

STATE OF MINNESOTA
BEFORE THE OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION

**In the Matter of the Application by
CenterPoint Energy Resources Corp., d/b/a
CenterPoint Energy Minnesota Gas for Authority to
Increase Natural Gas Rates in Minnesota**

**OAH Docket No. 65-2500-38009
MPUC Docket No. G-008/GR-21-435**

SETTLEMENT

March 14, 2022

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OFFER OF SETTLEMENT

Pursuant to Minnesota Statutes Section 216B.16, subdivision 1a(b), this Offer of Settlement (“Settlement”) is entered into March 14, 2022 between CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (“CenterPoint Energy Minnesota Gas” or the “Company”), the Department of Commerce – Division of Energy Resources (“DOC” or the “Department”), the Office of the Attorney General – Residential Utilities Division (“OAG”), Suburban Rate Authority (“SRA”), and Clean Energy Organizations (“CEO”) (collectively, the “Settling Parties”) and resolves all issues in the above-referenced matter.

I. BACKGROUND

On November 1, 2021, CenterPoint Energy Minnesota Gas filed a petition, together with supporting testimony, schedules and workpapers, seeking a general revenue increase of \$67.1 million to become effective January 1, 2022, an approximately 6.5 percent overall increase over test year gross revenues (the “Application”).

On December 30, 2021, the Minnesota Public Utilities Commission (“MPUC” or “Commission”) issued a series of Orders, including an Order Accepting Filing and Suspending Rates, a Notice of and Order for Hearing referring the case to the Office of Administrative Hearings (“OAH”) for contested case proceedings, and an Order Setting Interim Rates.

The Administrative Law Judge (“ALJ”) assigned to this Rate Case is the Honorable Ann C. O’Reilly. A prehearing status and scheduling conference was held on January 13, 2022. The ALJ issued her First Prehearing Order on January 19, 2022, setting forth the timeline and process for this proceeding. On February 4, 2022, the ALJ issued her Amended First Prehearing Order, including information regarding the public hearings to be held in this matter.

On February 7, 2022, DOC, OAG, and SRA filed Direct Testimony in this proceeding and on February 8, 2022, CEO filed Direct Testimony, with no party objecting to the delayed filing.

On February 11, 2022, all parties met for initial settlement discussions and on February 28, 2022, the parties engaged in mediation conducted by Ms. Kelly M. Anderson of the OAH. Through that mediation, the Settling Parties resolved all issues in this proceeding and set forth the terms of their agreement in this Settlement.

II. OVERALL DESCRIPTION OF SETTLEMENT

The Settling Parties, through this Settlement, intend that all issues between all parties in this Rate Case be resolved. To that end, the Settling Parties have agreed that the amount of CenterPoint Energy Minnesota Gas's proposal to increase its annual Minnesota jurisdictional retail revenues will be substantially reduced. In addition, the Settling Parties have agreed to a resolution of the revenue apportionment and rate design issues raised by the Company's Application, including agreement to leave the residential and small business monthly fixed charges at their current levels. The Settling Parties believe this Settlement produces just and reasonable rates and is in the public interest.

A. Standard of Review

Minnesota law expressly encourages the settlement of "any or all issues" in general rate cases. *See* Minn. Stat. § 216B.16, subd. 1a (2020). The Commission reviews a settlement in a general rate case proceeding to determine if it is in the public interest and is supported by substantial evidence. Minn. Stat. § 216B.16, subd. 1a(b).

B. Application of the Standard of Review

The Settlement is supported by substantial evidence in the record, as set forth below, and is in the public interest. The Settlement provides for a general revenue increase of approximately \$48.5 million, a substantially smaller general revenue increase than the \$67.1 million general revenue increase requested in the Company's Application.

Regarding rate design, the Settlement maintains CenterPoint Energy Minnesota Gas's current monthly fixed charges for its Residential and Commercial & Industrial A classes. The Settlement also provides for a revenue responsibility apportionment that results in a more moderate increase to the Residential class than proposed by the Company.

III. SETTLEMENT TERMS

The Settling Parties agree to the following terms for the purpose of this Settlement, resolving all issues between the Settling Parties in this Rate Case. The Settling Parties further agree that these terms are intended to work in concert with each other as an

integrated whole for the purposes of achieving an outcome in this Rate Case that is in the public interest and that will result in just and reasonable rates.

A. Cost of Capital

In Direct Testimony, the Company proposed return on equity (“ROE”) of 10.20 percent and an overall cost of capital of 7.06 percent, based on the following capital structure and the associated costs of the sources of capital:

	Ratio	Cost Rate	Weighted Cost
Long-Term Debt	45.00%	4.09%	1.84%
Short-Term Debt	4.00%	0.39%	0.02%
Common Equity	51.00%	10.20%	5.20%
Overall Rate of Return	100.00%		7.06%

The DOC also provided Direct Testimony on cost of capital issues. The DOC recommended approval of the Company’s proposed capital structure, cost of long-term debt and cost of short-term debt. However, the DOC recommended a ROE of 9.25 percent, resulting in a recommended overall cost of capital of 6.58 percent.

For purposes of this Settlement, the Settling Parties agree to the following overall cost of capital for the Company:

	Ratio	Cost Rate	Weighted Cost
Long-Term Debt	45.00%	4.09%	1.84%
Short-Term Debt	4.00%	0.39%	0.02%
Common Equity	51.00%	9.39%	4.79%
Overall Rate of Return	100.00%		6.65%

Relevant record evidence:

Ex. CPE-2, entire (Bulkley Direct)

Ex. DOC-4, entire (Addonizio Direct)

B. Financial Issues

All revenue requirements adjustments from the Company’s Application and agreed to by the Settling Parties are reflected in the financial schedules included here as Attachment 1. Those adjustments are discussed below, along with a listing of the record evidence supporting the Settling Parties’ resolution of these matters. In the event of any inadvertent discrepancy between the specific dollar adjustments discussed below and those appearing in Attachment 1, the Settling Parties agree that Attachment 1 accurately states the Settling Parties’ agreement.

1. Charitable Contributions

The Company indicated in testimony that it included \$53,797 in the test year for allowable charitable contributions. However, after developing the cost of service for this case and prior to filing its Direct Testimony, the Company discovered an incorrect base year adjustment, meaning it had inadvertently included \$219,367 in charitable contributions in the test year and indicated it would remove these additional expenses.

The DOC agreed with this adjustment.

For purposes of this Settlement, the Settling Parties agree to remove \$166,000 in charitable contributions from the test year.

Relevant record evidence:

Ex. CPE-5 at 30-34, Sched. 22 (Gilcrease Direct)

Ex. DOC-1 at 32-33 (Morrissey Direct)

2. Dues

The Company indicated in testimony that it included \$613,775 in the test year for dues expenses. However, the DOC discovered that an adjustment to remove certain unrecoverable dues was inadvertently not included in the initial filing. The DOC also discovered that the base year included a portion of American Gas Association (“AGA”) dues that should have been charged to other jurisdictions which should have been removed. In Direct Testimony, the OAG recommended complete disallowance of AGA dues because of the uncertainty surrounding the volume of lobbying activities performed by the AGA and whether these activities result in direct benefits for Minnesota ratepayers.

In Direct Testimony, the OAG also recommended that an additional \$12,025 in dues to the Minnesota Utility Investors (“MUI”) organization be removed.

For purposes of this Settlement, the Settling Parties agree to remove \$464,000 in dues from the test year. This amount is comprised of approximately \$203,000 related to AGA dues, approximately \$134,000 related to AGA dues for other jurisdictions, approximately \$115,000 related to unrecoverable dues, and \$12,025 in MUI dues.

Relevant record evidence:

Ex. CPE-5 at 36 (Gilcrease Direct)

Ex. DOC-1 at 33-36 (Morrissey Direct)

Ex. OAG-1 at 12-20 (Lee Direct)

3. Employee Awards, Gifts and Travel and Entertainment Expenses

In its Application, the Company included employee expenses for the base year, provided the required schedules, and inflated those expenses to arrive at a test year amount of employee expenses.

The Company indicated in testimony that it removed certain employee gift/award expenses that were included in allocations from the Service Company. However, the OAG discovered that the adjustment to remove approximately \$188,000, plus \$143 in expenses related to HomeServe, was not included in the initial filing.

Additionally, in Direct Testimony, the OAG recommended adjustments of \$26,901 in employee expenses due to insufficient business descriptions and \$9,114 of employee expenses due to the nature of the cost or amount, totaling \$36,015 recommended to be removed from the test year.

For purposes of this Settlement, the Settling Parties agree to remove \$225,000 related to employee gifts and awards, HomeServe, and employee expenses from the test year.

Relevant record evidence:

Ex. CPE-8 at 27-29 (Townsend Direct)

Ex. DOC-1 at 36-38 (Morrissey Direct)

Ex. OAG-1 at 25-37 (Lee Direct)

4. Non-Qualified Savings

In Direct Testimony, the Company indicated that while it views non-qualified benefits as an important component of overall compensation and may request recovery of these expenses in the future, it had removed these expenses from the test year in order to reduce the number of contested issues in this case. In response to DOC discovery, the Company acknowledged that despite its intent to remove these expenses, certain non-qualified expenses were included in the test year in error.

For purposes of this Settlement, the Settling Parties agree to remove \$25,000 in operating expenses to remove non-qualified benefits from the test year.

Relevant record evidence:

Ex. CPE-7 at 40 (Villatoro Direct)

Ex. DOC-2 at 20-22 (Johnson Direct)

5. LNG Sales

In its Application, CenterPoint Energy Minnesota Gas included projected test year net margin related to liquified natural gas (“LNG”) sales of \$368,096.

In Direct Testimony, the Department recommended using actual LNG sales for the 12-month period ending December 31, 2021, or \$667,863 for the purposes of setting a test year revenue level, or an increase of \$299,767 in LNG sales revenue from the Company's Application.

For purposes of this Settlement, the Settling Parties agree to increase LNG sales revenue by \$300,000, from the level proposed in the Application and to correspondingly increase expenses by \$173,000 to reflect the incremental O&M that would be associated with those sales.

Relevant record evidence:

Ex. CPE-13 at 12-13 (Dean Direct)

Ex. DOC-2 at 7-12 (Johnson Direct)

6. Property Tax Expense

In its Application, the Company forecasted test year property tax expenses using the Company's forecasted plant-in-service and accumulated depreciation as of the end of 2021, the forecasted net operating income to be used in the Minnesota Department of Revenue ("MNDOR") appraisal model for the 2022 tax year, and the anticipated methodology to be used in 2022 by MNDOR. The Company also forecasted property tax expense related to stored gas in Oklahoma, resulting in a total of \$46,440,252 of test year property tax expense.

In Direct testimony, the Department recommended reducing property tax expenses by \$77,268 based on actual 2021 tax year Oklahoma property taxes paid and proposed tax statements received after the initial petition was filed.

For purposes of this Settlement, the Settling Parties agree to remove \$77,000 in property tax expense from the test year.

Relevant record evidence:

Ex. CPE-11 at 5-7 (Hyland Direct)

Ex. DOC-3 at 3-10 (Soderbeck Direct)

7. Property Tax Tracker Amortization

In its Application, the Company included a credit to the property tax tracker, established effective October 1, 2017, for one-fourth of a refund for the 2017 tax year recovered by the Company through litigation and that the resulting tracker balance be amortized over two years, as the Company forecasts filing its next rate case in the fall of 2023.

The DOC agreed with the two-year amortization period, but recommended the entire 2017 tax year refund be credited to the property tax tracker.

For purposes of this Settlement, the Settling Parties agree to credit the property tax tracker balance for the full refund for the 2017 test year, reducing the test year amortization expense by approximately \$2.8 million.

Relevant record evidence:

Ex. CPE-11 at 7-11 (Hyland Direct)

Ex. CPE-5, Sched. 33.6 at 1 (Gilcrease Workpapers)

Ex. DOC-3 at 10-15 (Soderbeck)

8. Late Payment Revenue and Bad Debt Expense

In its Application, the Company stated it forecasted bad debt expense and late payment revenues by applying a factor to revenue. The bad debt factor is the ratio of 2020 actual bad debt expense (not including amounts related to COVID bad debt) divided by 2020 firm revenue. The late payment revenue factor uses the ratio of the 3-year (2017-2019) average late payment revenue to firm revenue. Those factors were applied to test year firm revenue, plus the requested rate increase from this Rate Case and revenue from the recovery of gas costs related to the February Market event.

In Direct Testimony, the Department observed that the Company used inconsistent amounts of bad debt expense in calculating the ratio as compared to amount of bad debt expense used in calculating the bad debt adjustment which effectively caused the resulting test year bad debt expense amount to be overstated by \$536,119.

Additionally, the Commission ordered the Company to extend the recovery of February Market event gas costs to occur over a total of 63 months. The Department testified that based on extending the recovery period, the firm revenue that should be used to calculate bad debt expense and late payment revenues should be adjusted to reflect the extension of time to recover the gas costs related to the February Market event.

For purposes of this Settlement, the Settling Parties agree to reduce bad debt expense by \$1,184,000 (\$536,000 due to the incorrect bad debt factor and \$648,000 due to the extension of time to recover the gas costs related to the February Market event) and also decrease late payment revenue by \$348,000 due to the extension of time to recover the gas costs related to the February Market event.

Relevant record evidence:

Ex. CPE-5 at 16-18, 22-26 (Gilcrease Direct)

Ex. DOC-1 at 5-11 (Morrisey Direct)

9. Interest Synchronization

Interest synchronization is used in ratemaking to determine the amount of interest expense that is used in the calculation of income tax. Consequently, when an adjustment is made to test year rate base, it also is necessary to make an interest synchronization adjustment which modifies the income taxes used in operating income.

For purposes of this Settlement, the Settling Parties agree to make an interest synchronization adjustment which modifies the income taxes used in operating income which reduces income tax by \$115,000.

Relevant record evidence:

Ex. DOC-1 at 45-46 (Morrissey Direct)

10. Beginning Plant Balance and Rate Base

In the Application, CenterPoint Energy Minnesota Gas stated its gross plant beginning balance based on its then projected balance for December 31, 2021, and developed its revenue increase request using that projected balance, together with its then projected capital additions for the test year. Since the submission of the Application, actual beginning plant balance has been finalized.

For purposes of this Settlement, the Settling Parties agree that consistent with past Company rate cases, final rates should reflect: (1) the Company's actual plant balance at the beginning of the test year; (2) the associated adjusted depreciation expense and accumulated deferred income taxes; and (3) the trued-up EDIT balance and associated amortization true-up based on the actual tax return filed subsequent to the initial filing. Those adjustments are incorporated in Attachment 1.

11. Permanent Records Integrity Management Excellence ("PRIME")

The Company's Application included test year expenses of approximately \$1.2 million traceable to base year expenses associated with the Company's PRIME project, completed in 2020, stating that the employees were now performing other utility work for the Company.

The OAG recommended removal of these expenses as the PRIME project is now complete.

For purposes of this Settlement, the Settling Parties agree to remove approximately \$1.2 million in test year expenses related to the PRIME project.

Relevant record evidence:

Ex. OAG-1 at 6-8 (Lee Direct)

12. Property Insurance Expense

The Company included approximately \$5.5 million of property insurance expense in the test year, using its 2020 base year expense adjusted for inflation.

The DOC recommended using 2019 actual property insurance expense adjusted for inflation, stating that 2020 actual expenses appeared significantly higher than other recent years. The DOC recommended reducing test year property insurance expenses by \$1.5 million.

For purposes of this Settlement, the Settling Parties agree to reduce test year property insurance expenses by \$1.5 million.

Relevant record evidence:

Ex. CPE-5 at 2-3 (Gilcrease Direct)

Ex. CPE-5, Sched. 4-1 at 3, 7, 67 (Gilcrease Sched. 4)

Ex. DOC-2 at 21-24 (Johnson Direct)

13. Rate Case Expenses

The Company projected Rate Case expenses of \$2.4 million for this proceeding and proposed recovery over a two-year amortization period.

The OAG did not dispute the two-year amortization of Rate Case expenses, but recommended a reduction in these expenses of approximately \$422,000.

For purposes of this Settlement, the Settling Parties agree to reduce Rate Case expenses by \$422,000, resulting in a test year expense reduction of \$211,000.

Relevant record evidence:

Ex. CPE-5, Sched. 27 (Gilcrease Direct)

Ex. CPE-35, Workpapers 27.1, 27.2 (Gilcrease WP)

Ex. OAG-1 at 21-25 (Lee Direct)

14. CAM Allocation

The Company's Application included certain costs common to its regulated and unregulated operations, with the regulated portion of those costs apportioned using the factors set forth in Company's Cost Apportionment Manual ("CAM").

The DOC reviewed the CAM allocation factors and recommended a reduction in allocated costs of approximately \$1.9 million.

For purposes of this Settlement, the Settling Parties agree to reduce test year indirect costs related to regulated operations by \$1.959 million.

Relevant record evidence:

Ex. CPE-5 at 61-63 (Gilcrease Direct)

Ex. DOC-1 at 39-44 (Morrissey Direct)

15. Marketing Programs

The Company's Application included a request to recover the costs of three marketing programs -- the Residential Water Heater, Foodservice, and C&I Market Rebate programs -- with a total test year cost of approximately \$315,000.

The OAG recommended removal from the test year of the costs associated with each of these programs.

For purposes of this Settlement, the Settling Parties agree to remove \$315,000 in marketing program expenses from the test year.

Relevant record evidence:

Ex. CPE-6 at 9-14 and Scheds. 2-4 (Berreman Direct)

Ex. OAG-2 at 61-68 and Sched. 5 (Twite Direct)

16. CWC Salaries/Wages

The Company testified that it used a lead-lag study to determine other Cash Working Capital ("CWC") in the test year rate base. Lead-lag study elements from the Company's prior lead-lag study were reviewed and select elements were recalculated based on the magnitude of the elements' impact, changes in legal requirements or Company policy, and the time since the last update.

In Direct Testimony, the Department identified that the Company inadvertently used a different salary and wage figure in the lead-lag model which overstated rate base.

For purposes of this Settlement, the Settling Parties agree to incorporate the Department's recommended reduction to rate base of \$543,000 related to salaries and wages used in the lead-lag study.

Relevant record evidence:

Ex. CPE-12 at 14-15 (Poppie Direct)

Ex. CPE-12, Sched. 3 (Poppie Direct)

Ex. CPE-24, Workpaper 2 (Poppie WP)

Ex. DOC-1 at 14-23 (Morrissey Direct)

17. Health and Welfare

In its Application, the Company included test year health and welfare expenses based on 2020 actual health and welfare expenses, escalated by cost trend rates developed by its health benefits consulting firm.

The DOC recommended reducing these expenses to 2020 actuals, reducing regulated rate base by \$201,798 and regulated test year general and administrative expenses by \$506,117.

For purposes of this Settlement, the Settling Parties agree to reduce regulated rate base by approximately \$202,000 and reduce regulated test year general and administrative expenses by approximately \$506,000 related to the Company's health and welfare expenses.

Relevant record evidence:

Ex. CPE-7 at 29-32 (Villatoro Direct)

Ex. CPE-5 at 45-48 (Gilcrease Direct)

Ex. DOC-2 at 14-16 and MAJ-D-4 at 1 (Johnson Direct)

18. Health and Welfare - Service Company

The Company also included the allocated portion of health and welfare costs for its Service Company employees as a test year cost.

The DOC recommended an adjustment for these allocated costs based on the percentage adjustment it recommended in direct health and welfare costs, resulting in a recommended adjustment to test year general and administrative expenses of \$101,128.

For purposes of this Settlement, the Settling Parties agree to reduce test year general and administrative expenses by \$101,000 related to the regulated portion of Service Company health and welfare costs.

Relevant record evidence:

Ex. CPE-7 at 29-32 (Villatoro Direct)

Ex. CPE-5 at 45-48 (Gilcrease Direct)

Ex. DOC-2 at 16-18 (Johnson Direct)

19. Post-Employment Benefits

The Company's Application included approximately \$209,000 in post-employment benefit expenses attributable to regulated operations.

In discovery, the Company provided the DOC an updated post-employment benefit expense figure and the DOC recommended using this figure instead of the Company's filed

request, reducing test year general and administrative expenses by \$71,000 on a regulated basis.

For purposes of this Settlement, the Settling Parties agree to reduce test year general and administrative expenses by approximately \$71,000 for post-employment benefit expenses.

Relevant record evidence:

Ex. CPE-7 at 38 (Villatoro Direct)

Ex. CPE-5 at 47 (Gilcrease Direct)

Ex. DOC-2 at 14-16 and MAJ-D-4 at 1 (Johnson Direct)

20. Investor Services and Investor Relations

The Company included Investor Services and Investor Relations expenses of approximately \$215,000 in the test year.

The DOC recommended disallowance of one-half of those expenses, or approximately \$107,451, because the Company did not provide a means to discern the costs incurred to support ratepayers and to be consistent with several prior Commission decisions.

For purposes of this Settlement, the Settling Parties agree to reduce test year expenses by approximately \$107,000, representing fifty percent of the Company's test year Investor Services and Investor Relations expenses.

Relevant record evidence:

Ex. CPE-3 at 26-28 (Jerasa Direct)

Ex. DOC-1 at 11-14 (Morrissey Direct)

21. Lobbying

The Company intended to remove all lobbying expenses from the test year. The DOC confirmed that the Company removed all lobbying expenses directly incurred by the utility but could not confirm that the Company also removed its allocated share of corporate lobbying expenses and recommended an adjustment of \$20,798.

For purposes of this Settlement, the Settling Parties agree to reduce test year expenses by approximately \$21,000 related to corporate lobbying expenses.

Relevant record evidence:

Ex. CPE-5 at 39 (Gilcrease Direct)

Ex. DOC-1 at 38-39 (Morrissey Direct)

22. Short-Term Incentive (“STI”) Pay

The Company included a total of approximately \$4.1 million in STI pay in its Application – approximately \$3.3 million in operating expenses and approximately \$800,000 in capitalize expense. This amount reflected STI pay at 100 percent of target but limited the pay to a cap of 25 percent of base pay.

The DOC accepted the 100 percent target level of achievement but recommending capping STI payments at 15 percent of base pay for ratemaking purposes, reducing test year expenses by \$263,964 and reducing test year rate base by \$41,586. The DOC also recommended requiring the Company to make annual compliance filings reporting its actual incentive pay costs and requiring refunds for an approved eligible STI recovery that is not paid out, determined by employer segment.

For purposes of this Settlement, the Settling Parties agree to reducing test year expenses by \$264,000 and reduce test year rate base by approximately \$40,000, related to STI payments. The Settling Parties further agree that the Company will make annual compliance filings reporting its actual incentive pay costs and will refund any approved eligible STI recovery that is not paid out, determined by employer segment.

Relevant record evidence:

Ex. CPE-5 at 39 (Gilcrease Direct)

Ex. DOC-1 at 24-32 (Morrissey Direct)

23. Research and Field Verification

The Company’s Application includes the capitalized expenses associated with its research and field verification project, approved by the Commission in the “Economic Recovery Docket” (MPUC Docket No. G-008/M-20-880).

In its Direct Testimony, OAG recommended an adjustment for this project, based on its understanding that the costs of the project had been included as a test year expense.

For purposes of this Settlement, the Settling Parties agree that no adjustment is required for the research and field verification project.

Relevant record evidence:

Ex. CPE-4 at 65-66 (Wiinamaki Direct)

Ex. OAG-1 at 2-3 (Lee Direct)

24. Integrity Management Investments

The Company provided Direct Testimony in support of its ongoing integrity management programs and the Application includes the Company’s request to recovery for its integrity

management expenses, including those associated with its Bare Steel, Legacy Steel and Legacy Plastic projects.

The OAG provided Direct Testimony that proposed alternative adjustments to the Bare Steel, Legacy Steel and Legacy Plastic replacement projects, with the size of the adjustment varying, depending on the timeline under which the Company completed this work.

The CEO provided Direct Testimony that did not recommend an any adjustment in this proceeding but requested that the Company commit to addressing issues related to its integrity management investments in MPUC Docket No. G-999/CI-21-565 (“21-565 Docket”), where the Commission is evaluating potential changes to natural gas utility regulatory and policy structures to meet the State’s greenhouse gas reduction goals.

SRA provided Direct Testimony regarding the increasing relative costs associated with these projects and prioritization of the projects and recommended prioritization of removal of Bare and Legacy Steel, and Tier 1 Plastic mains.

For purposes of this Settlement, the Settling Parties agree to allow recovery of the Company’s integrity management investments in the test year. The Settling Parties further request that the Commission include consideration of integrity management investments in the 21-565 Docket, as discussed in Attachment 2.

Relevant record evidence:

Ex. CPE-4 at 9-55 (Wiinamaki Direct)

Ex. OAG-2 at 53-60 (Twite Direct)

Ex. CEO-1 at 10-18 (Dammel Direct)

Ex. SRA-1 at 6-9 (Bride Direct)

25. Renewable Hydrogen Project

The Company’s Application included its request to include in rate base its investments in its first renewable hydrogen pilot project, along with a portion of its operating and maintenance expenses associated with this project (the Company has proposed that other expenses will be closed to Purchased Gas Adjustment (“PGA”) accounts and will be reviewed in PGA dockets). In addition, the Company discussed its second planned hydrogen pilot project, originally intended to begin construction in 2022.

DOC, OAG, CEO and SRA all recommended that the capital and expenses associated with the renewable hydrogen project be removed from the test year and that both hydrogen pilot projects be considered in future Commission dockets.

For purposes of this Settlement, the Settling Parties agree that no adjustment is necessary related to the Company’s initial renewable hydrogen project. The Settling Parties further agree that this settlement does not represent an endorsement of this technology by any party and that any future hydrogen project will be assessed in future

Natural Gas Innovation Act (“NGIA”) dockets. Finally, the Settling Parties agree that the Company will not include this initial hydrogen pilot in any NGIA proposals.

Relevant record evidence:

Ex. CPE-1 at 4-5, 11 (Singleton Direct)

Ex. CPE-4 at 55-58 (Wiinamaki Direct)

Ex. DOC-9 at 2-11 (Nissen Direct)

Ex. OAG-1 at 8-12 (Lee Direct)

Ex. CEO-1 at 18-24 (Dammel Direct)

Ex. SRA-1 at 10-12 (Bride Direct)

26. Base Cost of Gas

In its Notice of and Order for Hearing, the Commission requested parties address whether the base cost of gas proposed in the Application and in the accompanying “Base Cost of Gas” docket, MPUC Docket No. G-008/MR-21-436 needs to be updated.

For purposes of this Settlement, the Settling Parties agree that the base cost of gas should be updated to reflect the cost of gas, consistent with the Commission Order.¹ Included as Attachment 3 is the Company’s updated cost of gas, filed concurrently with this Settlement, in Docket No. G-008/MR-21-436.

Relevant record evidence:

Ex. DOC-5 at 3-4 (Shah Direct)

27. Sales Forecast

In its Application, CenterPoint Energy Minnesota Gas developed its overall revenue requirement using regression-based sales forecasts for its Residential and Small Volume Commercial and Industrial customer classes, and utilizing the Company’s customer count forecast.

In Direct Testimony, the Department had concerns with the Company’s methodology but concluded that the values estimated by CenterPoint’s 2022 forecast for smaller customers are acceptable for ratemaking purposes.

For purposes of this Settlement, the Settling Parties agree to use the Company’s regression-based sales forecasts for the Residential and Small Volume Commercial and

¹ *In re the Appl. of CenterPoint Energy Res. Corp., d/b/a CenterPoint Energy Minn. Gas, to Establish a New Base Cost of Gas Filing for Interim Rates in CenterPoint Energy’s General Rate Case Filing*, Docket No. G-008/GR-21-436, ORDER SETTING NEW BASE COST OF GAS at 3 (Dec. 30, 2021).

Industrial customer classes and the Company's Large Volume Commercial and Industrial classes sales forecasts for the purpose of setting base rates in this proceeding.

Relevant record evidence:

Ex. CPE-15 at 9, 20 (Fitzpatrick Direct)

Ex. CPE-13 at 3-4 (Dean Direct)

Ex. DOC-6, entire (Hirasuna Direct)

C. Settlement Revenue Requirement

For purposes of this Settlement, the Settling Parties agree to a test year general revenue increase of \$48,500,000, as shown in Attachment 1 to this Settlement.

D. Class Cost of Service Study

In its Application, CenterPoint Energy Minnesota Gas provided a Class Cost of Service Study ("CCOSS") using a minimum system method. The DOC recommended that the Commission find the Company's CCOSS to be reasonable. The OAG recommended a CCOSS using the Peak & Average method to classify distribution costs and that uses a revised service line allocator.

For purposes of this Settlement, the Settling Parties agree that the Commission does not need to make any specific finding regarding the Company, DOC, or OAG CCOSS recommendations, given the Settling Parties' agreements on revenue apportionment and fixed monthly charges.

Relevant record evidence:

Ex. CPE-14 at 20, 43-61, 76-78 and Scheds. 2-3 (Zarumba Direct)

Ex. DOC-7, entire (Zajicek Direct)

Ex. OAG-2 at 2-20 (Twite Direct)

E. Revenue Apportionment

In its Application, CenterPoint Energy Minnesota Gas proposed a revenue apportionment resulting in a revenue increase being attributed to each class and ranging from a low of 4.0 percent for the Large Dual Fuel Sales class to a high of 27.9 percent for the Small Dual Fuel – B Transport class. Within that range of increases, the Company proposed a 6.5 percent increase for the Residential class and a 17.8 percent increase for the Commercial A class.

The DOC recommended a smaller, 6.0 percent increase to the Residential class, with the resulting reduction in revenue responsibility spread evenly across all remaining classes other than the C&I A class, where the DOC agreed with the Company's proposal. DOC also recommended that if the Commission approves a different revenue requirement than the Company proposed, that it adjust the class revenue requirements proportionally.

The OAG recommended a class revenue apportionment with class increases ranging from a low of 4.1 percent for the Residential class to a high of 24.9 percent for the Large Volume Firm Transport class.

For purposes of this Settlement, the Settling Parties agree that the revenue increase should be applied in accordance with the DOC revenue apportionment recommendation, as further shown in Attachment 4.

Relevant record evidence:

Ex. CPE-14 at 20, 53-61, 77 and Sched. 4 (Zarumba Direct)

Ex. DOC-8 at 17-19 (Peirce Direct)

Ex. OAG-2 at 21-26 (Twite Direct)

F. Customer Charges

In its Application, CenterPoint Energy Minnesota Gas proposed monthly fixed customer charges as follows:

Rate Class	Current Monthly Basic Charge	Proposed Basic Monthly Charge
Residential	\$9.50	\$11.00
C&I – Rate A	\$15.00	\$17.50
C&I – Rate B	\$21.00	\$26.00
C&I – Rate C Sales	\$55.00	\$65.00
C&I – Rate C Transport	\$155.00	\$165.00
Small Dual Fuel – A Sales	\$60.00	\$80.00
Small Dual Fuel – A Transport	\$160.00	\$180.00
Small Dual Fuel – B Sales	\$95.00	\$125.00
Small Dual Fuel – B Transport	\$195.00	\$225.00
Large Firm – Sales	\$1,050.00	\$1,250.00
Large Firm – Transport	\$1,150.00	\$1,350.00
Large Dual Fuel – Sales	\$1,050.00	\$1,250.00
Large Dual Fuel – Transport	\$1,150.00	\$1,350.00

The DOC recommended approval of each of the Company’s proposed customer charges.

The OAG addressed the Residential and C&I A classes, recommending a \$1.00 per month decrease for the Residential class and a \$1.00 per month increase for the C&I A class.

The CEO addressed the Residential class and recommended no change to the existing monthly charge.

For purposes of this Settlement, the Settling Parties agree to maintain the current customer charges for the Residential and the Commercial and Industrial A class and to otherwise adopt the Company’s proposal, resulting in the following:

Monthly Basic Charges - \$ per Customer	Present Rates	Settlement Rates
Residential	\$9.50	\$9.50
Commercial A	\$15.00	\$15.00
Commercial/Industrial B	\$21.00	\$26.00
C&I – Rate C Sales	\$55.00	\$65.00
C&I – Rate C Transport	\$155.00	\$165.00
Small Dual Fuel – A Sales	\$60.00	\$80.00
Small Dual Fuel – A Transport	\$160.00	\$180.00
Small Dual Fuel – B Sales	\$95.00	\$125.00
Small Dual Fuel – B Transport	\$195.00	\$225.00
Large Firm – Sales	\$1,050.00	\$1,250.00
Large Firm – Transport	\$1,150.00	\$1,350.00
Large Dual Fuel – Sales	\$1,050.00	\$1,250.00
Large Dual Fuel – Transport	\$1,150.00	\$1,350.00

Relevant record evidence:

Ex. CPE-14 at 29, 52, 59-60, 63-65, 71 and Scheds. 2-6 (Zarumba Direct)

Ex. DOC-8 at 36-37 (Pierce Direct)

Ex. OAG-2 at 26-44 (Twite Direct)

Ex. CEO-2 at 3-16 (Nelson Direct)

G. Line Extensions

With its Application, CenterPoint Energy Minnesota Gas provided information on its Main and Service Line Extensions and proposed updating the free main footage allowance for qualifying residential customers from 150 feet to 125 feet, while maintaining the free service footage allowance at 75 feet.

The CEO recommended reducing the free main footage allowance to 40 feet and reducing the free service footage allowance to 24 feet.

For purposes of this Settlement, the Settling Parties agree to reduce the free main footage allowance to 100 feet, while maintaining the free service allowance at 75 feet. In addition, the Settling Parties recommend that the Commission further explore main and service line extension policies in the 21-565 Docket, as discussed in Attachment 2.

Relevant record evidence:

Ex. CPE-12 at 16-27 (Poppie Direct)

Ex. CEO-1 at 3-9 (Dammel Direct)

Ex. CEO-2 at 17-35 (Nelson Direct)

H. Miscellaneous Tariff Updates

In its Application, CenterPoint Energy Minnesota Gas proposed two new tariff offerings with related agreements, modifications to three tariffs and certain non-substantive tariff modifications and updates. The two new tariff offerings with proposed related agreements are: (i) Agricultural Grain Dryer service and (ii) Backup Generator Firm Sales Service. Modifications were proposed to: (i) Winter Construction Tariff (section VI, page 41); (ii) Firm/Interruptible Economic Feasibility (Section VI, page 5); and (iii) Supplied Meter Communication Rider (Section V, page 29). In addition, the Company proposed to include the simplified Daily Imbalance charge language that was approved in the prior rate case (Docket No. G-008/GR-19-524) which had inadvertently been omitted from the compliance filing in that rate case and also proposed two non-substantive administrative changes.

The DOC identified two additional places in the tariff where the proposed changes to the Winter Construction Tariff are referenced; the Company provided the additional tariff pages in discovery. The DOC recommended approval of proposed changes to the Winter Construction Tariff and Firm/Interruptible Economic Feasibility Tariff. The DOC also recommended approval of proposed changes to the Supplied Meter Communication Rider, the proposed Interruptible Agricultural Grain Dryer Tariff and the Firm Gas Backup Generator Tariff. No other Party provided testimony on these proposed offerings and tariff changes.

For purposes of this Settlement, the Settling Parties agree to the new tariff offerings and associated tariff changes set forth in the Company's Application discussed in this section.

Relevant record evidence:

Ex. CPE-13 at 19-36 (Dean Direct)

Ex. CPE-17 at Proposed Tariffs tab

Ex. DOC-8 at 43-48 (Peirce Direct)

I. Income Tax Rider

In its Notice of and Order for Hearing, the Commission requested parties to address whether the Company’s proposed Income Tax Rider should be approved. The DOC opposed the request, stating that no changes in state or federal income taxes appear likely in the near term.

For purposes of this Settlement, the Settling Parties agree that the Company withdraws its request for approval of an Income Tax Rider. Should state or federal income tax rates change before the Company’s next rate case, the Settling Parties commit to work cooperatively to reflect such changes in rates.

Relevant record evidence:

Ex. CPE-14 at 4, 74-76 and Sched. 7 (Zarumba Direct)

Ex. DOC-8 at 48-49 (Peirce Direct)

J. Minnesota-Based Personnel

In its Notice of and Order for Hearing, the Commission also requested that the Company provide calculations for Minnesota-based personnel or full-time equivalents. As part of Settlement, the Company provides the following breakdown of Minnesota employees in 2021:

	2021
Full-time	
Co 72	1,056
Allocate	145
Total	1,201
Part-time	
Co 72	1
Allocate	1
Total	2
Grand Total	1,203

Amounts above include Company 72 employees and employees physically located in Minnesota allocating time to Minnesota regulated operations.

IV. GENERAL PROVISIONS

A. Confidentiality

It is understood and agreed that all offers of settlement and discussions related to this Settlement are confidential and privileged and may not be used in connection with any proceeding other than this Rate Case, except as otherwise provided by law. In the event the Commission does not approve this Settlement, this Settlement shall not constitute part of the record in this proceeding and no part of it may be used by any party for any purpose in this case or in any other proceeding.

B. Complete Agreement

This Settlement, along with any exhibits, appendices, schedules, and amendments hereto, encompasses the entire agreement of the Settling Parties.

C. Acceptance of Settlement

The Settling Parties agree that this Settlement has been entered into as a resolution of the particular issues between them in order to minimize litigation, regulatory costs, and controversy. The Settling Parties further agree that, unless expressly stated herein or in pre-filed testimony or other exhibits a part of the record, this Settlement may not represent the position, in total or on any individual issue, that the Settling Parties would have taken had the issues been fully litigated, nor does the Settlement represent the position of a party on any issue for which it did not take a position in written testimony. Whether or not adopted by the Commission, this Settlement shall not be cited or otherwise used to imply what the Settling Parties' positions were, shall have no precedential effect in this or any other proceeding, and shall in no way prejudice the Settling Parties' rights to take different positions in the future.

This Settlement is expressly conditioned on its acceptance by the Commission in its entirety. As provided in Minn. Stat. § 216B.16, subd. 1a(b), if the Commission does not accept the Settlement, but issues an Order modifying the Settlement, each Settling Party shall have ten (10) days in which to reject the proposed modification. If no Settling Party rejects the proposed modification, the Commission's Order will become final. If the Commission rejects the Settlement, or if a Settling Party rejects a Commission proposed modification of the Settlement, the Rate Case will be referred back to the OAH for a contested case proceeding. Should this Rate Case be referred back to the OAH, the Settling Parties agree that all Settling Parties are free to argue their positions as set forth in their prefiled testimony.

D. Support and Defense of Settlement

The Settling Parties agree to support and defend this Settlement in its entirety and without modification, which may include submitting oral testimony, written briefs, and comments in support of the Settlement.

E. Counterparts

This Settlement may be executed in counterparts, all of which, when taken together with the attached Schedules, shall constitute the entire Settlement.

AGREED TO BY:



Christie H. Singleton
Vice President of Regional Operations,
CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas

3/14/22

Date

Kevin Lee
Deputy Commissioner,
Department of Commerce

Date

Peter Scholtz
Assistant Attorney General
On behalf of Office of the Attorney General,
Residential Utilities Division

Date

Amelia Vohs
Regulatory Attorney
Minnesota Center for
Environmental Advocacy
On behalf of Clean Energy Organizations

Date

James Strommen
On behalf of Suburban Rate Authority

Date

AGREED TO BY:

Christe H. Singleton
Vice President of Regional Operations,
CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas



Date

3/14/2022

Kevin Lee
Deputy Commissioner,
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Minnesota Center for
Environmental Advocacy
On behalf of Clean Energy Organizations

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James Strommen
General Counsel to the Suburban Rate Authority
On behalf of the Suburban Rate Authority

Date

AGREED TO BY:

Christe H. Singleton
Vice President of Regional Operations,
CenterPoint Energy Resources Corp.,
d/b/a CenterPoint Energy Minnesota Gas

Date

Kevin Lee
Deputy Commissioner,
Department of Commerce

Date

/s/ Peter G. Scholtz
Peter Scholtz
Assistant Attorney General
On behalf of Office of the Attorney General,
Residential Utilities Division

Date

Amelia Vohs
Regulatory Attorney
Minnesota Center for
Environmental Advocacy
On behalf of Clean Energy Organizations

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James Strommen
General Counsel to the Suburban Rate Authority
On behalf of the Suburban Rate Authority

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CenterPoint Energy Resources Corp.,
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Date

Kevin Lee
Deputy Commissioner,
Department of Commerce

Date

Peter Scholtz
Assistant Attorney General
On behalf of Office of the Attorney General,
Residential Utilities Division

Date

/s/Amelia Vohs

3/11/22
Amelia Vohs
Regulatory Attorney
Minnesota Center for
Environmental Advocacy
On behalf of Clean Energy Organizations

Date

James Strommen
General Counsel to the Suburban Rate Authority
On behalf of the Suburban Rate Authority

Date

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Christe H. Singleton
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General Counsel to the Suburban Rate Authority
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Date