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February 4, 2014

Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th Place East, Suite 350
St. Paul, Minnesota 55101-2147

RE: Response Comments of the Minnesota Department of Commerce, Division of Energy Resources
Docket No. G008/M-13-578

Dear Dr. Haar:

On July 1, 2013, CenterPoint Energy (CenterPoint or the Company) filed a petition requesting a change in demand units (Petition).¹ On August 19, 2013, the Minnesota Department of Commerce, Division of Energy Resources (Department) filed its Comments regarding the Company's Petition and recommended that the Commission:

- approve CenterPoint's proposed level of demand entitlement subject to supplemental filing(s) by the Company related to the reallocation of units between TF-12 Base and TF-12 Variable services and the final Reservation Fees cost estimate;
- accept the proposed changes to non-capacity items;
- accept the design day level proposed by CenterPoint; and
- approve the proposed demand costs with an effective date of November 1, 2013.

The Department also requested that in its Reply Comments, CenterPoint provide:

- the cost/benefit analysis the Company used to arrive at the decision to allow 30,000 units of System Management Service (SMS) to expire; and
- a detailed discussion explaining whether it believes the current peak-day definition (coldest temperature in the past 20 years) is appropriate or whether maintaining the 1995-1996 heating season event as the planning objective, on a going-forward basis, is more appropriate.

¹In its September 6, 2013 Order In the Matter of CenterPoint Energy's Request for Changes in Demand Entitlements, Docket No. G008/M-11-1078 (Docket No. 11-1078), the Commission requested that CPE file future annual demand entitlement filings by July 1 with the understanding that items will require adjustment through supplemental filings.

In its September 9, 2013 Reply Comments, CenterPoint accepted the Department's recommendations and responded to the Department's request for more information. The Department is satisfied with the answers and has no more comment on the additional information.

On October 31, 2013, CenterPoint filed Supplemental Information. Since July 1, 2013, the Company:

- updated its Base/Variable split;
- contracted for additional entitlement in Springfield, MN where customer demand necessitated additional units;
- updated the seasonal reservation schedule for the upcoming winter season;
- updated the NGPL cost allocation between Firm and SVDF due to changes in sales estimates; and
- updated annual firm sales volume. CPE last updated this value in January 2013, and changes it to align with the NGPL allocation and the start of the heating season.

CenterPoint stated that the increase of approximately \$500,000 in the overall total demand costs over October 2013 is due mainly to the end of off-system sales credits, other capacity release credits, and the re-allocation of Natural Gas Pipeline Company (NGPL) costs. CenterPoint also stated that these changes would be reflected in the Company's November 2013 Purchased Gas Adjustment (PGA). The Company provided support that these changes decreased November demand costs by (\$0.00123) per therm (before the demand smoothing factor). Further, the annual effect on a typical residential heating customer using 922 therms would be a slight decrease of about \$1.13.

On December 18, 2013, CPE filed additional Supplemental Information. In this filing, CenterPoint:

- updated its Base/Variable split;
- corrected the backhaul charge calculations; and
- removed the SMS charges as shown in the Order in Docket No. G999/AA-12-756 issued November 14, 2013.

These changes, which decreased overall demand costs from November 2013 rates by \$0.00079 per therm (before the demand smoothing factor), were reflected in the Company's January 2014 PGA billing rates. The annual effect on a typical residential heating customer using 922 therms is a decrease of about \$0.73.²

² See CenterPoint's Exhibits for the detail of proposed changes.

The Department has reviewed the supplemental filings and concludes that the proposed changes are reasonable. Therefore, the Department recommends that the Commission:

- approve CenterPoint's proposed level of demand entitlement;
- accept the proposed changes to non-capacity items;
- accept the design-day level proposed by CenterPoint; and
- approve the proposed demand costs with an effective date of January 1, 2014.

Sincerely,

/s/ ANGELA BYRNE
Financial Analyst
651-539-1820

AB/sm
Attachment

CERTIFICATE OF SERVICE

I, Sharon Ferguson, hereby certify that I have this day, served copies of the following document on the attached list of persons by electronic filing, certified mail, e-mail, or by depositing a true and correct copy thereof properly enveloped with postage paid in the United States Mail at St. Paul, Minnesota.

**Minnesota Department of Commerce
Response Comments**

Docket No. G008/M-13-578

Dated this 4th day of **February 2014**

/s/Sharon Ferguson

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