

**MICHAEL J. AHERN**  
Partner  
(612) 340-2881  
FAX (612) 340-2643  
ahern.michael@dorsey.com

October 31, 2013

Dr. Burl W. Haar  
Executive Secretary  
Minnesota Public Utilities Commission  
121 Seventh Place East, Suite 350  
St. Paul, MN 55101-2147

Re: Reply Comments of Minnesota Energy Resources Corporation In the Matter of the Petition of Minnesota Energy Resources Corporation for Approval of a Change in Demand Entitlement for its Northern Natural Gas Transmission System

Docket No. G011/M-13-670

Dear Dr. Haar:

On October 3, 2013 the Department of Commerce, Division of Energy Resources (the Department) filed Comments recommending that the Minnesota Public Utilities Commission (the Commission):

- allow MERC to recover storage gas costs through the commodity portion of the PGA, rather than the demand portion;
- accept MERC-NNG's peak-day analysis with the caveat that the Department cannot fully verify the results of MERC's analysis as mentioned herein;
- accept MERC-NNG's proposed level of demand entitlement; and
- allow the proposed recovery of associated demand costs effective November 1, 2013.

Additionally, the Department requested that MERC confirm in Reply Comments, the change in TFX5 Max and Discount demand levels. The Department also requested that MERC explain in Reply Comments the differences in FDD storage contract reservation and capacity amounts shown in DOC Attachment 1.

MERC thanks the Department for its review. MERC submits these Reply Comments responding to the Department's specific requests. MERC intends to file updated information for its NNG Demand Entitlement filing on November 1, 2013.

Regarding the Department's first request, the 2012-13 Demand Entitlement filed by MERC was incorrect. There was a problem with a formula. MERC had 1,800 MMBtu capacity contracted with NNG. On MERC's PNG-NNG Attachment 4, Page 2, 1,800 MMBtu was entered and on MERC's NMU Attachment 4, Page 2, 199 was entered. The 1,800 MMBtu on MERC's PNG-NNG Attachment 4, Page 2 should have been 199 MMBtu less or 1,601 MMBtu.

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Regarding the Department's second request that MERC explain the differences in FDD Storage contract reservation and capacity amounts shown in DOC Attachment 1, after reviewing DOC Attachment 1, it appears there is a transposition error on the FDD Storage reservation (112490) in the 12-1193 PNG GS column. A volume of 67,803 is entered but MERC shows the number should be 67,083 or a difference of 720. If the amount in the Total column is reduced by 720, the total amount would be 75,437, which is the same amount as filed in the 2013-14 Demand Entitlement filing.

The amount calculated in the FDD Storage Capacity MSQ 1/ is not calculated properly. The 869,864 in the 13-670 NNG Total \* column needs to be multiplied by five to equal the MSQ, which has a calculated total of 4,349,321, which is the amount MERC has contracted with NNG. The 4,349,321 is the same amount as filed in the 2012-13 Demand Entitlement filing.

The amount calculated in the FDD Storage Reservation (113704) under the 12-1193 PNG GS and 12-1195 NMU GS columns are not correct. MERC shows the numbers that were filed in the 2012-13 Demand Entitlement filing were 4,935 and 615. Those two numbers combined equal 5,550 which is the calculated number in the 13-670 NNG Total \* column.

The amount calculated in the FDD Storage Capacity MSQ 2/ is not calculated properly. The 64,000 in the 13-670 NNG Total \* column needs to be multiplied by five to equal the MSQ, which has a calculated total of 320,000, which is the amount MERC has contracted with NNG. Contracts 112490 and 113704 are combined into one contract (118657) with an MSQ of 4,669,321. The 320,000 plus the 4,349,321 calculated in the previous paragraphs, equals 4,669,321, which is the same amount as filed in the 2012-13 Demand Entitlement filing. DOC Attachment 1 shows amounts of 177,850 and 22,150 under columns 12-1193 PNG GS and 12-1195 which are not correct.

The amount calculated in the FDD Storage Reservation (118215) under the 12-1193 PNG GS and 12-1195 NMU GS columns are not correct. MERC shows the numbers that were filed (Contract number 123780) in the 2012-13 Demand Entitlement filing were 11,568 and 1,441. Those two numbers combined equal 13,009 which is one different than the amount calculated number in the 13-670 NNG Total \* column. The one difference is due to the allocations in the 2012-13 Demand Entitlement filing. The rounding has no impact on total cost or total MSQ.

The amount calculated in the FDD Storage Capacity MSQ 3/ is not calculated properly. The 150,000 in the 13-670 NNG Total \* column needs to be multiplied by five to equal the MSQ, which has a calculated total of 750,000, which is the amount MERC has contracted with NNG. The 750,000 is the same amount as filed in the 2012-13 Demand Entitlement filing.

The amount calculated in the FDD Storage Reservation (118657) under the 12-1193 PNG GS and 12-1195 NMU GS columns are not correct. MERC shows the numbers that were filed (Contract number 123781) in the 2012-13 Demand Entitlement filing were 3,085 and 384. Those two numbers combined equal 3,469 which is one different than the amount calculated number in the 13-670 NNG Total \* column. The one difference is due to the allocations in the 2012-13 Demand Entitlement filing. The rounding has no impact on total cost or total MSQ.

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The amount calculated in the FDD Storage Capacity MSQ 4/ is not calculated properly. The 40,000 in the 13-670 NNG Total \* column needs to be multiplied by five to equal the MSQ, which has a calculated total of 200,000, which is the amount MERC has contracted with NNG. The 200,000 is the same amount as filed in the 2012-13 Demand Entitlement filing.

Please contact me at 612-340-2881 if you have any questions regarding the information in this filing. Thank you for your attention to this matter.

Sincerely yours,

/s/ Michael J. Ahern

Michael J. Ahern

cc: Service List

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA            )  
  ) ss  
COUNTY OF HENNEPIN        )

Kristin M. Stastny hereby certifies that on the 31st day of October, 2013, on behalf of Minnesota Energy Resources Corporation (MERC) she electronically filed a true and correct copy of the enclosed Reply Comments on [www.edockets.state.mn.us](http://www.edockets.state.mn.us). Said documents were also served via U.S. mail and electronic service as designated on the attached service list.

/s/ Kristin M. Stastny  
Kristin M. Stastny

Subscribed and sworn to before me  
This 31st day of October, 2013.

/s/ Alice Jaworski  
Notary Public, State of Minnesota

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Michael	Ahern	ahern.michael@dorsey.com	Dorsey & Whitney, LLP	50 S 6th St Ste 1500  Minneapolis, MN 554021498	Electronic Service	No	OFF_SL_13-670_IC-13-670
Julia	Anderson	Julia.Anderson@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota St St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-670_IC-13-670
Michael	Bradley	mike.bradley@lawmoss.com	Moss & Barnett	Suite 4800 90 S 7th St Minneapolis, MN 55402-4129	Electronic Service	No	OFF_SL_13-670_IC-13-670
Sharon	Ferguson	sharon.ferguson@state.mn.us	Department of Commerce	85 7th Place E Ste 500  Saint Paul, MN 551012198	Electronic Service	No	OFF_SL_13-670_IC-13-670
Daryll	Fuentes	N/A	USG	550 W. Adams Street  Chicago, IL 60661	Paper Service	No	OFF_SL_13-670_IC-13-670
Burl W.	Haar	burl.haar@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-670_IC-13-670
Richard	Haubensak	RICHARD.HAUBENSAK@CONSTELLATION.COM	Constellation New Energy Gas	Suite 200 12120 Port Grace Boulevard La Vista, NE 68128	Electronic Service	No	OFF_SL_13-670_IC-13-670
Amber	Lee	alee@briggs.com	Briggs and Morgan	2200 IDS Center 80 South 8th Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-670_IC-13-670
John	Lindell	agorud.ecf@ag.state.mn.us	Office of the Attorney General-RUD	1400 BRM Tower 445 Minnesota St St. Paul, MN 551012130	Electronic Service	Yes	OFF_SL_13-670_IC-13-670
Brian	Meloy	brian.meloy@leonard.com	Leonard, Street & Deinard	150 S 5th St Ste 2300  Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-670_IC-13-670

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Andrew	Moratzka	apmoratzka@stoel.com	Stoel Rives LLP	33 South Sixth Street Suite 4200 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-670_IC-13-670
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	No	OFF_SL_13-670_IC-13-670
Gregory	Walters	gjwalters@minnesotaenergyresources.com	Minnesota Energy Resources Corporation	3460 Technology Dr. NW  Rochester, MN 55901	Electronic Service	No	OFF_SL_13-670_IC-13-670