

The Commission met on **Thursday, October 5, 2006**, with Chair Koppendrayer and Commissioners Johnson, Nickolai, Pugh and Reha present.

Comment [COMMENT1]: Minutes by Eric Witte and Peter Brown. 8 motions were made.

The following matter was taken up by the Commission:

ENERGY

G-008/GR-05-1380

In the Matter of the Application of CenterPoint Energy Minnesota Gas, a Division of CenterPoint Resources Corp., for Authority to Increase Natural Gas Rates in Minnesota

Issue 26. Affordability Plan and Tariff

Chair Koppendrayer moved to approve the modified Affordability Program as set forth in the June 6, 2006, Reply Comments of CenterPoint Energy Minnesota Gas (CenterPoint), a Division of CenterPoint Resources Corp., and attached tariff pages, modified as set forth below.

1. CenterPoint shall incorporate the conditions that CenterPoint accepted at the June 28, 2006 hearing, including the following:
 - A. CenterPoint will add tariff language to section 4.3 that states that there will be no true-up until the next rate case.
 - B. CenterPoint will add tariff language that states that the prudence of the costs of the program will stand for regulatory review.
 - C. CenterPoint will move section 5.1a of the proposed revised tariff to its own section to be numbered "6" and titled "Program Revocation," and it will renumber the "Term" and "Applicability" sections as "7" and "8," respectively.
2. The program is approved for a four-year pilot that terminates unless the Commission, after an evaluation, notice and hearing, extends the program for another term or makes it permanent.
3. CenterPoint may not use more than 5% of the Affordability Program's budget for administrative costs, excluding the cost of starting the program.
4. CenterPoint shall recover Program expenses from all firm classes of customers rather than only from residential customers.
5. Interested parties to this case shall develop a proposal for giving notice to all firm classes of customers regarding the nature of the Affordability Program and its cost to the customer. In a filing demonstrating compliance with the Commission's Order, CenterPoint shall report on this notice method.

The motion passed 4-1. Chair Koppendrayer voted no.

Issue 21. Residential Customer Charge

Chair Koppendrayer moved to approve a \$7 monthly charge for residential customers.

The motion failed 2-3. Commissioners Johnson, Pugh and Reha voted no.

Commissioner Johnson moved to approve retaining the current \$6.50 monthly charge for residential customers.

The motion passed 3-2. Chair Koppendrayer and Commissioner Nickolai voted no.

Issue 16. Fleet Expense

Commissioner Reha moved to calculate CenterPoint's fleet expenses assuming that gasoline costs \$2.46 per gallon.

The motion passed 5-0.

Issue 18. Rate of Return

Commissioner Nickolai moved to calculate CenterPoint's revenue requirement based on the following capital structure:

Type of Capital	Proportion	Cost
Common Stock Equity	46.14%	9.71%

Commissioner Nickolai withdrew his motion.

Chair Koppendrayer moved to calculate CenterPoint's revenue requirement based on the following capital structure: Department Alternative 1.

Type of Capital	Proportion
Long Term Debt	44.31%
Short Term Debt	9.69%
Common Stock Equity	46.00%
Total	100.00%

The motion failed 2-3. Commissioners Johnson, Nickolai, and Pugh voted no.

Commissioner Nickolai moved that the Commission approve 9.71 percent as the cost of common equity and 46.14 percent as the percentage of common stock equity, with the understanding that adopting that figure (46.14 percent) will result in a decrease in the percentage of short term debt below the 12.22 percent figure for short term debt in Department Alternative 1.

The motion passed 4-1. Commissioner Reha voted no.

Issue 3. Midwest Replacement Project

Commissioner Pugh moved to allow all the costs of the Midwest Replacement Project (including the inspection and clerical costs) to be capitalized, included in rate base as of December 31, 2005, and recovered from ratepayers, except that 10% of those costs shall be deferred with a carrying charge at the cost of long term debt (5.78 percent) until all efforts for third party recovery have been exhausted, and if there is any recovery from third parties, that recovery would be made as agreed to by the CenterPoint and the Minnesota Department of Commerce (the Department).

The motion passed 5-0.

Chair Koppendrayner moved that the Commission

Issue 1. Procedural Schedule

1. grant CenterPoint's motions to extend the statutory deadline in this matter until November 2, 2006;

Issue 2. Plant in Service

2. require that average test year gross plant balance be reduced to recognize the actual 2005 ending plant balance, that test year depreciation be reduced to recognize the half year convention for plant placed in service during the year, and that related income statement (*e.g.*, property tax expense) and rate base adjustments (*e.g.*, accumulated depreciation) be made;

Issue 4. Bad Debt Expense

3. determine that the bad debt factor used to determine bad debt expense should be 1.27% and require CenterPoint to make a compliance filing 60 days from the date of the Order that explains in detail the criteria it uses when writing off a customer accounts receivable and what happens when a customer whose account has been written off is reinstated and any other information necessary to understand how and when customer accounts are written off;

Issue 5. Cost of Gas

4. determine that \$9.052/dekatherm is the appropriate price of natural gas to use in this case;

Issue 6. Rate Case Expense

5. determine that the allowable amount of rate case expenses is \$1,182,275;

6. Determine that the amount of rate case expense that should be allocated to the non-regulated portion of CenterPoint's business is \$322,761 (27.3% of \$1,182,275);
7. determine that the rate case costs should be amortized over four years;

Issue 7. Pension Expense

8. determine that no adjustment to pension expense is necessary;

Issue 8. Corporate Cost Allocation

9. determine that corporate costs allocated to CenterPoint should be reduced by \$2,080,683;

Issue 9. Rate Case Filing Requirement

10. require CenterPoint to present the financial information in its next rate case in a manner which reconciles the base year information, each proposed rate case adjustment, and the test year to information from the Balance Sheet and Income Statement accounts used for purposes of reporting to the federal Securities and Exchange Commission to the appropriate accounts as set forth in the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission;

Issue 10. Regulated/Non-regulated Allocations

11. determine that the appropriate general allocation factor is 71.2% and that generally allocated costs should be reduced by \$368,767 and that allocated legal cost should be reduced by \$182,132;

Issue 11. Conservation Improvement Program Tracker Amortization

12. allow the Conservation Improvement Program tracker balance as of December 31, 2005 to be offset against any interim rate refund in this case, and amortize the balance over four years;

Issue 12. Payment Processing Equipment

13. determine that rate base should be reduced to reflect the removal of the cash remittance equipment (net amount of \$274,403) and that income statement expenses should be reduced by \$66,000;

Issue 13. Recovery of Gas Cost Portion of Bad Debt through the Purchased Gas Adjustment Mechanism

14. deny on the merits CenterPoint's request to recover the gas cost part of bad debt expense through the Purchased Gas Adjustment to rates;

Issue 14. Sales Forecast

15. approve the Department's sales forecast for setting rates in this case only;

Issue 15. Gas Technology Institute – Research & Development Expenses

16. approve \$250,000 for Gas Technology Institute (GTI) - Research and Development Expenses subject to the following conditions:
 - A. CenterPoint will make available for public inspection the status, results, and research and development implications of each GTI project funded under CenterPoint's proposal;
 - B. CenterPoint will provide, in its next general rate case filing, a report detailing the precise GTI projects funded under CenterPoint's proposal and the results potential applications of each project studied;
 - C. CenterPoint will establish a liability account that reflects a beginning balance equal to the total revenues collected from ratepayers to fund GTI projects since the implementation of interim rates in this case as proposed by CenterPoint, and each month applies expense dollars at the level approved by the Commission;
 - D. The true up of the liability account "to be done with respect to GTI expenses will not allow [CenterPoint] to collect additional dollars from customers in the event CenterPoint expends more than the \$250,000 yearly amount collected from them, that the cap of \$250,000 applies individually to each year, such that expenditures of more than \$250,000 in one year would not be netted with expenditures of less than \$250,000 in another year included in the true-up" (Department Reply Brief, pg. 28);
 - E. CenterPoint will make compliance filings, on or before May 1 annually, with a detailed listing in the liability account of GTI expenses and revenues for the previous reporting period;

Issue 17. Claims Expense

17. determine that claims expense should be calculated using a four year amortization based on 2002 through 2005 resulting in a reduction of \$147,648;

Issue 19. Class Cost of Service Study

- 18 consider CenterPoint's Class Cost of Service Study (CCOSS) as filed for informational purposes only and reject the proposed change in the methodology CenterPoint used to allocate income tax-related expenses to the customer classes;

Issue 20. Class Revenue Apportionment

19. approve the Department's proposed class revenue apportionment;

Issue 22. Residential Distribution Charge

20. approve a flat rate for the Residential Distribution Charge;

Issue 23. Viking and Northern Rate Area Consolidation

21. authorize CenterPoint to complete the consolidation of the Viking and Northern rate areas in a single step approximately eighteen months after the issuance of the final order in this proceeding or in April 2008, whichever is later, but with the clarification that if CenterPoint files another rate case before the eighteen months are up then consolidation would occur at the end of the next rate case;

Issue 24. Large General Service and Large Volume Dual Fuel Customer Charges

22. approve the \$70 increase in the monthly customer charge for Large General Service (LGS) and Large Volume Dual Fuel (LVDF) sales customers from \$330 to \$400, and for LGS and LVDF transportation customers from \$430 to \$500;

Issue 24. Large General Service

23. approve CenterPoint's modified LGS rate design as finally proposed and agreed to by the Department;

Issue 27. Implementation of New Billing System and Related Call Center Issues

24. find that CenterPoint's Customer Care and Service billing system brought into service in 2006 is properly included in the rate base with the half year convention for the total cost \$14.4 million for that system;
25. require CenterPoint to reverse its late fees for customer payments received up to 30 days late over the period of February 2006 through June 2006;

Issue 28. Stipulation of Certain Issues between CenterPoint and the Energy Cents Coalition

26. Take no action on the Stipulation of Certain Issues Between CenterPoint Energy and Energy CENTS, and instead address the issues in the Stipulation individually.

Issue 29. General Housekeeping and Compliance Issues

27. state that the final Order shall include a set of financial summaries for CenterPoint that includes a rate base summary, an operating income statement summary, and a gross revenue deficiency calculation;
28. require CenterPoint to make the following compliance filings within 30 days of the date of the final order in this docket:
 - A. revised schedules of rates and charges reflecting the revenue requirement and the rate design decisions herein, along with the proposed effective date, and including the following information:
 - 1) a breakdown of Total Operating Revenues by type;
 - 2) schedules showing all billing determinants for the retail sales (and sale for resale) of gas; these schedules shall include but not be limited to:
 - a. total revenue by customer class;
 - b. total number of customers, the customer charge and total customer charge revenue by customer class; and
 - c. for each customer class, the total number of commodity and demand related billing units, the per unit commodity and demand cost of gas, the non-gas unit margin, and the total commodity and demand related sales revenues;

- 3) revised tariff sheets incorporating authorized rate design decisions;
 - 4) proposed customer notices explaining the final rates;
 - B. a revised base cost of gas and supporting schedules incorporating any changes made as a result of this rate case, and automatic adjustments establishing the proper adjustments to be in effect at the time final rates become effective;
 - C. a calculation of the CIP cost recovery charge (CCRC) based on the decisions made herein and schedules detailing the CIP tracker balance at the beginning of interim rates, the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates, and the CIP tracker balance at the time final rates become effective;
 - D. a proposal to make refunds of interim rates, including interest calculated at the average prime rate, to affected customers;
29. authorize comments on all compliance filings within 15 days of the date they are filed; clarify, however, that comments are not necessary on CenterPoint's proposed customer notice.

The motion passed 5-0.

There being no further business, the meeting was adjourned.

APPROVED BY THE COMMISSION: OCTOBER 18, 2006

Burl W. Haar, Executive Secretary