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July 1, 2019

Mr. Daniel Wolf
Executive Secretary
Minnesota Public Utilities Commission
350 Metro Square Building
121 East Seventh Place, Suite 350
St. Paul, Minnesota 55101-2147

**Re: CenterPoint Energy's Request for Change in Demand Units,
Docket No. G008/M-18-462 – Company Reply Comments to the Minnesota Department of
Commerce Response Comments**

Dear Mr. Wolf:

CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy", "CPE", or the "Company") has reviewed the June 19, 2019 Response Comments of the Minnesota Department of Commerce ("Department" or "DOC") on CenterPoint Energy's Request for approval of a change in demand units effective November 1, 2018.

The Department recommends that the Commission:

- Accept the Company's proposed level of demand entitlement;
- Allow CenterPoint Energy to recover the associated demand costs, as presented in the Department's *Comments*, through the monthly Purchased Gas Adjustment (PGA) effective November 1, 2018;
- Disallow recovery, through the annual true up factor, of the full Viking demand costs incurred by the Company; and
- Require the Company to credit any market support payments received from Northern Natural Gas ("NNG" or Northern") through the PGA for the duration of the Northern Precedent Agreement.

The Department also requested that the Company discuss in future demand entitlement filings ways of mitigating the reliability risk regarding the loss of peak shaving capability on a peak day, particularly in years in which CenterPoint's reserve margin is extremely low.

The Company appreciates the Department's review and agrees with the recommendation to accept its demand entitlement level. Further, CenterPoint Energy has credited contracted market support payments in its PGA Demand schedule and plans to continue to do so. The Company will also discuss the peak shaving capability issue identified by the Department in future demand entitlement filings.

CenterPoint Energy respectfully disagrees with the Department recommendation to disallow recovery of part of the contracted demand costs related to its Viking Pipeline entitlement. The Company will further discuss this issue in its AAA and PGA dockets (18-374 and 18-573) currently

before the Commission in comments to be filed July 15, 2019. For purposes of this demand entitlement docket, it is important to recognize, as the Department itself noted, that “since the Viking contract is needed to serve firm demand, there is no dispute that the contract and its associated capacity is reasonable.” (Department Response Comments, June 19, 2019, p. 8). Further, there can be no dispute that the Company actually incurred these costs. Finally, the Company has demonstrated that customers have not yet paid for the full Viking demand costs incurred, with the Company yet to recover \$224,226 in costs incurred in the 2017-18 gas year and included in the PGA True-up for that year (Docket 18-573) and \$437,060 in costs incurred in the 2018-19 gas year at issue in this docket and that will be included in the yet to be filed 2018-19 True-up.

The Department’s apparent argument that Minn. R. 7825.2920, subp. 2 bars CenterPoint Energy from including its full Viking demand costs in this demand entitlement docket, or from recovering those costs, ignores two important facts. First, both the current docket (the 2018-19 demand entitlement docket and the 2017-18 Annual Automatic Adjustment (AAA) and Purchased Gas Adjustment (PGA) dockets (18-374 and 18-573) remain open dockets before the Commission. The purpose of these dockets are to provide for recovery of the Company’s prudently incurred gas costs, including the Viking demand costs at issue here, and the Commission will do so with its final orders in these dockets. Certainly, the current docket should reflect the full demand entitlement costs incurred by the Company in the 2018-19 gas year, which began November 1, 2018.

Second, as will be discussed further in the PGA and AAA dockets, the PGA rule, by its plain language, allows for recovery of these prudently incurred costs. The rule provides that CenterPoint may recover the “true-up amount,” defined as “the difference between the commodity and demand gas revenues by class collected by the utility and the actual commodity-delivered gas cost and demand-delivered gas cost by class incurred by the utility during the year.” Minn. R. 7825.2700, subp. 7. This is precisely the amount the Company has proposed to include in this docket and to recover in the 18-374 and 18-573 dockets.

For these reasons, and as discussed in prior comments, CenterPoint Energy respectfully requests that the Commission: (1) accept the Company’s proposed level of demand entitlement; (2) allow CenterPoint Energy to recover the associated demand costs through the monthly Purchased Gas Adjustment (PGA); and provide that the Company will credit any market support payments received from Northern Natural Gas through the PGA for the duration of the Northern Precedent Agreement.

Please contact me at (612) 321-5078 or at the email address below if you have any questions.

Sincerely,

/s/ _____
Marie Doyle
Regulatory Services
Marie.Doyle@CenterPointEnergy.com

AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)) ss.
COUNTY OF HENNEPIN)

Marie Doyle, being first duly sworn on oath, deposes and says she served via e filing or caused to be served electronically on behalf of CenterPoint Energy: its Reply to the Department's June 19, 2019 response comments regarding the Request for Change in Demand Units for the 2018-2019 Heating season on the Minnesota Public Utilities Commission; on the Department of Commerce and; on the Office of the Attorney General - Residential Utilities Division; and on those on the attached service list requesting service electronically, by delivering by hand at the respective addresses on the list or by placing in the U.S. Mail at the City of Minneapolis.

/s/
Marie Doyle
Regulatory Services
CenterPoint Energy

Subscribed and sworn to before me
this 1st day of July, 2019

/s/ Melodee S. Carlson Chang
Notary Public
Term expires: 01/31/2024

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