

LOUISIANA PUBLIC SERVICE COMMISSION

ORDER NUMBER S-35801

CENTERPOINT ENERGY RESOURCES CORP. D/B/A CENTERPOINT ENERGY LOUISIANA GAS AND CENTERPOINT ENERGY ARKLA EX PARTE

Docket No. S-35801, In re: Request for Approval of New Asset Management Agreement and Revenue Sharing Mechanism.

(Decided at the February 24, 2021 Business and Executive Session.)

I. OVERVIEW

On November 20, 2020 CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Louisiana Gas and CenterPoint Energy Arkla (“CenterPoint” or “Company”) filed its *Request for Approval or Non-Opposition Regarding CenterPoint Arkla New Asset Management Agreement and Revenue Sharing Mechanism* (“Application”) requesting the Louisiana Public Service Commission (“LPSC” or “Commission”) approve or issue its non-opposition to a new Asset Management Agreement (“New AMA”) by and between CenterPoint and Tenaska Marketing Ventures and Tenaska Gas Storage, LLC (together “Tenaska”) relating to certain gas storage and transportation assets on the Enable Gas Transmission, LLC (“EGT”) system. CenterPoint also requested Commission approval or non-opposition to its proposed revenue sharing mechanism associated with the New AMA. CenterPoint’s current AMA with CenterPoint Energy Services, Inc.¹ (“CES”) is set to expire on March 31, 2021.²

Notice of the Company’s request was published in the Commission’s Official Bulletin dated November 25, 2020 under Docket No. S-35801 with a 15-day intervention period. The intervention period elapsed without any intervention or protest. Staff completed an evaluation of CenterPoint’s proposed New AMA, including the process to select the New AMA, and compared such selection with the current AMA with CES. The results of Staff’s evaluation and its recommendations are set forth in the *Staff Report and Recommendation* (“Staff Report”) filed February 5, 2021. On February 11, 2021, CenterPoint filed its non-opposition to the Staff Report. This matter was placed on the Commission’s February 24, 2021 Business and Executive Session (“B&E”) Agenda and the Commission adopted the recommendations set forth in the Staff Report.

II. COMMISSION JURISDICTION

The Commission exercises jurisdiction over public utilities in Louisiana pursuant to Article IV, Section 21(B) of the Louisiana Constitution, which provides in pertinent part:

The commission shall regulate all common carriers and public utilities and have such other regulatory authority as provided by law. It shall adopt and enforce reasonable rules, regulations and procedures necessary for the discharge of its duties, and shall have other powers and perform other duties as provided by law.

¹ At the time the Company entered the CES AMA, the name of the asset manager was CenterPoint Energy Services, Inc. (“CES”), formerly a non-regulated natural gas marketing affiliate of CenterPoint. On June 3, 2020, CES was sold to Energy Capital Partners, LLC and became known as Symmetry Energy Solutions, LLC. In so doing, it ceased to be an affiliate of CenterPoint.

² CenterPoint’s current AMA with CES was most recently approved by the Commission in Order No. S-34692 (February 26, 2018).

III. CENTERPOINT'S REQUEST

CenterPoint's current Asset Management Agreement CES (the "CES AMA"), as previously approved by the Commission, will expire on March 31, 2021.³ In preparation of the expiration of the CES AMA, CenterPoint hosted a competitive bid process, allowing market participants to bid on providing Asset Manager services on the EGT system from April 1, 2021 to March 31, 2024. Through a formal Request for Proposal ("RFP") process, CenterPoint solicited bids that were evaluated on a number of factors including ratepayer impact, experience, reliability and flexibility. The RFP allowed counterparties to propose multiple AMA scenarios around using a Gas Inventory Charge ("GIC") structure and AMA Fee options.

The RFP was sent 19 counterparties; 4 responded with qualifying bids, and 15 did not respond at all. CenterPoint evaluated bids using three primary variables as follows: 1) the GIC; 2) guaranteed payment; and 3) profit sharing.⁴ CenterPoint performed bid comparisons by modeling the bids' GIC (if any) and guaranteed payment to test their impact on the customers' overall rates.⁵ After a thorough evaluation and consideration of each bid, CenterPoint determined Tenaska to be the best overall option for CenterPoint's Louisiana customers. Tenaska is a top ten North American natural gas marketer and is the largest pipeline capacity manager in the United States. Tenaska is a very active player in the Midcontinent area. Tenaska is familiar with EG's FERC tariff and its general terms and conditions of service, and Tenaska has a working knowledge of EGT's transportation and storage operations. Tenaska is not an affiliate of CenterPoint.

The New AMA is a contract where CenterPoint agrees to release transportation and storage capacity on the EGT system to Tenaska to manage gas storage, manage supply and delivery arrangements and, when the released capacity is not needed for that purpose, to maximize the value of the pipeline capacity and negotiate beneficial transactions in the gas commodity markets. Specifically:

- CenterPoint will release to Tenaska its rights under the firm transportation and storage service agreements listed on Exhibit A of the New AMA, and sell to Tenaska certain supplies of gas.
- CenterPoint will continue purchasing natural gas sufficient to cover the gas requirements of its distribution sales customers and will sell that gas to Tenaska for further transportation and storage management purposes.
- CenterPoint will assist Tenaska with scheduling of gas flow on the EGT system, pay the reservation portion of the Tenaska service invoices, and pay Tenaska for all gas delivered to the distribution systems.
- In return, Tenaska will provide firm gas delivery to CenterPoint, up to the full capacity of the assets, and Tenaska will manage the refill of CenterPoint's storage during the summer months.
- At the beginning of the term, Tenaska will purchase the quantity of gas held in storage by CenterPoint.
- CenterPoint will continue to purchase gas from third parties under its current competitive bidding programs and will sell that gas to Tenaska at the receipt point into the EGT pipeline.
- The sales price to Tenaska will be the same price CenterPoint pays to third parties.
- CenterPoint will serve as Tenaska's agent for the purposes of submitting gas nominations and scheduling instructions to EGT.
- Pursuant to the terms of the contract, CenterPoint will receive a guaranteed payment over the three-year term, payable in equal monthly installments for each month during the term.
- CenterPoint proposes a continued 50% / 50% split of its share with its customers, with customers' share being flowed through its PGA, and the Company's share being recorded as revenue in a below-the-line revenue account.

³ See, LPSC Order No. S-34692 dated February 26, 2018.

⁴ CenterPoint Application at 3.

⁵ CenterPoint Application at 3.

Similar to the CES AMA, the New AMA does not include a GIC, which was a cost collected from customers through the PGA in prior AMA's. Likewise, the New AMA does not include profit sharing provisions. These were revenues achieved above and beyond the guaranteed payment that were typically shared between prior AMA managers and CenterPoint.

IV. STAFF REVIEW AND RECOMMENDATION

Staff evaluated the New AMA, the competitive solicitation process as described in the Application, and CenterPoint's selection of Tenaska. The New AMA results in CenterPoint releasing its transportation and storage capacity on the EGT system to Tenaska to manage gas storage, supply and delivery arrangements for CenterPoint. The New AMA also allows Tenaska to purchase any excess capacity on the EGT system when it is not needed for CenterPoint's purposes. This flexibility allows CenterPoint to maximize the value of its pipeline capacity and allows Tenaska to negotiate beneficial transactions in the gas commodity markets. Furthermore, under the New AMA, CenterPoint will continue to purchase natural gas from third parties sufficient to cover its gas requirements and will sell that gas to Tenaska for further transportation and storage management purposes. Should Tenaska purchase any gas from storage released by CenterPoint to Tenaska for delivery to Tenaska's customers, Tenaska agrees to pay the same price CenterPoint pays to third parties. Such purchases, if made, will not affect the availability of logical storage needed to serve CenterPoint's customers.

The use of an AMA removes CenterPoint's gas inventory from rate base, which allows customers to avoid paying a return on that investment. Considering the annual guaranteed payment over the three-year term and the revenue requirement reduction from continuing to exclude gas inventory from CenterPoint's rate base, there is an overall net benefit provided to customers under the New AMA. The estimated net benefit is less than under the current CES AMA; however, the reason for the lowered net benefit is a result of the decrease in storage assets on the EGT. Nonetheless, when comparing the proposed NEW AMA with all other bids provided in the RFP, the option selected provided the greatest net benefit to customers.

Also included with the Company's petition is the request for CenterPoint to continue the revenue sharing generated from the New AMA with its customers on a 50/50 basis. CenterPoint's current AMA with CES has a similar sharing mechanism that was approved by the Commission in Order No. S-34692. CenterPoint requests to continue this split sharing with customers and to continue having the customers' share flow through its Purchased Gas Adjustment with its share being recorded as revenue in a below-the-line revenue account.

Staff has confirmed that the Company is not engaging in cross-subsidization with a non-regulated entity. Staff's opinion is that the customers will not endure any added costs or adverse risk, the quality of service will not be adversely affected, the customers' share of the revenues derived from the plan is fair and reasonable, and the participation by CenterPoint in the Asset Management Agreement is in the public interest.

After Staff reviewed the selection process for the New AMA, the New AMA itself and compared the same with the current AMA, Staff is of the opinion that the New AMA provides adequate protection for CenterPoint supply assets, does not place undue hardship on the Company by placing its assets and gas supply at risk and will adequately compensate the Company, and customers, for the use of its assets. As such, Staff recommends the Commission approve the New AMA, including the proposed revenue sharing mechanism associated with therewith, subject to the following conditions:

1. All customer savings will flow through the PGA and CenterPoints's share will be recorded in a below-the-line revenue account.

2. The Company will file annual reports into the record of this proceeding for the term of the New AMA illustrating the monthly costs and savings resulting from the New AMA during the terms of the agreement.
3. Prior to any revisions to or extensions of the New AMA, CenterPoint must seek Commission approval of any such revision or extension.

V. COMMISSION ACTION

The Commission considered this matter at its February 24, 2021 B&E. On motion of Vice Chairman Skrmetta, seconded by Commissioner Francis, with Chairman Greene and Commissioner Campbell concurring and Commissioner Boissiere temporarily absent, the Commission voted to accept Staff Report and Recommendation filed into the record on February 5, 2021. Therefore,

IT IS ORDERED:

1. All customer savings will flow through the PGA and CenterPoints's share will be recorded in a below-the-line revenue account.
2. The Company will file annual reports into the record of this proceeding for the term of the New AMA illustrating the monthly costs and savings resulting from the New AMA during the terms of the agreement.
3. Prior to any revisions to or extensions of the New AMA, CenterPoint must seek Commission approval of any such revision or extension.

This order is effective immediately.

BY ORDER OF THE COMMISSION
BATON ROUGE, LOUISIANA
 March 9, 2021



BRANDON M. FREY
SECRETARY

/S/ CRAIG GREENE

DISTRICT II

CHAIRMAN CRAIG GREENE

/S/ ERIC F. SKRMETTA

DISTRICT I

VICE CHAIRMAN ERIC F. SKRMETTA

/S/ FOSTER L. CAMPBELL

DISTRICT V

COMMISSIONER FOSTER L. CAMPBELL

ABSENT

DISTRICT III

COMMISSIONER LAMBERT C. BOISSIERE, III

/S/ MIKE FRANCIS

DISTRICT IV

COMMISSIONER MIKE FRANCIS