the Department expects that the Company will increase capacity in future demand entitlement filings and that the Company intends to address the reserve margin issue in future filings.

In response to the Department's Comments, the Company also provided extensive discussion and clarification regarding its peak shaving capabilities on a peak day. In its Comments, the Department stated that CenterPoint only includes 33 percent of peak shaving volumes in its design-day analysis to account for the fact that the Company may be unable to use all of the volumes available from its peak shaving facilities. In its Reply Comments, CenterPoint noted that the Department may have misunderstood the information the Company provided in the 2011-2012 demand entitlement (Docket No. G008/M-11-1078) regarding the Company's treatment of peak shaving capacity. Specifically, the Company clarified that the 33 percent figured quoted by the Department refers to a calculation to modify the assumed daily peak

[7] February 28. 2019 Presentation Slides filed in Docket No. E,G999/CI-19-160.

output for a single propane-air facility (Anoka propane plant)[8] and does not reflect the physical reserve level for all of CenterPoint's peak shaving facilities. CenterPoint further explained that physical reserve is calculated to account for a 50 percent failure of its largest peak shaving facility (Dakota Station LNG), which represents a reduction of approximately 11 to 12 percent of the Company's total peaking facilities.

The Department appreciates CenterPoint's clarification regarding available peak shaving capacity and apologizes for the misunderstanding. However, the Department's concerns regarding the loss of peak shaving capability on a peak day still exist, particularly in years in which CenterPoint's reserve margin is low. Given the Company's low reserve margin, in the event that CenterPoint loses peak shaving capacity, the Company may not have an effective reserve margin available for use on a peak day. Although this may be a rare circumstance, if it occurs, firm reliability may be at risk. Although the 2018-2019 heating season has passed with no significant reliability issues on CenterPoint's system, the Department requests that the Company discuss ways of mitigating this reliability risk in future demand entitlement filings.

Based on its review of CenterPoint's Reply Comments, the Department remains concerned regarding the Company's overall reserve margin, particularly in the event that issues exist with peak shaving capacity on a peak day. However, the Department concludes that CenterPoint provided sufficient information and clarification in its Reply Comments to satisfy the Department that the Company is committed to firm reliability and procurement of sufficient demand capacity. CenterPoint's additional discussion strongly suggests that the small reserve margin for the 2018-2019 heating season is the result of unique circumstances and will likely be addressed before the next heating season. To the extent resources allow, the Department is willing to work with the Company on improving its reserve margin and procurement strategy to account for potential peak shaving deliverability issues. The Department recommends that the Commission accept the Company's proposal entitlement level for the 2018-2019 heating season and the corresponding reserve margin.

D. PLANNING AND INTEGRATION

In discussions before the Commission in previous demand entitlement filings, the Commission expressed concern regarding the reliability of the natural gas distribution system in light of increased use of natural gas for electric generation. The Commission also expressed concern regarding the lack of uniformity in planning between utilities. In response to these concerns, the Department conducted an in-depth analysis of the Company's planning process and integration of electric generation into CenterPoint's natural gas system. The Department's analysis generally concluded that the Company's planning process is reasonable but there were

[8] The modification was necessary because, if used at full output, the Anoka propane plant's capacity would last 1 1/3 days. For planning purposes, CenterPoint relies on each propane plant's capacity to last through at least a 3-day weather event.

certain areas that required additional clarification. As such, the Department requested that the Company elaborate, in detail, in its Reply Comments how CenterPoint conducts planning at the Town Border Station (TBS) level as well as what steps it takes to maintain reliability at the TBS level and to correct instances where consumptions exceeds the Maximum Daily Quantity (MDQ).

In its Reply Comments, the Company stated that it conducts planning at two levels: 1) utility planning for pipeline entitlement (*i.e.,* system level) and 2) capacity planning at the TBS level (*i.e.,* locational level). In terms of system level planning, CenterPoint explained that it conducts system-wide planning forecasts to determine the level of supplies needed to meet total system needs on a design day. The Company also conducts forecasts at individual TBSs where isolated operational needs have been identified to determine whether these issues can be addressed with existing capacity, third-party transactions, or with Company-owned peaking facilities. CenterPoint stated that, "If entitlements are available in the marketplace, either from a pipeline or in the capacity release market, they can be purchased immediately; however, this has rarely been the case with Northern, which has essentially been sold out in recent years."[9]

In terms of locational level planning, CenterPoint explained that it reviews sales data at specific TBSs and compares these data to delivery capabilities at those points to verify that gas supply requirements can be met, especially during peak conditions. The Company noted that these data are developed to highlight areas of concern that may not be evident in the system-wide regression analysis. CenterPoint further explained that its analytical system uses an integrated software package that allows multiple sources of data to be combined and mapped to illustrate and identify potential problem areas even though the system-wide review may indicate no issues or the need for additional capacity. CenterPoint noted that these studies can also indicate areas at which capacity can be reduced. The Company concluded its explanation by noting that it reviews performance at delivery points after each heating season and works, in consultation with Northern, to determine whether additional capacity is required. CenterPoint then incorporates these data into its delivery point forecasts, which are made for several years into the future in order to determine when additional demand units may be needed.

The Company believes that the use of these methodologies results in sufficient capacity on a system-wide, and TBS-specific, basis to reliably serve firm load.

The Department appreciates CenterPoint's additional discussion and information on this topic. In light of CenterPoint's performance during the recent cold weather event, the Department agrees that CenterPoint's planning strategy allowed the Company to serve firm load for the current heating season. The Department continues to conclude that CenterPoint's current planning approach is generally reasonable.

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[9] CenterPoint Reply Comments, Page 4.

However, the Department requests that the Company discuss in future demand entitlement filings ways of mitigating the reliability risk regarding the loss of peak shaving capability on a peak day, particularly in years in which CenterPoint's reserve margin is extremely low.

E. RESPONSE TO APRIL 24, 2019 NOTICE LETTER

On April 24, 2019, CenterPoint filed a Letter in this docket as well as in its 2019-2020 heating season demand entitlement filing,[10] its 2017 demand entitlement filing,[11] and its 2018 Annual Automatic Adjustment and Annual True-Up filings[12] notifying the Commission that the Company identified an error in its demand costs. CenterPoint stated that it added 20,000 Dkt/day of capacity in its 2017 demand entitlement filing on the Viking Pipeline beginning November 1, 2017. This contract is for 12-month service; however, CenterPoint labeled it as a five-month winter service in the demand entitlement filing and the subsequent monthly PGAs between November 2017 and April 2019. CenterPoint explained that this error was included in the 2017-2018 demand entitlement docket (Order issued March 21, 2018) as well as the 2018-2019 demand entitlement docket and the 2018 AAA proceeding, which remain under review by the Department and the Commission.[13]

As a solution, CenterPoint indicated the following:

> CenterPoint Energy intends to produce a complete set of documentation and file corrections to the relevant dockets to reconcile this issue. The costs of the Viking contract were paid, beginning November 1, 2017, but those costs were only partially recovered (five months versus twelve months) in the corresponding Purchase Gas Adjustments. As a result, the difference has been rolled in to the AAA/true-up under-recovery that was implemented on September 1, 2018, and the Company will include this issue in comments to be filed in that AAA docket. In addition, the Company will incorporate the change into its upcoming Request for Change in Demand Units filing (assigned Docket No. G-008/M-19-278) and its May 2019 PGA (Docket G-008/AA-19-279) to be filed on May 1, 2019.

Minnesota Rules 7825.2910 and 7825.2920 govern changes in demand entitlements and the assessment of the associated charges to ratepayers. Since the Viking contract is needed to serve firm demand, there is no dispute that the contract and its associated capacity is

[10] Docket No. G008/M-19-278.
[11] Docket No. G008/M-17-533.
[12] Docket Nos. G999/AA-18-374 and G008/AA-18-573.
[13] CenterPoint Letter, Pages 1-2.

reasonable; as such, the only area of concern is the appropriate level of cost recovery. For the purposes of the instant proceeding, the Company incorrectly reported costs in its initial demand entitlement filing and in its supplemental filing. CenterPoint also assessed demand costs beginning November 1, 2018 that did not reflect the full cost of the Viking contract. The Department notes that the correct contract length was reflected beginning with CenterPoint's May 2019 PGA filing.

Minnesota Rule 7825.2920 governs errors made in automatic adjustments:

> Subpart 1. **Approval**. Automatic adjustment of charges filed under parts 7825.2900 and 7825.2910 are provisionally approved and may be placed into effect without commission action, but subject to the conditions in subparts 2 and 3.
> Subpart 2. **Errors**. Errors made in adjustment must be refunded by check or credits to bill 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.
> Subpart 3. **Commission action**. The commission, on complaint or on its own motion, and after appropriate investigation, notice, and hearing, may issue an order to fix at current level, discontinue, or modify an automatic adjustment provision for an individual utility.

As allowed under Subpart 1, the Company placed its demand charges into effect provisionally on November 1, 2018; however, as described in its April 24, 2019 Letter, these demand costs were understated and ratepayers were undercharged. Minnesota Rule 7825.2920, Subpart 2, requires refunds or credits to customers when the error resulted in overcharges of greater than 5 percent of the corrected adjustment charge; the rule does not address surcharges due to errors that resulted in undercharges. Therefore, the Department concludes that, the Company is not able to recoup the undercharge of costs associated with its Viking contract. The PGA mechanism is designed to allow utilities to recover prudently incurred fuel costs, and fuel cost fluctuations, that are outside of their control. However, Minnesota Rule 7825.2920, subpart 2, appears clear that ratepayers are not responsible for undercharges caused by factors within the utility's control, such as administrative errors made by the utility.

In an effort to confirm the wording of Minnesota Rule 7825.2920, the Department reviewed the *Statement of Need and Reasonableness* (SONAR) associated with Minnesota Rule Chapter 7825. The most recent SONAR was filed on March 7, 1989 in Docket No. G999/R-85-789 (1985

Rulemaking). During the 1985 Rulemaking, no change was made to Subparts 1, 2, and 3 of Minnesota Rule 7825.2920, other than a re-numbering. The Commission concluded that it was reasonable to include the identical language from the previous iteration of Minnesota Rule 7825.2920 because the need for the rate change approval requirements had not changed, but needed to be regrouped to distinguish between natural gas and electric utilities.[14]

Prior to the 1985 Rulemaking, the Commission modified Minnesota Rule Chapter 7825 in Docket No. G,E999/R-83-467 (1983 Rulemaking). However, there were no changes made to Minnesota Rule 7825.2900 in the 1983 Rulemaking.[15] As such, the interpretation of current Minnesota Rule 7825.2920 is governed by the original Public Service Commission (PSC) Rules 390-395 promulgated on January 1, 1978.

The original PSC Rules 390-395 were crafted in 1975 (1975 Rulemaking) as the result of a formal hearing process, including written and oral testimony, under the direction of the Commission.[16] The Commission considered the record, including suggested revisions, and issued its *Findings, Conclusions and Order for Automatic Adjustment of Charges for Public Utility Service* on June 15, 1977 (1977 Order). When originally proposed, Minnesota Rule 7825.2920 was known as PSC Rule 394(d). The 1975 Rulemaking involved significant input and suggested revisions from the Commission, the Department, and various regulated electric and natural gas utilities. The Department notes that the draft PSC Rule 394(d) included the following language regarding errors:

> Errors made in computing adjustments or adjustments made which deviate from the procedures described in PSC 390 through 395 may be refunded to the consumer in an amount not to exceed the amount of the error upon the order of the Commission…

At the hearing, a spokesman for Minnesota Power and Light suggested that the draft language be amended to clarify the fact that the refund may be made either by a check or a credit on a customer bill.[17]

[14] Docket No. G999/R-85-789, *Statement of Need and Reasonableness*, Page 22.
[15] Commission's October 10, 1984 Findings of Fact, Conclusions of Law and Order Adopting Rules in Docket No. G,E999/R-83-467.
[16] Public Service Commission Docket No. A-8117-11.
[17] June 15, 1977 Order, Docket No. A-8117-11, Page 33.

The SONAR states:

> The Commission agrees with Minnesota Power and Light that any refund to the consumer may be made by either a check to the consumer or a credit on his bill. Any refund shall be included interest computed at the prime rate.[18]

The final rule language incorporated this finding without change and stated the following:

> Errors made in adjustment must be refunded by check or credits to bill 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…[19]

As noted above, the error-related language for PSC 394(d), now known as Minnesota Rule 7825.2920, remains unchanged from its approval on June 15, 1977 and promulgation into Minnesota Rules on January 1, 1978.

The Department concludes that CenterPoint should not be allowed to flow the under-recovered Viking demand costs through the annual true-up factor since 1) the PGA mechanism is designed to allow utilities to recover prudently incurred fuel costs, and fuel cost fluctuations, that are *outside* of their control, and 2) there is not, and has never been, a rule provision governing utility errors resulting in PGA undercharges. Therefore, the Department continues to recommend that the Commission set demand costs based on the costs described in the Department's *Comments* and originally proposed by CenterPoint in its Supplemental Filing.[20] As noted above, the rates reflecting the full Viking contract will be put in place post April 2019 when the error was discovered. The Department recommends that the Commission not allow CenterPoint to flow the previously under-recovered Viking demand costs through the annual true up factor. The error identified by CenterPoint in its April 24, 2019 Letter is not a result of fluctuations outside its control; as such, it does not qualify for recovery through the PGA. As fully analyzed above, Minnesota Rule 7825.2920 only addresses errors when ratepayers are overcharged for service. There is no support in prior SONARs or rulemakings that Minnesota Rule 7825.2920 is intended to refer to under-recovery of demand costs such as described in the Company's April 24, 2019 Letter.

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[18] June 15, 1977 Order, Docket No. A-8117-11, Page 34.
[19] June 15, 1977 Order, Docket No. A-8117-11, Page 34.
[20] Department *Comments*, Pages 20-21.

III DEPARTMENT RECOMMENDATIONS

Based on its review of CenterPoint's Petition and Reply Comments, the Department recommends that the Commission:

- Accept the Company's proposed level of demand entitlement;
- Allow CenterPoint to recover associated demand costs, as presented in the Department's Comments, through the monthly Purchased Gas Adjustment effective November 1, 2018;
- Disallow recovery through the annual true-up factor of under-recovered Viking demand costs associated with CenterPoint's calculation error; and
- Require CenterPoint to credit Market Support Payments from Northern to ratepayers through the monthly Purchased Gas Adjustment.

The Department requests that the Company discuss in future demand entitlement filings ways of mitigating the reliability risk regarding the loss of peak shaving capability on a peak day, particularly in years in which CenterPoint's reserve margin is extremely low.

/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-18-462

Dated this 19th day of June 2019

/s/Sharon Ferguson

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