

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by CenterPoint  
Energy for Approval of Changes to its  
Transportation Service Daily Balancing Charge

ISSUE DATE: January 9, 2006

DOCKET NO. G-008/M-05-1542

ORDER APPROVING IMPLEMENTATION  
OF DAILY BALANCING CHARGES AND  
REQUIRING SUBMISSION OF A  
MISCELLANEOUS RATE CHANGE FILING

**PROCEDURAL HISTORY**

On September 27, 2005, CenterPoint Energy (CenterPoint) submitted its petition for approval of several changes in the daily imbalance charges assessed to transportation customers, so that CenterPoint's tariffs would reflect changes in the daily imbalance rates charged by Northern Natural Gas Company (Northern).<sup>1</sup>

Northern's daily imbalance rates changed on October 1, 2005, and again on November 1, 2005. CenterPoint requested permission to implement these changes in CenterPoint's tariff to be effective as of the date Northern changed its rates.

On October 28, 2005, the Department of Commerce (the Department) submitted comments recommending approval of CenterPoint's request. The Department recommended that these changes not become effective until the date of the Commission's order.

The Department also recommended that CenterPoint submit a miscellaneous tariff filing no later than February 1, 2006, to reflect an upcoming change in Northern's rates. Finally, the Department recommended the Commission require CenterPoint to obtain Commission approval prior to changing any rate, term, or condition of service in its tariffed transportation service rate schedule.

On November 10, 2005, CenterPoint submitted its reply and accepted all of the Department's recommendations except the one that would require CenterPoint to obtain Commission approval prior to changing any rate, term, or condition of service in its tariffed transportation service rate schedules.

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<sup>1</sup> Northern Natural Gas Company is CenterPoint's largest interstate pipeline service provider.

## **FINDINGS AND CONCLUSIONS**

### **I. The Issues**

- 1) Should the Commission approve CenterPoint's request to change the daily imbalance charges in its transportation service tariffs?
- 2) If the Commission approves CenterPoint's rates, what is the effective date?
- 3) Should the Commission require CenterPoint to obtain Commission approval prior to changing any rate, term, or condition of service in its tariffed transportation service rate schedule?

### **II. Summary of Commission Action**

The Commission approves CenterPoint's daily balancing charges that are based on the then current, FERC-approved (Federal Energy Regulatory Commission) Northern tariff, and will allow CenterPoint to implement them on a prospective basis. The Commission requires CenterPoint to submit a miscellaneous rate change filing by February 1, 2006. CenterPoint may not implement a change to its tariffed transportation schedule without prior Commission approval.

These actions are explained below.

### **III. Daily Imbalance Charges**

#### **A. Positions of the Parties**

Under CenterPoint's approved transportation tariff, a transportation customer is responsible for scheduling deliveries that accurately reflect the customer's expected total daily consumption, and for balancing gas deliveries to CenterPoint's distribution system with volumes consumed at the delivery point. The Commission approved these requirements for CenterPoint's transportation customers to enable CenterPoint to maintain the operational integrity of its distribution system. The Commission has also approved CenterPoint's use of imbalance charges (or scheduling penalties) patterned after Northern's FERC-approved tariff to provide financial incentives for transportation customers to fulfill their scheduling responsibilities. One of the financial incentives is the possibility of incurring daily balancing charges, which are designed to provide an incentive to transportation customers to stay in balance on a daily basis.

On September 27, 2005, CenterPoint submitted a filing with the Commission requesting approval of a miscellaneous rate change related to daily balancing charges in its transportation tariff. CenterPoint stated that its transportation service tariffs are designed to mirror the applicable interstate pipeline rates for daily imbalance charges.

The Department confirmed that CenterPoint correctly calculated its proposed rates based on the FERC-approved Northern tariffs contained in CenterPoint's petition.

#### **B. Commission Action**

The Commission approves CenterPoint's proposed changes to its daily imbalance charges. These proposed changes incorporate the October 1, and November 1, 2005, changes in Northern's rates

without changing the design of CenterPoint's rates. CenterPoint is revenue neutral with respect to these changes because CenterPoint returns imbalance charges collected from its transportation customers to its sales customers (firm and interruptible) in its annual PGA (purchased gas adjustment) true-ups. These rate changes are appropriately handled as miscellaneous tariff changes rather than as a general change in rates or as a monthly PGA filing.

#### **IV. Effective Date of Rate Change**

##### **A. Positions of the Parties**

CenterPoint requested that the Commission approve the proposed changes to its daily balancing charges effective on October 1, 2005, and November 1, 2005.

The Department recommended that the Commission allow CenterPoint to implement daily scheduling charges, based on the then-current, FERC-approved Northern tariff, as of the date of the Commission's Order in this docket. The Department also recommended that the Commission require CenterPoint to state the Commission-approved daily balancing charge for non-SUL, non-SOL, and non-critical days in the Daily Balancing of sections in the tariff.

##### **B. Commission Action**

CenterPoint's proposed implementation date is not consistent with sound ratemaking principles. For example, in a recent Commission decision concerning a utility changing its daily balancing charges, the Commission held as follows:

*Aquila shall not implement* a change to any rate, term or condition of service in its transportation rate schedule without prior Commission approval. Aquila shall make a miscellaneous tariff filing in the future whenever it proposes to change its transportation rate schedule. Aquila shall not implement any proposed change until the change is approved by the Commission.  
(Emphasis added).

*In the Matter of a Request for a Miscellaneous Tariff Change by Aquila, Inc. and its Two Operating Divisions, Aquila Networks-PNG and Aquila Networks-NMU, for Approval to Change Balancing and Scheduling Charges for Transportation Customers, Docket No. G-007,011/M-003-2008 (April 21, 2004), ORDER APPROVING MISCELLANEOUS TARIFF CHANGES WITH MODIFICATIONS.*

The Commission will require CenterPoint to implement its proposed daily balancing charges on a prospective basis, effective as of the date of the Commission order in this matter. The Commission will also require CenterPoint to state the Commission-approved daily balancing charge for non-SUL, non-SOL, and non-critical days in the Daily Balancing sections of its transportation tariff.

## V. FUTURE CHANGES IN CENTER POINT'S DAILY BALANCING CHARGES

### A. Positions of the Parties

The Department recommended that, to be consistent with its determination in Docket No. G-007,011/M-03-2008, CenterPoint be required to obtain Commission approval prior to changing any rate, term, or condition of service in its tariffed transportation service rate schedule.

CenterPoint objected to the Department's recommendation, asserting that this would prevent it from using published monthly index prices in its monthly cash-out mechanisms. For its monthly imbalance charges, CenterPoint uses a formula based on the monthly index price from *BTU Daily* for the Ventura interconnect point plus transportation charges equal to the published commodity transportation charges in Northern's tariffs for firm transportation service.

### B. Commission Action

CenterPoint is required to obtain Commission approval prior to changing any rate, term, or condition of service in its tariffed transportation service rate schedule. CenterPoint does not, however, need to obtain Commission approval to change its monthly imbalance charges if they are due to changes in monthly index prices that are identified in CenterPoint's tariff and used to calculate CenterPoint's monthly imbalance charges.

Requiring Commission approval prior to changing any rate, term, or condition of service is a well-settled principle of rate making. CenterPoint need not make monthly filings for approval to continue using this index price in its calculation of monthly imbalance charges. The "shall not implement . . . language, from Docket G-007,011/M-03-2008 docket, has not prevented Aquila from using Northern's market index prices in Aquila's monthly cash-out formula for its Northern customers. Northern's market index prices are based on weekly index prices reported in *Gas Daily*.

CenterPoint shall make a miscellaneous tariff filing no later than February 1, 2006, to reflect Northern's non-winter (April through October) rates in its daily imbalance charges.

## **ORDER**

1. The Commission hereby approves CenterPoint's daily balancing charges that are based on current FERC-approved Northern rates.
2. CenterPoint may implement its proposed daily balancing charges on a prospective basis, based on the then current FERC-approved Northern tariff, effective as of the date of the Commission's Order in the present docket, for service rendered on and after the date of the Order.
3. On or before February 1, 2006, CenterPoint shall submit a miscellaneous rate change filing that incorporates, in the calculation of CenterPoint's daily balancing charge for non-SUL, non-SOL, and non-critical days, Northern's lower non-winter (April through October) maximum Market Area TI rate in Northern's tariff to be effective on April 1, 2006.

4. CenterPoint shall not implement a change to any rate, term, or condition of service to its tariffed transportation rate schedule without prior Commission approval. CenterPoint does not need to obtain Commission approval to change its monthly imbalance charges for changes in the monthly index prices that are identified in CenterPoint's tariff and used to calculate monthly imbalance charges.
5. CenterPoint shall state the Commission-approved daily balancing charge for non-SUL, non-SOL and non-critical days in the *Daily Balancing* section, subsection 1 Non-SUL/SOL/CRITICAL DAYS, of the Small Volume Firm, Large Volume Firm, Small Volume Dual Fuel, and Large Volume Dual Fuel Transformation Service schedules of the Company's tariff.
6. Within 10 days of the date of this Order, CenterPoint shall submit, as a compliance filing, the relevant tariff sheets that comply with the Commission's determination in this matter.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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