



## **CITIZENS UTILITY BOARD**

Empowering Minnesota Consumers

### **IS CENTERPOINT “HAVING ITS CAKE AND EATING IT TOO” WHEN RECOVERING WINTER STORM URI COSTS FROM MINNESOTANS?**

#### **A WHITE PAPER EXPLORING CENTERPOINT’S EQUITY INTEREST IN ENERGY TRANSFER, LP AND WHAT IT REPRESENTS FOR CENTERPOINT’S MINNESOTA CUSTOMERS**

#### **The Citizens Utility Board of Minnesota**

**Lead author:** Brian Edstrom, Senior Regulatory Advocate, CUB

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March 1, 2022 (Updated May 31, 2022)

#### **About the Citizens Utility Board of Minnesota (“CUB”):**

CUB is a nonprofit organization that represents the interests of residential customers across Minnesota. Our mission is to advocate for affordable and reliable utility service and clean energy. CUB is committed to reducing utility costs for the people of Minnesota by improving public policy, educating consumers about energy options, and offering personalized guidance on how to lower electricity and natural gas bills. Founded in 2016, CUB participates frequently in regulatory proceedings before the Minnesota Public Utilities Commission, represents the consumer interest before the Minnesota legislature, and has consulted with thousands of individuals across the state.

#### **About the Author:**

Brian Edstrom is a Senior Regulatory Advocate with CUB. Mr. Edstrom has a Bachelor of Arts degree from Colorado College and a Juris Doctorate from the University of Wisconsin Law School. Mr. Edstrom's prior work experience includes practicing business and securities law for a Minneapolis-based law firm, serving as Director of Securities at the Minnesota Department of Commerce, and supporting the U.S. Department of Justice's Civil Division, Consumer Protection Branch as a contracted Attorney-Analyst.

#### **Disclaimers:**

This white paper presents facts, as we understand them, that we obtained solely from public sources, including public filings made with the Securities and Exchange Commission and Minnesota Public Utilities Commission, Energy Transfer, LP and CenterPoint Energy, Inc. press releases, and published media sources. This white paper was initially published on March 1, 2022, and was subsequently updated and revised on May 31, 2022 to address additional information that has come to light and/or that CenterPoint has provided to CUB in response to this white paper.

**Contact Information:**

Citizens Utility Board of Minnesota  
332 Minnesota St., Suite W1360  
St. Paul, MN 55101  
651-300-4701 (main)  
[info@cubminnesota.org](mailto:info@cubminnesota.org)  
[www.cubminnesota.org](http://www.cubminnesota.org)

## Introduction

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In February 2021, Winter Storm Uri caused temperatures to plummet across much of the United States. These widespread cold temperatures caused demand for natural gas to increase as households and businesses consumed more gas for heating purposes. Meanwhile, the cold weather also caused “freeze off” events at some natural gas generation and transportation systems—particularly in Texas and other southern states—which reduced the available supply of natural gas. Finally, Winter Storm Uri coincided with the President’s Day Holiday weekend, when there were limited opportunities for natural gas purchases and sales. These coinciding factors caused natural gas prices to spike to historic levels between February 13-17, 2021.

CenterPoint is now in the process of passing Winter Storm Uri-related costs through to its Minnesota customers: beginning in September 2021, most of CenterPoint’s Minnesota customers began seeing a monthly surcharge appear on their natural gas bills for this purpose.<sup>1</sup> That surcharge is currently scheduled to continue for a total of 63 months, subject to the outcome of a contested case proceeding reviewing the prudence of the company’s spending. This proceeding (to which CUB is a party) is currently in process before the Minnesota Office of Administrative Hearings.<sup>2</sup>

Meanwhile, some natural gas suppliers and transporters made enormous profits during the storm. Texas-based Energy Transfer, LP is among such entities. One of the largest midstream energy companies in North America, Energy Transfer owns and operates approximately 114,000 miles of pipelines.<sup>3</sup> Energy Transfer made \$2.4 billion during Winter Storm Uri and posted quarterly net income of \$3.29 billion in the first quarter of 2021.<sup>4</sup> By comparison, Energy Transfer reported a net loss of \$855 million for the first quarter of 2020<sup>5</sup> and a net income of \$509 million for the last quarter of 2020.<sup>6</sup> At least one Texas utility, CPS Energy, sued Energy Transfer for price gouging during Winter Storm Uri, noting in its lawsuit that gas prices CPS paid to Energy Transfer were 15,000% higher than

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<sup>1</sup> The surcharge is labeled “Feb 2021 Weather Event” on CenterPoint bills.

<sup>2</sup> The judges overseeing this proceeding released reports of their findings on May 24, 2022. Those reports include recommendations that will be reviewed by the Minnesota Public Utilities Commission (the “PUC” or the “Commission”), which ultimately has final say on whether CenterPoint will be permitted to recover the full amount of their storm-related costs from their customers. We anticipate the Commission will reach a decision on this matter in the summer of 2022.

<sup>3</sup> Energy Transfer, Press Release: Energy Transfer Completes Acquisition of Enable Midstream (Dec. 2, 2021), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-completes-acquisition-enable-midstream>

<sup>4</sup> Gerson Freitas Jr, “Energy Transfer Made \$2.4 Billion From Texas Winter Storm,” BLOOMBERG (May 6, 2021), available at <https://www.bloomberg.com/news/articles/2021-05-06/energy-transfer-made-2-4-billion-gain-from-texas-winter-storm>.

<sup>5</sup> Energy Transfer, Press Release: “Energy Transfer Reports First Quarter 2020 Results And Reduces Capital Expenditures (May 11, 2020), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-reports-first-quarter-2020-results-and-reduces>

<sup>6</sup> Energy Transfer, Press Release: “Energy Transfer Reports Fourth Quarter 2020 Results (Feb. 17, 2020), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-reports-fourth-quarter-2020-results>

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usual.<sup>7</sup> A year after Winter Storm Uri, Texas power-generator Vistra Energy again accused Energy Transfer of price gouging ahead of a February 2022 winter storm, but later dropped those allegations.<sup>8</sup>

On February 17, 2021—coincidentally, in the midst of Winter Storm Uri—CenterPoint’s parent company, Texas-based CenterPoint Energy, Inc., issued a press release announcing its support for a proposed merger between CenterPoint Energy Inc.’s affiliate, Enable Midstream Partners, LP, and Energy Transfer.<sup>9</sup> Prior to the merger closing, CenterPoint Energy Inc. owned 53.7% of the common units of Enable Midstream Partners, LP.<sup>10</sup> According to a subsequent CenterPoint press release, this merger closed on December 2, 2021.<sup>11</sup> Upon the merger closing, CenterPoint Energy, Inc. received \$5 million in cash and a significant equity interest in Energy Transfer in exchange for transferring CenterPoint Energy Inc.’s interest in Enable Midstream Partners to Energy Transfer.<sup>12</sup> In the time since the merger closed, CenterPoint Energy, Inc. received approximately \$2.3 billion in gross proceeds – and \$1.3 billion in net, after-tax proceeds – through distributions on, and sales of, CenterPoint’s equity interests in Energy Transfer.<sup>13</sup>

Our intention in distributing this white paper is to present facts, as we understand them, about the merger involving CenterPoint and Energy Transfer and various transactions that have followed that merger. **To be clear, our intention is not to accuse CenterPoint, either directly or implicitly, of engaging in price gouging or other unlawful activity, or to otherwise suggest CenterPoint intentionally exploited Winter Storm Uri to harm CenterPoint ratepayers.** However, the facts presented in this white paper raise several concerns and questions that we believe warrant further explanation from CenterPoint, including the following:

- What is the exact total (both gross and net) of proceeds or earnings CenterPoint Energy, Inc. has received to date as a result of the merger involving CenterPoint and Energy Transfer, its

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<sup>7</sup> *CPS Energy v. Houston Pipe Line Co., LP and Oasis Pipeline, LP*, Plaintiff’s Original Petition and Application for Temporary Restraining Order and Temporary Injunction, Cause No. 2021CI05138, Bexar County, Texas District Court (March 19, 2021), available at

[https://www.cpsenergy.com/content/dam/corporate/en/Documents/StormUpdates/Original%20Petition%20and%20App%20RO%20TI%20without%20exhibits%20-%20Houston%20Pipe%20Line%20and%20Oasis%20Pipeline%20\(3-19-2021\)%20\(002\).pdf](https://www.cpsenergy.com/content/dam/corporate/en/Documents/StormUpdates/Original%20Petition%20and%20App%20RO%20TI%20without%20exhibits%20-%20Houston%20Pipe%20Line%20and%20Oasis%20Pipeline%20(3-19-2021)%20(002).pdf); see also Bloomberg Wire, “Disaster should not be a jackpot,’ says San Antonio utility in lawsuit naming Energy Transfer, two others,” THE DALLAS MORNING NEWS (Mar. 23, 2021), available at

<https://www.dallasnews.com/business/energy/2021/03/23/disaster-should-not-be-a-jackpot-says-san-antonio-utility-in-lawsuit-naming-energy-transfer-two-others/>; Emily Baucum, “Lawsuit reveals shocking timeline of rising power prices during February freeze,” News 4 San Antonio (Jan. 11, 2022), available at <https://news4sanantonio.com/news/trouble-shooters/lawsuit-reveals-shocking-timeline-of-rising-power-prices-during-february-freeze>.

<sup>8</sup> Naureen S. Malik and Mark Chediak, “Vistra Accuses Energy Transfer of Price Gouging Before Storm,” YAHOO! FINANCE (Feb. 2, 2022), available at <https://finance.yahoo.com/news/vistra-accuses-energy-transfer-price-201722587.html>; see also Naureen S. Malik, “Vistra Drops Price-Gouging Complaint Against Energy Transfer,” BLOOMBERG (Feb. 10, 2022), available at <https://news.yahoo.com/vistra-drops-price-gouging-complaint-164553911.html>.

<sup>9</sup> CenterPoint Energy, Press Release: “CenterPoint Energy Announces Its Support of the Proposed Merger Between Enable Midstream Partners, LP and Energy Transfer LP” (Feb. 17, 2021), available at <https://investors.centerpointenergy.com/news-releases/news-release-details/centerpoint-energy-announces-its-support-proposed-merger-between>.

<sup>10</sup> *Id.*

<sup>11</sup> CenterPoint Energy, Press Release: “CenterPoint Energy Begins Exit of Midstream Following Energy Transfer’s Completed Acquisition of Enable Midstream Partners” (Dec. 2, 2021), available at <https://investors.centerpointenergy.com/news-releases/news-release-details/centerpoint-energy-begins-exit-midstream-following-energy>.

<sup>12</sup> *Id.*

<sup>13</sup> See the remainder of the white paper for further facts and sources supporting these calculations.

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financial interests in Energy Transfer, and/or its subsequent sale or liquidation of Energy Transfer equity interests?

- What is the estimated amount of proceeds or earnings CenterPoint Energy, Inc. expects to receive in the future through its financial interest in Energy Transfer (including any future liquidation or sale of such interest)?
- Do CenterPoint’s Minnesota customers/ratepayers benefit from the merger involving Energy Transfer? If so, how?
- How do revenue and earnings CenterPoint received through the merger, its financial interest in Energy Transfer, and/or subsequent sales of its interest in Energy Transfer affect CenterPoint’s need to recover Winter Storm Uri-related costs from Minnesotans?
- How do revenue and earnings CenterPoint received through the merger, its equity interest in Energy Transfer, and/or subsequent sales of its interest in Energy Transfer affect CenterPoint’s need to raise Minnesotans’ rates?
- Does CenterPoint’s financial interest in Energy Transfer create a conflict of interest for CenterPoint to participate in regulatory investigations of price-gouging or market manipulation during Winter Storm Uri (or in subsequent extreme weather events, including the winter storm affecting Texas in February 2022)?
- Does CenterPoint’s financial interest in Energy Transfer create a conflict of interest for CenterPoint to pursue contract, or other private, claims (if any exist) against Energy Transfer or other entities involved in the sale, storage, or transport of natural gas during Winter Storm Uri?
- Does CenterPoint’s affiliation with Energy Transfer create a conflict of interest for CenterPoint to negotiate terms in new or renewed contracts with Energy Transfer that allow CenterPoint to better protect ratepayers from financial harm arising from future price spike events?

After CUB initially published this White Paper on March 1, 2022, CenterPoint filed written responses to the above questions in Minnesota Public Utilities Docket 22-28. Those responses are enclosed as Attachment A to the updated version of this White Paper.

**Procedural History at the Minnesota Public Utilities Commission**

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Between February 13-17, 2021, Winter Storm Uri coincided with the 2021 President’s Day Holiday weekend. Due to widespread demand for natural gas coinciding with reduced supply, prices on natural gas spot markets spiked to historic levels. Prices at natural gas delivery points to Minnesota increased to as much as \$231 per dekatherm (“Dth”), as compared to the forecasted February

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weighted average cost of gas at \$3.06 per Dth.<sup>14</sup> This price spike caused several of Minnesota’s natural gas utilities—including CenterPoint—to incur substantial costs procuring and delivering gas to Minnesotans.

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, a Delaware corporation (“CERC”), is an indirect, wholly-owned subsidiary of CenterPoint Energy, Inc., a Texas corporation.<sup>15</sup> For simplicity, our references to “CenterPoint” and the “Company” throughout the remainder of this whitepaper refer, unless otherwise indicated, collectively to CenterPoint Energy, Inc. and its subsidiaries, including CERC. A more detailed explanation of CenterPoint’s corporate structure is available in its most recent 10-K filing.<sup>16</sup> CenterPoint is the largest natural gas utility serving Minnesota, providing natural gas to approximately 890,000 Minnesota customers. CenterPoint is a public utility, as that term is defined in Minn. Stat. 216B.02, subd. 4 and, as such, is regulated by the Minnesota Public Utilities Commission.

On March 16, 2021, CenterPoint filed a petition with the Commission seeking expedited recovery of \$500 million in Winter Storm Uri-related costs from its Minnesota customers.<sup>17</sup> In July 2021, CenterPoint revised its calculation of costs incurred providing gas to Minnesotans between the narrower timeframe of February 13-17, 2021 to be \$466,083,062.<sup>18</sup>

On May 6, 2021, CenterPoint held a quarterly earnings call to communicate with CenterPoint shareholders and potential investors.<sup>19</sup> In this call, CenterPoint President and CEO, David Lesar, discussed the impact of Winter Storm Uri on the company’s ability to generate revenue and earnings for its shareholders. For example, he said, “[b]ecause the higher natural gas costs are pass through costs for our business [i.e., because costs are passed through to CenterPoint’s customers], they did not impact this quarter’s utility results” and “[w]e are off to a great start for the year. So let’s check the utility earnings box as being on track.”<sup>20</sup>

On August 5, 2021, the Minnesota Public Utilities Commission held a public hearing to evaluate the Winter Storm Uri-related costs that CenterPoint (along with three other impacted Minnesota natural gas utilities<sup>21</sup>) incurred. The primary objective of the hearing was to determine whether and how the impacted utilities would be permitted to recover extraordinary storm-related costs from their

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<sup>14</sup> *In the Matter of the Petition of CenterPoint Energy for Approval of a Recovery Process for Cost Impacts Due to February Extreme Gas Market Conditions*, MPUC Docket No. G008/M-21-138, CenterPoint Petition (March 16, 2021) (“CenterPoint Petition”), p. 1.

<sup>15</sup> A more detailed explanation of CenterPoint’s corporate structure can be found in CenterPoint Energy Inc.’s Form 10-K Annual Report for the Fiscal Year Ended December 31, 2021 (Feb. 22, 2022), available at <https://www.sec.gov/ix?doc=/Archives/edgar/data/1130310/000113031022000023/cnp-20211231.htm>.

<sup>16</sup> *Id.*

<sup>17</sup> See generally, CenterPoint Petition.

<sup>18</sup> CenterPoint Energy, Comments in Response to the Minnesota Public Utilities Commission’s May 19, 2021 Notice, Docket No. 21-138 (July 6, 2021), p. 3 and Exhibit 1, available at <https://efiling.web.commerce.state.mn.us/edockets/searchDocuments.do?method=showPoup&documentId=%7bE09C7D7A-0000-C638-91C4-35FC42A94574%7d&documentTitle=20217-175872-02>.

<sup>19</sup> CenterPoint Energy Inc, Q1 2021 Earnings Call (May 6, 2021), transcript available at <https://investors.centerpointenergy.com/static-files/08c25333-f801-4736-8569-491082f5d555>.

<sup>20</sup> *Id.*

<sup>21</sup> The other impacted regulated utilities are Xcel Energy, Minnesota Energy Resources Corporation (MERC), and Great Plains Natural Gas Co.

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Minnesota customers. The Commission first defined “extraordinary costs” to be “the margin between \$20/dekatherm and the actual average price experienced by the utilities” during the timeframe of February 13-17, 2021 (the “Extraordinary Costs”).<sup>22</sup> Under this definition, CenterPoint incurred approximately \$409 million in Extraordinary Costs.<sup>23</sup> The Commission then permitted the impacted utilities to begin recovering non-extraordinary costs (those not meeting the above definition) through a standard, automatic “true-up” mechanism, while Extraordinary Costs would be recovered via separate, volumetric surcharges added to customers’ bills.<sup>24</sup> The Commission also referred an ongoing “prudency review” of the impacted utilities’ Extraordinary Costs to a contested case proceeding before the Minnesota Office of Administrative Hearings for further record development.<sup>25</sup> In that contested case proceeding, the impacted utilities—including CenterPoint—bear the burden of proving the decisions and actions that led to them incurring Extraordinary Costs were prudent. If they are unable to meet that burden, the Commission may ultimately “disallow” recovery of some Extraordinary Costs. CUB is a party to this contested case proceeding, which is ongoing as of the date of this document.

During the August 5, 2021 hearing, several of Minnesota’s Commissioners expressed frustration and dismay over the impact Winter Storm Uri will have on Minnesotans if the impacted utilities are permitted to recover all their Extraordinary Costs from Minnesota customers. In closing comments, some Commissioners also disapprovingly referenced statements made by corporate officers about how the storm would affect their business. For example, Chair Katie Sieben alluded to CenterPoint CEO David Lesar’s comment quoted above, saying she “was really troubled” by Mr. Lesar’s suggestion that “all costs are recoverable [from customers].” She went on to say, that “[Mr. Lesar] did not understand the legal framework we have in Minnesota, and [while] that may fly in Texas, [...] it won’t fly, or won’t be reasonable, if that [argument is what] comes back to us from a contested case.”<sup>26</sup> Further, Commissioner John Tuma referenced a *Bloomberg* article<sup>27</sup> discussing the \$2.4 billion in profits Energy Transfer received during the February storm. Commissioner Tuma noted of Energy Transfer:

That’s the thing that I carry into this that is probably the heaviest on my heart: we allowed people like [Energy Transfer co-CEO, Tom Long] to reach into the pockets of our ratepayers and reap unreasonable and egregious profits. It’s mind-boggling to me that this happened. [...] To paraphrase Mr. Long, [Energy Transfer] played by the rules – unfortunately, rules they set, in a market they created. And that’s the part that really bothers me. I’ve seen this happen before. I’m not too young to remember Enron.<sup>28</sup>

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<sup>22</sup> Minnesota Public Utilities Commission, Order Granting Variances and Authorizing Modified Cost Recovery Subject to Prudence Review, and Notice of And Order for Hearing, Docket No. 21-135 (Aug. 30, 2021), p. 20.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*, p. 22.

<sup>26</sup> A webcast of this hearing is available at [https://minnesotapuc.granicus.com/MediaPlayer.php?view\\_id=2&clip\\_id=1510](https://minnesotapuc.granicus.com/MediaPlayer.php?view_id=2&clip_id=1510). Chair Sieben made these comments near the 3:08 minute mark.

<sup>27</sup> Kevin Crowley, Naureen S Malik, and Mark Chediak, “Gas Sellers Reaped \$11 Billion Windfall During Texas Freeze,” BLOOMBERG (July 9, 2021), available at <https://www.bloomberg.com/news/articles/2021-07-09/gas-sellers-reaped-11-billion-windfall-during-texas-freeze>

<sup>28</sup> A webcast of this hearing is available at [https://minnesotapuc.granicus.com/MediaPlayer.php?view\\_id=2&clip\\_id=1510](https://minnesotapuc.granicus.com/MediaPlayer.php?view_id=2&clip_id=1510). Commissioner Tuma made these comments near the 2:40 minute mark.

It is unclear whether Commissioner Tuma (or any other Commissioner) was aware that CenterPoint had supported a pending merger involving a CenterPoint affiliate and Energy Transfer when he made this statement.

### The Merger involving CenterPoint and Energy Transfer

Energy Transfer, LP is a publicly traded, Fortune 500, Delaware limited partnership headquartered in Texas (together with its wholly owned subsidiaries, “Energy Transfer”). According to Energy Transfer’s website, “Energy Transfer is one of the largest and most diversified midstream energy companies in North America with approximately 114,000 miles of pipelines and associated energy infrastructure across 41 states transporting the oil and gas products that make our lives possible.”<sup>29</sup> Approximately 30% of the nation’s natural gas and crude oil moves through Energy Transfer pipelines.<sup>30</sup>

According to statements made in its Quarter 1, 2021 Earnings Call, Energy Transfer earned “approximately \$2.4 billion from [Winter Storm Uri] for full-year 2021, inclusive of \$100 million of expenses, which may be incurred throughout 2021, related to the storm.”<sup>31</sup> Energy Transfer reported its 2021 First Quarter net income to be “\$3.29 billion, an increase of \$4.14 billion compared to the same period the previous year.”<sup>32</sup> In a press release reporting these results, Energy Transfer indicates that these Quarter 1 financial results “reflected the one-time impacts of [Winter Storm Uri] and reliable operations of [Energy Transfer]’s flexible, well-maintained asset base, particularly its storage and transportation facilities in Texas.”<sup>33</sup>

On December 2, 2021, CenterPoint issued a press release<sup>34</sup> announcing the completion of the merger involving Energy Transfer, which it described in more detail in a December 3, 2021 SEC filing.<sup>35</sup> Energy Transfer also issued a press release announcing the merger.<sup>36</sup> Oklahoma-based business and legal news source, *The Journal Record*, summarized the terms of the merger as follows:

CenterPoint’s 53.7% of Enable common units converted into 201 million Energy Transfer (ET) common units. The settlement of CenterPoint’s previously announced contingent forward sale for 50 million ET common units, representing approximately 25% of CenterPoint’s ownership in ET common units, was triggered upon completion of the merger between Enable and ET.

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<sup>29</sup> See <https://www.energytransfer.com/> (last visited Feb. 10, 2022).

<sup>30</sup> *Id.*

<sup>31</sup> Energy Transfer’s (ET) Management on Q1 2021 Results - Earnings Call Transcript (May 6, 2021), transcript available at <https://ir.energytransfer.com/static-files/93baa9e3-688a-428a-989c-59b8ddd768d9>.

<sup>32</sup> Energy Transfer, Press Release: “Energy Transfer Reports First Quarter 2021 Results” (May 6, 2021), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-reports-first-quarter-2021-results>.

<sup>33</sup> *Id.*

<sup>34</sup> CenterPoint Energy, Press Release: “CenterPoint Energy Begins Exit of Midstream Following Energy Transfer’s Completed Acquisition of Enable Midstream Partners” (Dec. 2, 2021), available at <https://investors.centerpointenergy.com/news-releases/news-release-details/centerpoint-energy-begins-exit-midstream-following-energy>.

<sup>35</sup> CenterPoint Energy, Inc., Form 4, Statement of Changes in Beneficial Ownership (Dec. 3, 2021), available at <https://www.sec.gov/Archives/edgar/data/0001591763/000089924321046821/0000899243-21-046821-index.html>.

<sup>36</sup> Energy Transfer, Press Release: “Energy Transfer Completes Acquisition of Enable Midstream” (Dec. 2, 2021), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-completes-acquisition-enable-midstream>.

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CenterPoint also received \$5 million in cash in exchange for its Enable general partner interest and ET Series G Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred units with a liquidation preference of approximately \$385 million in exchange for the \$363 million liquidation preference of Enable Series A Fixed-to-Floating Non-Cumulative Redeemable Perpetual Preferred units owned by CenterPoint.<sup>37</sup>

According to a Beneficial Ownership report CenterPoint filed on December 10, 2021: “CenterPoint Energy Midstream, Inc. (‘CNP Midstream’), of which CenterPoint Energy, Inc. (‘CenterPoint’) is the Parent Holding Company, was the record owner of 200,999,768 Common Units of Energy Transfer LP [...] on December 2, 2021.”<sup>38</sup>

On January 3, 2022, CenterPoint filed a Petition with the Commission seeking approval of an affiliated interest agreement between CenterPoint and Energy Transfer.<sup>39</sup> This filing was triggered by the requirement found in Minn. Stat. 216B.48, subd. 3, which requires regulated utilities to obtain the Commission’s approval before entering into an “affiliated interest contract.” According to the filing, CenterPoint owned 6.52% of the total outstanding common units of Energy Transfer on December 2, 2021 (the date the merger closed).<sup>40</sup>

As is evident from the above descriptions, the merger is complicated; it involves multiple contracts between CenterPoint Energy, Inc., Energy Transfer, LP, subsidiaries of both entities, Enable Midstream Partners, and other parties. CUB has not reviewed all these contracts. At a high level, the terms of the merger relevant to this white paper, as we understand them, can be simplified as follows: (1) CenterPoint conveyed all of its ownership interest in Enable Midstream Partners to Energy Transfer; (2) in exchange, Energy Transfer conveyed to CenterPoint: \$5 million; 6.52% of Energy Transfer’s then outstanding common units (think of “common units” as loosely equivalent to common stock in a corporation); and a right to convert to cash additional equity in Energy Transfer (the Series G Preferred Units) worth about \$385 million.

### CenterPoint Securities and Asset Sales following Merger involving Energy Transfer

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On December 7, 2021, Energy Transfer issued a press release announcing that CenterPoint Energy Midstream, Inc., would be offering to sell 86,956,522 Energy Transfer common units for gross

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<sup>37</sup> Business Wire, “Enable, Energy Transfer merger complete; CenterPoint reduces midstream exposure,” THE JOURNAL RECORD (Dec. 3, 2021), available at <https://journalrecord.com/2021/12/03/enable-energy-transfer-merger-complete-centerpoint-reduces-midstream-exposure/>.

<sup>38</sup> CenterPoint Energy, Inc., Schedule 13G Beneficial Ownership Report (Dec. 10, 2021), Ex-99.2, available at <https://www.sec.gov/Archives/edgar/data/0001130310/000119312521354009/0001193125-21-354009-index.html>.

<sup>39</sup> CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, Petition of CenterPoint Energy Resources Corp. d/b/a CenterPoint Energy Minnesota Gas, for Approval of an Affiliated Interest Agreement Between CenterPoint Energy Minnesota Gas and Energy Transfer LP, Docket No. 22-28 (Jan. 3, 2022). *See also* Minnesota Department of Commerce, PUBLIC Comments of the Minnesota Department of Commerce, Docket 22-28 (Jan. 31, 2022) (showing the agreement in question was a gas supply agreement between CenterPoint Energy Resources Corp, a subsidiary of CenterPoint Energy, Inc., and ETC Marketing Ltd, a subsidiary of Energy Transfer).

<sup>40</sup> *Id.*, p. 2. (further showing that CenterPoint’s ownership decreased to 1.66% of Energy Transfer’s total outstanding common units following CenterPoint’s sale of some of those units in December 2021).

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proceeds of \$665,217,393.<sup>41</sup> The announcement further provided that CenterPoint had granted underwriters of this sale a 30-day option to purchase up to 13,043,478 additional common units from CenterPoint “at the public offering price less underwriting discounts and commissions.”<sup>42</sup>

On December 13, 2021, CenterPoint Energy, Inc. filed a Form 8-K noting that the Company completed the sale of 192,390 of its Energy Transfer Series G Preferred Units “for gross proceeds of approximately \$193.4 million.”<sup>43</sup>

On Jan 25, 2022, Energy Transfer announced a distribution of \$0.175 per Energy Transfer common unit for the fourth quarter ending December 31, 2021, which will be paid on February 18, 2022 to unitholders of record as of the close of business on February 8, 2022.<sup>44</sup> This represents a 15% increase from the previous quarterly distribution.<sup>45</sup> In a January 25, 2022 article on the distribution, *Bloomberg* described Energy Transfer as “cash-rich” and noted that Energy Transfer will be “reporting a record annual profit next month, boosted by sales of gas at skyrocketing prices during last February’s Texas freeze.”<sup>46</sup>

On February 22, 2022, CenterPoint filed a 10-K annual report with the Securities and Exchange Commission. According to the filing, “In December 2021, [the Company] completed sales of 150 million Energy Transfer Common Units (inclusive of the Energy Transfer Common Units sold pursuant to the Forward Sale Agreement) and 192,390 Energy Transfer Series G Preferred Units for net proceeds of \$1,320 million.”<sup>47</sup> The 10-K reported three dates in December 2021 when these sales occurred:

- 1) on December 8, 2021, the Company sold 50,000,000 Energy Transfer Common Units for \$384 million;
- 2) on December 10, 2021, the Company sold 100,000,000 Energy Transfer Common Units for \$745 million; and
- 3) on December 13, 2021, the Company sold 192,390 Series G Preferred Units for \$191 million.<sup>48</sup>

The Company also reported in its 10-K that, as of December 31, 2021, it owned 50,999,768 shares of Energy Transfer common units and 192,390 shares of Energy Transfer Series G Preferred Units.<sup>49</sup> The

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<sup>41</sup> Energy Transfer, Press Release: “Energy Transfer Announces Pricing of Secondary Public Offering of Common Units” (Dec. 7, 2021), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-announces-pricing-secondary-public-offering>.

<sup>42</sup> *Id.*

<sup>43</sup> CenterPoint Energy, Inc. Form 8-K (Dec. 13, 2021), available at <https://www.sec.gov/Archives/edgar/data/0001130310/000119312521355555/d193146d8k.htm>.

<sup>44</sup> Energy Transfer, Press Release: Energy Transfer Announces Increase in Quarterly Cash Distribution (Jan 25, 2022), available at <https://ir.energytransfer.com/news-releases/news-release-details/energy-transfer-announces-increase-quarterly-cash-distribution>.

<sup>45</sup> *Id.*

<sup>46</sup> Gerson Freitas Jr., “Cash-rich Energy Transfer Set for Highest Return in Sector,” BLOOMBERG (Jan 25, 2022), available at [https://www.bloomberg.com/news/articles/2022-01-25/cash-rich-energy-transfer-set-for-the-highest-return-in-sector?utm\\_campaign=socialflow-organic&utm\\_source=twitter&cmpid=socialflow-twitter-business&utm\\_medium=social&utm\\_content=business](https://www.bloomberg.com/news/articles/2022-01-25/cash-rich-energy-transfer-set-for-the-highest-return-in-sector?utm_campaign=socialflow-organic&utm_source=twitter&cmpid=socialflow-twitter-business&utm_medium=social&utm_content=business).

<sup>47</sup> CenterPoint Energy Inc., Form 10-K Annual Report for the Fiscal Year Ended December 31, 2021 (Feb. 22, 2022) p. 41, available at <https://www.sec.gov/ix?doc=/Archives/edgar/data/1130310/000113031022000023/cnp-20211231.htm>

<sup>48</sup> *Id.*, p. 145.

<sup>49</sup> *Id.*, p. 146.

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Company indicated in its 10-K that its “anticipated 2022 cash needs” will be met, in part, with “distributions from Energy Transfer or proceeds from future dispositions of Energy Transfer Common Units or Energy Transfer Series G Preferred Units.”<sup>50</sup>

In its Q1 2022 10-Q filing, the Company reported that it sold its remaining 50,999,668 Energy Transfer common units and its remaining 192,390 Energy Transfer Series G Preferred Units for combined *net* proceeds of \$702 million.<sup>51</sup>

Based on the above information, it appears CenterPoint may have received the following amounts through or following the merger involving Energy Transfer.

|                        |   |
|------------------------|---|
| \$5,000,000            | cash upon merger closing  |
| \$384,000,000          | Dec. 8, 2021 sale of 50,000,000 Energy Transfer common units        |
| \$745,000,000          | Dec. 10, 2021 sale of 100,000,000 Energy Transfer common units      |
| \$191,000,000          | Dec. 13, 2021 sale of 192,390 Series G preferred units              |
| \$8,924,959            | distribution on remaining 50,999,768 Energy Transfer common units   |
| \$515,000,000          | Feb. and March 2022 sale of 50,999,768 Energy Transfer common units |
| + \$187,000,000        | March 2022 sale of 192,390 Energy Transfer Series G preferred units |
| <b>\$2,335,924,959</b> | <b>Total</b>  |

Our calculations of the above amounts assume the following:

- To the extent there were discrepancies between the Company’s 10-K filing and earlier-filed 8-K reports, we assumed information included in the 10-K filing was correct;
- The Company sold common units and Series G preferred units on the dates, and for the amounts, reported in its 2021 year-end 10-K filing and in its 2022 Q1 10-Q filing; and
- The Company held 50,999,768 as of the close of business on February 8, 2022 and was therefore eligible to receive a distribution on those units that was paid on February 18, 2022 under the terms described in Energy Transfer’s January 25, 2021 press release.

We also again note that the above amounts are gross amounts (unless otherwise indicated). They may not account for all fees associated with these events or all related indebtedness of CenterPoint Energy, Inc. or its subsidiaries. The above amounts also do not account for any value lost by virtue of CenterPoint no longer holding an equity interest in Enable Midstream Partners, LP following the merger. Calculating net proceeds resulting from the merger involves a more complicated financial analysis than we are able to perform.

However, CenterPoint’s corporate officers have made statements suggesting the net proceeds CenterPoint made through the merger and its subsequent sales of Energy Transfer equity were substantial. For example, on February 22, 2022, CenterPoint held an earnings call reporting information on the company’s financial results for the full year of 2021, including the fourth quarter.

<sup>50</sup> *Id.*, p. 56

<sup>51</sup> CenterPoint Energy, Inc., Q1 2022 Quarterly Report (May 3, 2022), p. 53, available at <https://investors.centerpointenergy.com/static-files/b113f1b>

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In this call, CenterPoint’s Chief Executive Officer cited the merger amongst CenterPoint’s 2021 accomplishments and noted, “2021 was a great year for CenterPoint with quarter after quarter of meeting or exceeding expectations.”<sup>52</sup> Later in the call, CenterPoint’s Chief Financial Officer noted:

After closing the [merger], we completed sales of a portion of our Energy Transfer securities and inclusive of the previously announced forward sale of common units, we have now sold approximately 70% of our interest in Energy Transfer, which includes half of the Energy Transfer Series G preferred units and 150 million common units, for nearly \$800 million of net after-tax proceeds which were used to pay down parent level debt.<sup>53</sup>

Online trade publication, T&D World, included the following statement in its summary of CenterPoint’s 2021 Fourth Quarter earnings results:

For the fourth quarter, CenterPoint produced a profit of \$641 million, more than four times its year-prior number thanks to a big gain related to the recently completed merger of Enable Midstream Partners, in which CenterPoint held a majority stake, with Energy Transfer LP.<sup>54</sup>

Finally, in a May 3, 2022 Earnings Call with CenterPoint Energy, Inc. shareholders and investors, CenterPoint’s CEO described the net proceeds CenterPoint earned as a result of the merger as follows:

Within four months of the merger between Enable and Energy Transfer, we sold 100% of our common units at a 20% premium to Energy Transfer’s unit price when the transaction was announced last February. Not a bad outcome for those shareholders who thought we would never get out of this investment, let alone receive approximately \$1.3B of net after-tax proceeds from it.<sup>55</sup>

### Overlap with CenterPoint’s Rate Case Filing

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Meanwhile, on November 1, 2021, CenterPoint filed a general rate case with the Commission, seeking approval to increase its Minnesota revenues by approximately 6.5%.<sup>56</sup> In this filing, CenterPoint explained that the rate increase request was largely driven by the need for “increased capital investment and associated cost of service increases (including return, depreciation expense, and property taxes), and increased operations and maintenance expense.”<sup>57</sup> While that petition is pending Commission approval, CenterPoint proposed an interim rate hike of about 5.1%.<sup>58</sup> (Minnesota law allows utilities to charge interim rates while proposed rate increases are pending Commission final approval; if final rates are lower than the interim rates, customers receive refunds with interest.)

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<sup>52</sup> CenterPoint Energy Inc., Fourth Quarter 2021 Earnings Conference Call, (Feb. 22, 2022), transcript available at <https://investors.centerpointenergy.com/static-files/2140c431-cb18-4125-b43d-2a4850dabda4>.

<sup>53</sup> *Id.*

<sup>54</sup> Geert De Lombaerde, “CenterPoint Eyes More Regional Master Energy Plans,” T&D WORLD (Feb. 22, 2022), available at <https://www.tdworld.com/utility-business/article/21234220/centerpoint-eyes-more-regional-master-energy-plans>.

<sup>55</sup> CenterPoint Q1 2022 Earnings Call Transcript (May 3, 2022), available at <https://investors.centerpointenergy.com/static-files/915538cc-d869-43d4-9b46-306cf6a42651>

<sup>56</sup> See generally MN PUC Docket No. G-008/GR-21-435.

<sup>57</sup> CenterPoint Energy Exhibit 1 (Singleton Direct), p. 21-22, MN PUC Docket No. G-008/GR-21-435.

<sup>58</sup> *Id.*

On the same day CenterPoint filed its rate case, CenterPoint also filed a proposed rate “Stabilization Plan” offering to withdraw its 6.5% rate increase request in exchange for a smaller increase of about 3.9%.<sup>59</sup> Among other things, the Stabilization Plan would have also extended the recovery period for CenterPoint to recover its Winter Storm Uri-related costs from 27 to 63 months.<sup>60</sup>

On December 2, 2021, the Commission decided unanimously to not approve CenterPoint’s proposed Stabilization Plan.<sup>61</sup> However, in an order setting interim rates and allowing CenterPoint’s general rate case to proceed, the Commission adopted aspects of the Stabilization Plan.<sup>62</sup> Pointing to ongoing hardships associated with the COVID-19 pandemic and recent inflation in energy prices, the Commission took the unusual step of finding that “exigent circumstances” exist for Minnesota’s ratepayers.<sup>63</sup> Under these circumstances, the Commission limited CenterPoint’s interim rate increase for residential customers to 3.9% instead of the 5.1% increase CenterPoint had requested.<sup>64</sup> Finally, the Commission ordered that recovery of CenterPoint’s Winter Storm Uri-related surcharges be stretched over 63 months, rather than 27 months. As stated previously, the total amount CenterPoint is permitted to recover through those surcharges remains subject to an ongoing prudence review before the Minnesota Office of Administrative Hearings.

As a result of its reduced interim rate increase, CenterPoint gas rates increased by about \$2.40 per month for the average Minnesota household beginning in January 2022. On April 8, 2022, CenterPoint and other parties to the general rate case proposed joint recommendations to the Commission to approve settlement of the rate case. If approved by the Commission, the settlement would raise CenterPoint’s authorized ratepayer revenue by \$48.5 million, which will cause the average residential customer’s bill to rise \$2.70 per month on an annualized basis.<sup>65</sup>

Neither the interim rate increase nor the longer-term increase includes or accounts for Winter Storm Uri-related surcharges, nor does it account for the generally rising cost of natural gas that has also been reflected in increases to Minnesotans’ natural gas bills in recent months.<sup>66</sup>

## Other Issues

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Since CUB first published this white paper, CenterPoint has faced additional criticism for the compensation of its CEO, David Lesar. Specifically, energy watchdog, Energy and Policy Institute, published a report showing that Lesar’s 2021 compensation was far higher than that of executives of

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<sup>59</sup> See generally MN PUC Docket No. G-008/M-21-755.

<sup>60</sup> Minnesota Public Utilities Commission, Order Denying Rate Stabilization Plan But Extending Amortization Period, MN PUC Docket No. G-008/M-21-755 (Dec. 30, 2021).

<sup>61</sup> See Minnesota Public Utilities Commission, Minutes – December 2, 2021 Minutes, MN PUC Docket No. G-008/GR-21-435 (Dec 17, 2021).

<sup>62</sup> Minnesota Public Utilities Commission, Order Setting Interim Rates, Docket No. G-008/GR-21-435 (Dec. 30, 2021).

<sup>63</sup> *Id.*, pp. 4-5.

<sup>64</sup> *Id.*, p. 7.

<sup>65</sup> Mike Hughlett, “Under new settlement, CenterPoint’s residential customers would get 3.9% increase in monthly bills,” STARTRIBUNE (March 14, 2022).

<sup>66</sup> See, e.g., Deanna Weniger, “Energy costs rising, a double whammy for Twin Cities homeowners already behind due to the pandemic,” PIONEER PRESS (Feb. 2, 2022), available at <https://www.twincities.com/2022/02/02/mn-energy-costs-rising-natural-gas/>.

similar utility companies.<sup>67</sup> According to the report, the nearly \$38 million in compensation Mr. Lesar received in 2021 is double or triple the compensation of most other large utilities' CEOs and 366 times as much as the average CenterPoint employee.<sup>68</sup> We also note that this amount is 515 times Minnesota's 2020 median household income.<sup>69</sup> The report preceded a shareholder meeting where shareholders took the rare action of voting to disapprove Mr. Lesar's 2021 compensation.<sup>70</sup>

CenterPoint defended Mr. Lesar's compensation, which it noted included a one-time retention award provided in stock.<sup>71</sup> CenterPoint also said Lesar's performance “helped transform our company” and pointed to his efforts in establishing a longterm growth strategy, refocusing its core business and investing in reliability. According to a Houston Chronicle report on shareholder's disapproval of Lesar's compensation, “CenterPoint's stock has outperformed other utilities, rising 54.1 percent since the end of 2020, compared to 25.4 percent for the S&P 500 Utility Sector Total Return Index.”<sup>72</sup>

## Conclusion

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Our intention in distributing this white paper is to present facts, as we understand them, about intersecting issues that cause us concern – and that we think CenterPoint's Minnesota customers deserve to know more about. CenterPoint has made clear to us, and we do not dispute, that the timing of the merger involving CenterPoint and Energy Transfer and Winter Storm Uri was coincidental; CenterPoint had been planning for and negotiating the merger well before Winter Storm Uri. Further, CenterPoint did not purchase gas from Energy Transfer to supply its Minnesota customers during the storm. For these reasons, we are not suggesting that CenterPoint intentionally capitalized on or exploited the circumstances surrounding Winter Storm Uri to enrich its shareholders at the expense of its ratepayers.

However, CenterPoint Energy, Inc.—a large Texas-based, corporation—seems to have performed very well for its shareholders in 2021. As noted above, CenterPoint's President and CEO recently told CenterPoint's shareholders and potential investors that “2021 was a great year for CenterPoint with quarter after quarter of meeting or exceeding expectations.” This performance was partially driven by significant financial interests CenterPoint acquired in another, large Texas-based company that made egregious profits during Winter Storm Uri. CenterPoint Energy, Inc.'s CEO confirmed this was the case when he shared with investors and shareholders that CenterPoint earned \$1.3 billion in net, after tax proceeds from its sales of Energy Transfer equity, boosted by a 20% premium CenterPoint earned on Energy Transfer's increased unit prices. This boost to Energy Transfer's common unit price over a short

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<sup>67</sup> Karlee Weinmann, “CenterPoint boosts CEO pay to \$37.8 million, blowing past other utilities,” Energy and Policy Institute (Apr. 19, 2022), available at <https://www.energyandpolicy.org/centerpoint-raises-ceo-pay/>

<sup>68</sup> Id.

<sup>69</sup> See United States Census Bureau, QuickFacts Minnesota, available at <https://www.census.gov/quickfacts/fact/table/MN/INC110220> (showing Minnesota's 2020 median household income to be \$73,382).

<sup>70</sup> Shelby Webb, “CEO's pay package rejected during meeting,” Houston Chronicle (Apr. 23, 2022), available at <https://www.houstonchronicle.com/business/energy/article/CenterPoint-shareholders-rebuke-CEO-David-17120936.php>

<sup>71</sup> Id.

<sup>72</sup> Id.

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time period is due, at least in part, to the enormous profits Energy Transfer earned during Winter Storm Uri.<sup>73</sup>

This is deeply frustrating to us. Many Minnesotans, of course, have not been experiencing “quarter after quarter” of strong financial health. On the contrary, many Minnesotans are continuing to struggle with the economic fallout of the COVID-19 pandemic, inflation, rising costs of natural gas, and now Winter Storm Uri-related surcharges added to their natural gas bills. As Minnesotans navigate those challenges, we believe they deserve to know about the “tale of two economies” that has arisen for CenterPoint in the wake of Winter Storm Uri.

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<sup>73</sup> Energy Transfer, Press Release: “Energy Transfer Reports First Quarter 2021 Results” (May 6, 2021) (Quarter 1 financial results “reflected the one-time impacts of [Winter Storm Uri] and reliable operations of [Energy Transfer]’s flexible, well-maintained asset base, particularly its storage and transportation facilities in Texas”).

## **Background of Enable/Energy Transfer Transaction**

- 1) The business that CenterPoint Energy, Inc. disposed of, Enable Midstream (or "Enable"), was a master limited partnership formed by CenterPoint Energy, Inc. and OGE Corp. in 2013 to own, operate, and develop midstream energy infrastructure assets.
- 2) Prior to the Energy Transfer-Enable merger, CenterPoint Energy Inc. owned approximately 53.7% of the common units of Enable Midstream and shared joint ownership (50-50) of Enable Midstream's general partner (and related management interests) with OGE Corp. As with any master limited partnership, Enable Midstream's general partner was the party that ultimately directed the management of Enable Midstream-and common unitholders and preferred unitholders of Enable generally had no voting rights or ability to direct the management of Enable.
- 3) For the past several years, CenterPoint Energy Inc. has explored and publicly stated its intention to exit that ownership stake in Enable Midstream to refocus investments in its utility businesses culminating in the transaction to dispose of CenterPoint Energy Inc.'s interest in Enable through the acquisition of Enable by Energy Transfer.
- 4) When Energy Transfer acquired Enable, CenterPoint Energy Inc.'s ownership interests in Enable were not owned by CenterPoint Energy Resources Corp. ("CERC") (the legal entity for CenterPoint Energy Minnesota Gas) and were held by a separate subsidiary of CenterPoint Energy, Inc.
- 5) CenterPoint Energy Minnesota Gas customers were never impacted by the parent company's investments, profits and losses associated with this transaction.
- 6) CenterPoint Energy Minnesota Gas did not buy gas from Enable or Energy Transfer or any of their affiliates or subsidiaries during Winter Storm Uri. CenterPoint Energy Minnesota Gas did not transport gas on Enable or Energy Transfer or any of their affiliates or subsidiaries during Winter Storm Uri.
- 7) As of December 31, 2021, CenterPoint Energy, Inc. owned approximately 1.6% of the common units of Energy Transfer. CenterPoint Energy, Inc. does not own any interest in Energy Transfer's general partner, is not on the board of Energy Transfer's general partner and does not have any governance rights over Energy Transfer. CenterPoint Energy, Inc.'s overall interest and temporary affiliate relationship is explained in the initial Petition filed in this docket.

- 8) In compliance with a long-standing Commission Order, CenterPoint Energy Minnesota Gas must maintain an approximate 50/50 cap structure, and MN utility customers are insulated from the profits and losses of CenterPoint Energy, Inc.'s unregulated investments.
- 9) Overall, the transaction represented CenterPoint Energy, Inc.'s divestiture of midstream assets. It was not a "merger" for practical purposes as it relates to CenterPoint Energy, Inc. CenterPoint Energy, Inc. had previously stated its intent to divest its midstream assets because of the associated volatility and the desire to focus on its regulated businesses.
- 10) The net proceeds of the sales of Energy Transfer common units and preferred units, again never part of the MN operations, were used to pay down debt at CenterPoint Energy, Inc.

### Answers to Questions Posed in CUB's Whitepaper

**Q1. What is the total of proceeds or earnings CenterPoint has received as a result of the merger, its financial interests in Energy Transfer, and/or its subsequent sale or liquidation of Energy Transfer equity interests?**

A1. CenterPoint Energy Minnesota Gas is not implicated whatsoever in the acquisition of Enable by ET. As previously disclosed, CenterPoint Energy, Inc. had determined to dispose of its ownership in Enable. The acquisition by ET of Enable greatly facilitated that exit from CenterPoint Energy, Inc.'s midstream investments. As disclosed in CenterPoint Energy, Inc.'s 10-K, as of December 31, 2021, CenterPoint Energy, Inc.'s sale of ET units yielded proceeds of approximately \$1.3 billion pre-tax, net of transaction costs:

CenterPoint Energy's sales of equity securities during the year ended December 31, 2021 are as follows:

| Equity Security/Date Sold                       | Units Sold  | Proceeds (2)  |
|---|-------------|---------------|
|   |             | (in millions) |
| <b>Energy Transfer Common Units</b>             |             |               |
| December 8, 2021 (1)                            | 50,000,000  | \$ 384        |
| December 10, 2021                               | 100,000,000 | \$ 745        |
| <b>Energy Transfer Series G Preferred Units</b> |             |               |
| December 13, 2021                               | 192,390     | \$ 191        |

(1) Settlement date for a forward sale transaction that CNP Midstream entered into through a Forward Sale Agreement on September 1, 2021 with an investment banking financial institution for 50 million Energy Transfer Common Units. CNP Midstream received as consideration in the Enable Merger in exchange for the proceeds of the forward sale transaction.

(2) Proceeds are net of transaction costs.

**Q2. What is the estimated amount of proceeds or earnings CenterPoint expects to receive in the future through its financial interest in Energy Transfer?**

A2. On December 31, 2021, CenterPoint Energy, Inc. held \$420m in ET common and \$196m in ET preferred units on its balance sheet.

|  | Shares Held at December 31, |            | Carrying Value at |               |
|--|-----------------------------|------------|-------------------|---------------|
|  | 2021                        | 2020       | 2021              |               |
|  |                             |            |                   | (in millions) |
| AT&T Common                              | 10,212,945                  | 10,212,945 | \$                | 251           |
| Charter Common                           | 872,503                     | 872,503    |                   | 569           |
| Energy Transfer Common Units             | 50,999,768                  | —          |                   | 420           |
| Energy Transfer Series G Preferred Units | 192,390                     | —          |                   | 196           |
| Other                                    |                             |            |                   | 3             |
|  |                             |            | \$                | 1,439         |

As shown in CenterPoint Energy, Inc.'s 10-K filed on February 22, 2022, the 2021 sales of ET units resulted in net loss on sale:

|  | Gains (Losses) on Equity Securities |          |               |
|--|-------------------------------------|----------|---------------|
|  | Year Ended December 31,             |          |               |
|  | 2021                                | 2020     | 2019          |
|  |                                     |          | (in millions) |
| AT&T Common                              | \$ (43)                             | \$ (105) | \$ 108        |
| Charter Common                           | (8)                                 | 154      | 174           |
| Energy Transfer Common Units             | (124)                               | —        | —             |
| Energy Transfer Series G Preferred Units | 2                                   | —        | —             |
| Other                                    | 1                                   | —        | —             |
|  | \$ (172)                            | \$ 49    | \$ 282        |

CenterPoint Energy, Inc.'s ownership is below the 5% affiliate interest threshold, as explained in AI-22-28. There are no accounting entries to -CenterPoint Energy Minnesota Gas associated with this transaction.

**Q3. Do CenterPoint's Minnesota customers benefit from the merger? If so, how?**

A3. CenterPoint Energy Minnesota Gas customers are completely insulated from direct effects of the transaction, including the years' long investment in Enable, the acquisition of Enable by ET, the resulting investment in ET and all profits and losses arising therefrom. More indirectly, CenterPoint Energy Minnesota Gas customers benefit from the financial health and stability of the parent company

CNP, Inc. and its intent to focus on further investments to support the reliability, resiliency, and safety of the core regulated utilities.

**Q4. How do revenue and earnings CenterPoint received through the merger, its financial interest in Energy Transfer, and/or subsequent sales of its interest in Energy Transfer affect CenterPoint's need to recover Winter Storm Uri-related costs from Minnesotans?**

A4. None of these has any effect on CenterPoint Energy Minnesota Gas customers, just as the years' long investment in Enable, the acquisition of Enable by ET, the resulting investment in ET and its profits and losses had no effect on our customers.

**Q5. How do revenue and earnings CenterPoint received through the merger, its equity interest in Energy Transfer, and/or subsequent sales of its interest in Energy Transfer affect CenterPoint's need to raise Minnesotans' rates?**

A5. There is no correlation between any of these and CenterPoint Energy Minnesota Gas's rates which are set based on costs to serve Minnesota customers and not based on financial transactions of CenterPoint Energy, Inc. or other affiliates.

**Q6. Does CenterPoint's financial interest in Energy Transfer create a conflict of interest for CenterPoint to participate in regulatory investigations of price-gouging or market manipulation during Winter Storm Uri (or in subsequent extreme weather events, including the winter storm affecting Texas in February 2022)?**

A6. No. CenterPoint Energy, Inc.'s continued ownership of ET units, as described in this docket, falls well below the statutory affiliate threshold and has no relationship to the costs CenterPoint Energy Minnesota Gas incurred during the February Winter Storm event. CenterPoint Energy Minnesota Gas did not purchase supplies from Enable or ET during the event and therefore the transaction has no bearing whatsoever on the Company's after-event actions.

**Q7. Does CenterPoint's financial interest in Energy Transfer create a conflict of interest for CenterPoint to pursue contract, or other private, claims (if any exist) against Energy Transfer or other entities involved in the sale, storage, or transport of natural gas during Winter Storm Uri?**

A7. No. CenterPoint Energy, Inc.'s continued ownership of ET units, as described in this docket, falls well below the statutory affiliate threshold and has no relationship

to the costs CenterPoint Energy Minnesota Gas incurred during the February Winter Storm event. CenterPoint Energy Minnesota Gas did not purchase supplies from Enable or ET during the event and therefore the transaction has no bearing whatsoever on the Company's after-event actions.

**Answers to Supplemental Questions Posed by CUB during Meeting on March 11, 2022**

**Q8. What are the voting rights associated with CenterPoint's preferred and common stock shares in ET?**

A8. The Minnesota affiliated interest statute defines affiliated interests as, among other things, corporations in which five percent or more of voting securities is owned by any person or corporation owning five percent or more of voting securities of public utility or any person or corporation in the chain of successive ownership of five percent or more of voting securities. CenterPoint Energy, Inc.'s holdings in Energy Transfer common and preferred units are not significant enough to provide any influence over ET. As noted above, as of December 31, 2021, CenterPoint Energy, Inc. held approximately 1.6% of all of the outstanding Energy Transfer common units. CenterPoint Energy, Inc. does not have an ownership interest in Energy Transfer's general partner, is not on the board of Energy Transfer's general partner, and does not have any governance rights over Energy Transfer.

**Q9. Are the force majeure and contract remedy provisions of the Energy Transfer contract standard?**

- a. **Could CNP have negotiated more protective force majeure provisions for its customers**
- b. **Could CNP have negotiated more protective contract remedies for customers?**
- c. **Could CNP have included provision for claw back of payments found to be price gouging?**

A9. The force majeure terms are addressed in the standard Base Agreement underlying CenterPoint Energy Minnesota Gas's gas supply agreement with ETC, which was signed in 2007, and filed as Exhibit B to the initial Petition. The Base Agreement terms come directly from the North American Energy Standards Board ("NAESB") Base Contract for Sale and Purchase of Natural Gas agreement—a base contract that is widely utilized in the industry in agreements for trading gas supplies. NAESB has a committee that focuses on developing a balanced agreement. According to NAESB it "serves as an industry forum for the development and promotion of standards which will lead to a seamless

marketplace for wholesale and retail natural gas and electricity, as recognized by its customers, business community, participants, and regulatory entities." The NAESB committee includes lawyers from both buyers and sellers.

In CenterPoint Energy Minnesota Gas's experience, no supplier will agree to eliminate weather as a force majeure event at any price. Such exclusion is not standard in the industry and CenterPoint Minnesota Gas could not have obtained that result. Force majeure provisions can be negotiated but shifting more risk to the supplier likely will result in higher pricing or refusal to contract.

The ability to negotiate "more protective remedies" is similar to the issue associated with force majeure discussed above. CenterPoint Energy Minnesota Gas negotiated terms pursuant to an industry standard Base Contract. Regarding pricing, it could have attempted to negotiate a fixed price agreement, but the pricing would have been very different and there are no guarantees that counterparties would have signed the agreement and there are no guarantees that the negotiated fixed price would have been less expensive than the market index price.

CenterPoint Energy Minnesota Gas has never seen any provisions in a supply agreement that allows for claw back of payments found to be price gouging, nor does it believe that suppliers would agree to such provisions.