

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendrayer  
Marshall Johnson  
Ken Nickolai  
Thomas Pugh  
Phyllis A. Reha

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of a Request by CenterPoint Energy Resources Corp d/b/a CenterPoint Energy Minnesota Gas for Approval of an Affiliated Interest Agreement to Transfer Cash Remittance Equipment to CenterPoint Energy Service Company

ISSUE DATE: November 20, 2006

DOCKET NO. G-008/AI-06-560

ORDER APPROVING AN AFFILIATED INTEREST AGREEMENT

**PROCEDURAL HISTORY**

On March 31, 2006, CenterPoint Energy Resource Corp., d/b/a Minnesota Gas (CenterPoint Energy or the Company) filed a petition pursuant to Minn. Stat §§ 216B.08 and 216B.48 seeking Commission approval of a transfer of certain cash remittance equipment from CenterPoint to CenterPoint Energy Service Company (the Service Company).

On July 11, 2006, the Minnesota Department of Commerce (the Department) filed comments recommending that the Commission deny the Company's petition.

On August 10, 2006, CenterPoint-Minnesota Gas filed reply comments disagreeing with the Department's recommendation. The Company continued to recommend approval of the agreement.

The Commission met on November 2, 2006 to consider this matter.

**FINDINGS AND CONCLUSIONS**

The Company's transfer of certain cash remittance processing equipment to its affiliate, Center Point Energy Service Company in Houston, Texas is an affiliated interest agreement. As such, it requires Commission approval, for regulatory purposes, pursuant to Minn. Stat. § 216B.48.<sup>1</sup>

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<sup>1</sup> See *In the Matter of a Commission Investigation into Procedures for Reviewing Public Utility Affiliated Interest Contracts and Arrangements*, Docket No. E,G-999/CI-98-651, ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE , AND CLARIFYING INTERNAL OPERATING PROCEDURES (September 14, 1998) which states at page 11:

## **I. Public Interest Standard**

Minn. Stat. § 216.B.48, subd. 3 states in part:

The commission shall approve the contract or arrangement made or entered into after that date only if it clearly appears and is established upon investigation that it is reasonable and consistent with the public interest.

The Department compared the cash remittance processing costs included in the test year period (calendar year 2006) in the pending general rate case filing to the 2006 forecasted allocation of costs from the Service Company related to the cash remittance processing. The Department found that the transfer will result in the Company recovering approximately \$105,508 more in rates during 2006 than it cost the Company for the cash remittance processing due to lower allocated costs. The Department concluded that the Company's transfer of its cash remittance processing equipment to its affiliate in Houston, Texas was not in the public interest.

## **II. The Company's Response**

The Company did not dispute the Department's numbers, but objected to what it viewed as the Department equating "public interest" with quantified dollar savings for ratepayers in the short-term only. The Company reiterated the view expressed in its original petition, that the transfer was in the public interest because the Company was the only CenterPoint Energy business that had its own cash remittance processing and that for operational control purposes that function was transferred to Houston and the equipment was likewise transferred to Houston to be used by Service Company to process the Minnesota remittances. The Company stated that it is anticipated that there may be some increased efficiency from the integrated operations, which may lead to lower costs in the future.

## **III. Commission Analysis and Action**

Subsequent to the Company's initial filing of this matter and the parties' exchanged comments, the Commission has considered the cash remittance equipment transfer issue in the Company's rate case, Docket No. G-008/GR-05-1380. In its Rate Case Order issued November 2, 2006, the Commission removed the cash remittance equipment from rate base and reduced test year expenses by the amount of reduced expenses that the Company will experience due to the consolidation of cash remittance operation in the Service Company.

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In short, then, the Commission finds that the pre-approval requirement of Minn. Stat. § 216B.48 applies to "regulatory purposes" only. Such an interpretation will allow parties to an affiliate interest transaction to proceed under an affiliate contract but will hold such parties at risk with respect to rate recovery.

In these circumstances, the Commission determines that the transfer agreement in question is reasonable and consistent with the public interest as required by Minn. Stat. § 216.B.48, subd. 3.

The Department also asserted that the Company failed to provide the Commission with a copy of the agreement pursuant to Minn. Rules, Part 7825.2200, subp. B(2). The Commission finds that the Company has complied with an alternative requirement provided by Minn. Stat. 216B.45, subd. 3, an alternative that specifically applies to the unwritten agreement at issue in this docket. In compliance with the statute, the Company has provided a verified summary of the unwritten agreement.

Accordingly, the Commission will grant the Company's request for approval of the Company's agreement to transfer its cash remittance equipment to its affiliate, Service Company.

### **ORDER**

1. The Commission hereby grants the request of CenterPoint-Minnesota Gas for approval of its affiliated interest agreement with the CenterPoint Energy Service Company.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar  
Executive Secretary

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