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September 2, 2013

Dr. Burl W. Haar
Executive Secretary
Minnesota Public Utilities Commission
121 7th 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.¹
- 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)

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