

September 22, 2020

Will Seuffert
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
Saint Paul, Minnesota 55101-2147

RE: **Response Comments of the Minnesota Department of Commerce, Division of Energy Resources**
Docket No. G008/M-20-434

Dear Mr. Seuffert:

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

Petition of CenterPoint Energy Resources Corporation d/b/a CenterPoint Energy Minnesota Gas (CenterPoint Energy) to Introduce a Renewable Natural Gas Interconnection tariff.

These Response Comments are in response to CenterPoint Energy's Reply Comments filed on July 10, 2020. The petitioner on behalf of CenterPoint Energy is:

Amber S. Lee
Director, Regulatory Affairs
CenterPoint Energy
505 Nicollet Mall, P.O. Box 59038
Minneapolis, Minnesota 55459-0038

The Department provides the following response to CenterPoint Energy's July 10, 2020 Reply Comments. The Department recommends **approval, subject to modifications and conditions as discussed herein**. The Department is available to respond to any questions that the Minnesota Public Utilities Commission (Commission) may have on this matter.

Sincerely,

/s/ SACHIN SHAH
Rates Analyst

SS/ja
Attachment



Before the Minnesota Public Utilities Commission

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

Docket No. G008/M-20-434

I. INTRODUCTION

On April 23, 2020, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, (CenterPoint Energy, CPE, or the Company) filed a Petition to Introduce a *Renewable Natural Gas (RNG) Interconnection Program (Petition)* with the Minnesota Public Utilities Commission (Commission).

On June 25, 2020 the Minnesota Department of Commerce, Division of Energy Resources (Department) filed comments regarding the Company's Interconnect Tariff proposal.

On July 10, 2020 CPE filed reply comments. The Department responds to the reply comments below.

II. DEPARTMENT ANALYSIS

The Department responds to CPE in sections A through E below regarding the following topics:

- A. Proposed interconnect rates,
- B. CPE'S RNG Quality Standards,
- C. Rebates/Incentives,
- D. Affiliates as well as CNG,
- E. Other Recommendations.

A. PROPOSED INTERCONNECT RATES

In its comments, the Department recommended that the Commission require the Company to charge RNG interconnection customers the same non-gas rate as charged to interruptible transportation customers, less the Conservation Cost Recovery Charge (CCRC), resulting in a charge of \$0.15748 per therm. The Company in its reply comments stated that it did not object to this recommendation.

The Department appreciates CenterPoint's agreement with the Department's recommendation to charge RNG interconnection customers a charge of \$0.15748 per therm.

Additionally, the Department recommended that the Commission approve CenterPoint's proposed interconnection tariff with the modification that CPE require the RNG producers and/or developers to pay all the costs of interconnecting to CPE's system, either by paying the entire Contribution-In-Aid of Construction (CIAC) upfront or by CPE imposing an exit fee, if the interconnection customer leaves

CPE's system prior to paying fully for all of the costs of interconnection, operation and removal of such facilities.

In its reply comments, CPE agreed with the Department's recommendation that interconnection customers be required to pay an exit fee if they leave the Company's system. Specifically, CPE proposed to add language to its proposed interconnection tariff as follows:¹

Exit Fee:

If Customer suspends RNG production, Customer will pay an exit fee equal to the total cost of installing the RNG facilities, including main to connect to CenterPoint Energy's distribution system, and any costs for removal of facilities, less the initially paid contribution-in-aid-of-construction; any depreciation of facilities that has occurred between project inception and suspension of RNG production; and any cost for infrastructure that is utilized by other customers.

The Company has attached proposed tariff sheets including this addition in Exhibit A.

However, the Company did not support the Department's recommendation that the Company charge a CIAC upfront for the full costs of interconnection "because the Company is concerned that an upfront CIAC would discourage smaller RNG Interconnect Customers who may struggle to raise enough capital upfront to pay the full cost of interconnection."

The Department appreciates the Company's clarifications and agreement with the Department's modification regarding the exit fee. Regarding the up-front CIAC charge, the Department agrees with the Company that payment of all up-front CIAC costs could discourage smaller RNG Interconnect customers and as a result, the imposition of an exit fee is a reasonable alternative.

The Department notes that the language in the proposed tariff (Section V, Proposed Original page 30.a) does not entirely capture what the Company indicated above. Specifically, the language omits "and any costs for removal of facilities" referenced above in its proposed language for an exit fee. As a result, the Department concludes that CPE's proposed interconnect rates and tariff as modified in its reply comments at pages 3-4 (referenced above in CPE's proposed language for an exit fee) are reasonable and the Company should correct its proposed tariff accordingly.

¹ CPE July 10, 2020 Reply Comments at pages 2-3.

B. CPE'S RNG QUALITY STANDARDS

In its comments the Department stated that it was CPE's burden to ensure the integrity, safety, and reliability of its system and that there was lack of clarity in the Company's *Petition* regarding acceptance of RNG from a hazardous source such as a hazardous waste landfill. As a result, the Department recommended that the Company add an explicit statement in its gas quality standards regarding hazardous waste.²

In its reply comments, the Company agreed with the Department's recommendation and stated the following:

We propose the following language, slightly modified from the Department's proposed language, for clarity and to better fit the conventions of the gas quality standards proposed by the Company:

17.09 Gas from Hazardous Waste Landfills

RNG sourced from Hazardous Waste Landfills will not be knowingly purchased, accepted, or transported on CenterPoint Energy's system. Customer must certify and provide documentation that the RNG feedstock is not derived or collected from a hazardous waste landfill prior to interconnection and whenever there is a change in feedstock.

The Company has attached proposed tariff sheets including this addition in Exhibit B.

Based on the Company's clarification, modification, and agreement above and earlier confirmation referenced up above, the Department concludes that CPE's proposed RNG quality standards and tariff as modified in its reply comments are reasonable.

C. REBATES/INCENTIVES

The Department stated that, were CPE to use any incentives and/or rebates to induce RNG producers and/or developers to interconnect with their distribution system, such costs should be shareholder expenses rather than being charged to ratepayers. In its reply comments, the Company stated that it had no objection to the Department's recommendations and that "it has no intention of offering any incentives to RNG Interconnect customers."

Based on the Company's agreement above, the Department concludes that this issue is resolved between the Department recommendation and CPE.

² See the Department's June 25, 2020 Comments at pages 9 through 10.

D. AFFILIATES AS WELL AS CNG

The Department recommended that the Commission require CPE to seek prior approval from the Commission before any transactions involving RNG for its fueling stations and/or RNG projects and to explain how these transaction(s) would comply with Minn. R.7825.1900 – 7825.2300 and Minn. Stat. §216B.48 and the relevance of these regulations to all applicable projects. This recommendation is intended to ensure that the Company complies with Minnesota statutes and rules.

In its reply comments, the Company stated the following:³

The Department recommends the Commission require CenterPoint Energy to (1) seek prior approval for any transactions with affiliates arising from the interconnection projects, and (2) explain how the proposed affiliate transaction would comply with the affiliate statute, rules, and orders.

The Company agrees to inform the Department and Commission if any affiliates are, or become, involved in any interconnection project. In its notification, the Company will explain whether the affiliate rules and regulations are implicated, and if so, the Company will seek Commission approval of the transaction. The Company does not commit to obtaining preapproval of the engagement because of the timing required, but the Company does commit, upon learning of the existence of an affiliated interest in a particular interconnection process, to notify the Department and Commission of that relationship and to collaborate with the Department on whether an affiliate interest filing should be pursued.

To the extent the Company seeks approval of the Commission if any affiliates become involved in any of its RNG interconnection projects, the Company's actions would appear to comply with Minn. R.7825.1900 – 7825.2300 and Minn. Stat. §216B.48. CPE stated that the "Company does not commit to obtaining preapproval of the engagement because of the timing required."

The Department concludes that, so long as CPE fully meets the filing requirements that the Commission set out in Docket No. E, G-999/CI-98-651 (98-651) to provide all required information within 30 days of executing a contract or arrangement with an affiliate, CPE's proposal is acceptable. And, of course, all requirements in Minn. Stat. §216B.48 would continue to apply, including this provision:

Subd. 5. **Applicability to determining rates and costs.** In any proceeding, whether upon the commission's own motion or upon application or complaint, involving the rates or practices of any public utility, the

³ CPE July 10, 2020 Reply Comments at page 4.

commission may exclude from the accounts of the public utility any payment or compensation to an affiliated interest for any services rendered or property or service furnished, as above described, under existing contracts or arrangements with the affiliated interest unless the public utility shall establish the reasonableness of the payment or compensation. [Emphasis added].

E. OTHER RECOMMENDATIONS

The Department also recommended that the Commission require the Company to:⁴

- track all actual costs separately for each RNG producer and/or developer the Company signs and the total RNG received for each RNG producer and/or developer (in Dekatherms or Dths), identifying these actual costs using the FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts from its internal accounting system that the Company identified in its responses to Department IR Nos. 2, 4, 5, 31, and 47; and
- track and identify all of the customers it adds and their associated costs and revenues using the FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts from its internal accounting system and to provide a discussion and analysis in its next general rate case.

The Company, in its reply comments, agreed with the Department's recommendations.

III. DEPARTMENT RECOMMENDATIONS

Thus, the Department recommends that the Commission approve CenterPoint's proposed interconnection tariff with these modifications:

- require the RNG producers and/or developers to pay all the costs of interconnecting to CPE's system by paying imposing an exit fee, if the interconnection customer leaves CPE's system prior to paying fully for all of the costs of interconnection, operation and removal of such facilities as outlined in the Company's reply comments;
- require CenterPoint to add an explicit statement in its gas quality standards regarding acceptance of RNG from a hazardous source as outlined in the Company's reply comments;

⁴ See the Department's June 25, 2020 Comments at pages 6-8 and 13-14.

- charge RNG customers the non-gas margin of \$0.15748 per therm and the proposed monthly customer charge of \$7,500 as explained herein and in the Department's June 25, 2020 comments at pages 6 through 8;

In addition, the Department recommends that the Commission require the Company to:

- track all actual costs separately for each RNG producer and/or developer the Company signs and the total RNG received for each RNG producer and/or developer (in Dekatherms or Dths), identifying these actual costs using the FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts from its internal accounting system that the Company identified in its responses to Department IR Nos. 2, 4, 5, 31, and 47;
- seek approval from the Commission as noted above and explain how any transaction(s) with its affiliates would comply with Minn. R.7825.1900 – 7825.2300 and Minn. Stat. §216B.48 and the relevance of these regulations to all applicable projects;
- seek approval from the Commission to engage in any RNG transaction(s) for its fueling stations as noted above;
- absorb any rebates and/or incentives used by the Company in its interconnection process as a shareholder expense; and
- track and identify all of the customers it adds and their associated costs and revenues using the FERC accounts, sub accounts and/or FERC account equivalents and CPE charted accounts and/or sub-accounts from its internal accounting system and to provide a discussion and analysis in its next general rate case.

/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-20-434

Dated this **22nd** day of **September 2020**

/s/Sharon Ferguson

[illegible]

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