

**STATE OF MINNESOTA  
PUBLIC UTILITIES COMMISSION**

Phyllis Reha	Vice Chair
David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Betsy Wergin	Commissioner

**In the Matter of an Application by  
CenterPoint Energy for Authority to  
Increase Natural Gas Rates in Minnesota**

**MPUC Docket No. G-008/GR-08-1075**

**COMMENTS OF IZAAK WALTON LEAGUE OF AMERICA-MIDWEST OFFICE AND  
MINNESOTA CENTER FOR ENVIRONMENTAL ADVOCACY ON CENTERPOINT  
DECOUPLING AND IBR EVALUATION REPORTS**

On March 1, 2012, CenterPoint Energy filed both its Revenue Decoupling and Inverted Block Rate Evaluation Report (“Evaluation Report”) and its Report of the Inverted Block Rate (“IBR”) Modification Workgroup (“IBR Workgroup Report”) in the above-referenced docket. The Izaak Walton League of America – Midwest Office (“IWLA”) and Minnesota Center for Environmental Advocacy (“MCEA”) were parties supporting a settlement in CenterPoint’s last rate case that the Commission ultimately approved, allowing for two initiatives, a pilot partial decoupling program and an inverted block rate structure for natural gas commodity prices. IWLA and MCEA provide the following comments to respond to issues pertaining to both the Evaluation Report and the Workgroup Report. Overall, IWLA and MCEA are pleased that in the years following implementation of decoupling for CenterPoint Energy residential and small commercial customers, CenterPoint significantly improved both its energy savings efforts and results. We remain supportive of continuing the decoupling pilot program. In addition, IWLA and MCEA support modification and reinstatement of the IBR structure for natural gas, the sale of which CenterPoint passes through to its customers from its natural gas suppliers.

**A. CPE Has Promoted And Achieved Greater Energy Efficiency Since Implementation Of Its Decoupling Pilot Program, Without Adversely Affecting Utility Ratepayers.**

Minnesota Statutes Section 216B.2412 authorized decoupling pilot programs for the state's utilities in 2007, the same time that the Legislature established higher energy efficiency savings goals. A decoupling program, which separates a utility's revenue from changes in energy sales, is intended to reduce the utility's economic disincentive to promote energy efficiency. *Minn. Stat. §216B.2412, subd. 1.* CenterPoint's pilot decoupling program results to date are consistent with IWLA's and MCEA's expectations of outcomes when utility economic interests are more aligned with policies to reduce energy usage.

The Evaluation Report provides evidence that CenterPoint has significantly stepped up its efforts to expand its conservation programs and achieve energy efficiency savings. (See, Evaluation Report, Table B1a, for increased savings and spending.) In particular, the residential sector of CenterPoint customers showed an increase of over 160 percent energy savings during 2011 than the average savings during 2007 to 2009, and more than tripling customer participation rates, despite greater "lost margins." (Eval. Report, Tables B1b, B11a and B3). Moreover, we are encouraged that CenterPoint's increased CIP commitment is not limited to expansion of its own programs, but also of those provided by third parties such as the Center for Energy and Environment's "One Stop" program. CenterPoint's decoupling pilot appropriately contains ratepayer protection mechanism of a 3 percent cap on positive adjustments serves as an appropriate backstop in the CenterPoint decoupling program.<sup>1</sup>

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<sup>1</sup> It is notable that ratepayers only received refunds under the decoupling mechanism during the evaluation period, and did not trigger the need for the adjustment cap. Refunds were in the range of 0.39 percent, a marginal effect on customers' bills.

Finally, CenterPoint has shown incremental progress toward meeting the statutory 1.5 percent energy savings goal.

**B. Inverted Block Rates Provide Appropriate Energy Price Signals To Customers With Higher Than Average Usage.**

A component of the Settlement Agreement in the rate case included replacing the flat rate CenterPoint charged for the natural gas it delivers to retail customers with an inverted block rate (“IBR”) that discounted rates to customers using less than average quantities of natural gas, and scaled the commodity rate upward as customer usage rises above average levels. IWLA and MCEA agreed to implementation of IBR because it aligns commodity prices with conservation objectives, and in addition, because the rate structure makes rates more affordable to customers with lower incomes, given the correlation between income and lower-than-average natural gas consumption.

IWLA and MCEA acknowledge that during the roll-out of IBR it became clear that certain customers were less able to respond to the conservation price signals in the new rate structure. For example, for some customers it was medically necessary to keep heating levels in their homes higher than average. In addition, some multiple-customer properties were metered as single-customer properties, which overstated per-customer natural gas usage. To address the fact that not all customers were able to take advantage of IBR, IWLA and MCEA participated in the working group formed to explore potential revisions to the IBR program. We reviewed company data that showed 70 percent of customers paid same/lower rates under IBR. We reviewed company data that showed that 99.5 percent of low usage customers paid the same or less under IBR. In addition, we observe that during the period in which IBR was in effect, CenterPoint conservation savings results improved. Understanding that limited data is available to attribute

specific energy savings to the IBR structure, we nevertheless conclude that IBR could encourage additional customer conservation efforts in the future.

IWLA and MCEA therefore ask the Commission to reinstate a revised IBR that allows for exemptions to those customers who cannot make adjustments to their energy usage in response to the IBR pricing structure -- in particular, those that for medical reasons require higher temperatures in their homes, and customers living in single-metered-multiple-customer properties. We also support the identification of LIHEAP and other low income customers who have high natural gas use for priority assistance through low income programs. Such a revised IBR structure would preserve the advantage of lower rates for low-volume natural gas users, and preserve the price signals that give high-use customers stronger conservation incentives than flat rates do. A revised IBR is an important tool to keep in the conservation incentive toolbox.

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Respectfully submitted,

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