800 LaSalle Avenue PO Box 59038 Minneapolis, MN 55459-0038



September 2, 2013

Dr. Burl W. Haar Executive Secretary Minnesota Public Utilities Commission 121 7<sup>th</sup> Place East, Ste. 350 St. Paul, MN 55101-2147

Re: New Base Gas Cost Filing (PGA Zero-Out) for Interim Rates in CenterPoint Energy's General Rate Filing G-008/GR-13-316

Reply Comments
Docket No. G-008/MR-13-674

On August 2, 2013 CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas ("CenterPoint Energy" or the "Company") requested approval of a new base cost of gas to coincide with the proposed October 1, 2013 implementation of interim rates in our general rate case (Docket G008/GR-13-316). On August 30, 2013 the Minnesota Department of Commerce ("Department") filed comments in the Base Cost of Gas docket and withheld a recommendation until the Company provided additional information "reconciling its test-year demand costs between the rate case filing and the base cost of gas filing." CenterPoint Energy provides this additional explanation of test year demand costs in this letter.

The Department noted "minor inconsistencies in demand costs" based on their observation that demand costs were reported as \$74,040,312 and also as \$74,038,731 (and rounded to \$74,039,000).

## Please note that:

- The \$74,040,312 (shown in Mr. Nesvig's rate case workpapers: (KRN-WP), Vol. 3, Sch 31, Page 1 of 1, workpaper 2 and Mr. Nesvig's testimony KRN-D, Sch 31, page 2 of 3 which is also included in the base cost of gas filing as Attachment 2) represents the annual demand costs expected to be *incurred* during the test year. Since demand costs are recovered on a volumetric basis, it is necessary to calculate a per-therm rate for the recovery of the demand costs by dividing total demand costs by forecasted sales to firm customers in the test year. Since it is not possible to use a per-therm rate with a large number of decimal places when billing demand costs to customers, the Company rounds the billing rate to four decimal places per dekatherm in the schedules, matching the manner in which the Company bills. <sup>1</sup>
- The \$74,038,731(shown in Mr. Nesvig's workpapers to schedule 32: ((KRN-WP), Vol. 3, Schedule 32, Page 10 of 10, Workpaper 2, line 7, columns f and i)

represents the amount of demand costs expected to be *recovered* during the test year by multiplying the (rounded to four decimal places) per-therm rate by test year firm volumes.<sup>2</sup>

• Mr. Nesvig's schedule 31 (KRN-D, Sch 31, page 2 of 3) shows the recovery of test year demand costs as a rounded number (\$74,039,000) on line 9.

The Company has used this same 'rounding' technique in prior rate cases and apologizes for any confusion it may have caused. CenterPoint Energy believes the cost estimates used in the base cost of gas filing for demand costs are the same as those presented in the rate case testimony, as explained herein. The \$74,039,000 is the rounded value of the Company's calculated demand revenue of \$74,038,731 for demand costs. We are available for additional questions.

If further information is required, please contact me at 612-321-5078.

Respectfully,

/s/\_\_\_\_

Marie M. Doyle Rates Analyst

cc: Attached Service List

<sup>&</sup>lt;sup>1</sup> As shown on lines 3-5 of KRN-D, Schedule 31, page 2 of 3: \$74,040,312 divided by 96,254,200 therms = \$0.7692. The non-rounded rate would be \$0.769216428997384.

 $<sup>^{2}</sup>$  \$0.7692 multiplied by 96,254,200 therms = \$74,038,731 which when rounded (to the nearest \$1,000) = \$74,039,000. Had the Company used the 15 decimal place rate, rather than the four- decimal-place rounded rate, the amount recovered would have matched the amount incurred precisely.

## **AFFIDAVIT OF SERVICE**

STATE OF MINNESOTA	)	
	)	SS
COUNTY OF HENNEPIN	)	

Marie M. Doyle, being first duly sworn on oath, deposes and says she served or caused to be served on behalf of CenterPoint Energy a copy of CenterPoint Energy's reply comments in its petition to establish a New Base Cost of Gas to coincide with the Implementation of Interim Rates in Docket No. G-008/GR-13-316 on the Minnesota Public Utilities Commission, the Office of Energy Security and the Office of the Attorney General's Office-Residential Utilities Division. The filing was delivered by E-filing or delivered by hand at the respective addresses or by placing in the U.S. Mail at the City of Minneapolis.

/s/
Marie M. Doyle, Rate Analyst
Regulatory Services
CenterPoint Energy

Subscribed and sworn to before me this 3rd Day of September, 2013

Mary Jo Schuh - Notary Public My Commission 1/31/2015

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