



January 31, 2014

Eric F. Swanson
Direct Dial: (612) 604-6511
Direct Fax: (612) 604-6811
eswanson@winthrop.com

VIA E-FILING AND U.S. MAIL

The Honorable LauraSue Schlatter
Office of Administrative Hearings
P.O. Box 64620
St. Paul, MN 55164-0620

RE: In the Matter of the Application by CenterPoint Energy Resources Corp., d/b/a
CenterPoint Energy Minnesota Gas for Authority to Increase Rates for Natural Gas
Utility Service in Minnesota
MPUC Docket No. G-008/GR-13-316
OAH Docket No. 80-2500-30979

Dear Judge Schlatter:

Enclosed please find the Issues Matrix for CenterPoint Energy Minnesota Gas in the above-referenced docket. The document has been filed with the E-Docket system and served on the attached service list. Also enclosed is our Affidavit of Service.

Very truly yours,

WINTHROP & WEINSTINE, P.A.

/s/ Eric F. Swanson

Eric F. Swanson

Cc: Attached Service List

8742060v1

BEFORE THE MINNESOTA OFFICE OF ADMINISTRATIVE HEARINGS
600 North Robert Street
St. Paul, Minnesota 55101

FOR THE MINNESOTA PUBLIC UTILITIES COMMISSION
121 Seventh Place East, Suite 350
St. Paul, Minnesota 55101-2147

In the Matter of the Application of
CenterPoint Energy Resources Corp., d/b/a
CenterPoint Energy Minnesota Gas for
Authority to Increase Rates for Natural Gas
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MPUC Docket No. G-008/GR-13-316
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AFFIDAVIT OF SERVICE

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

Mary G. Holly, of the City of Lake Elmo, County of Washington, the State of Minnesota, being first duly sworn, deposes and says that on the 31st day of January, 2014, she served the attached **Issues Matrix** to all said persons on the attached Service List, true and correct copies thereof, by E-Filing and/or by depositing the same enclosed in an envelope, postage prepaid in the United States Mail in the post office at Minneapolis, Minnesota.

/s/ Mary G. Holly
MARY G. HOLLY

Subscribed and sworn to before me this
31st day of January, 2014.

/s/ Jane E. Justice
Notary Public

My Commission Expires: January 31, 2015

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
David	Aafedt	daafedt@winthrop.com	Winthrop & Weinstine, P.A.	Suite 3500, 225 South Sixth Street Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
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_13-316_Official CC Service List
Brenda A.	Bjorklund	brenda.bjorklund@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave FL 14 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
James	Canaday	james.canaday@ag.state.mn.us	Office of the Attorney General-RUD	Suite 1400 445 Minnesota St. St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Jerry	Dasinger	jerry.dasinger@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 551012147	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Jeffrey A.	Daugherty	jeffrey.daugherty@centerpointenergy.com	CenterPoint Energy	800 LaSalle Ave Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Ian	Dobson	ian.dobson@ag.state.mn.us	Office of the Attorney General-RUD	Antitrust and Utilities Division 445 Minnesota Street, BRM Tower St. Paul, MN 55101	Electronic Service 1400	Yes	OFF_SL_13-316_Official CC Service List
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_13-316_Official CC Service List
Robert	Harding	robert.harding@state.mn.us	Public Utilities Commission	Suite 350 121 7th Place East St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Mary	Holly	mholly@winthrop.com	Winthrop & Weinstine, P.A.	225 South Sixth Street, Suite 3500 Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List

First Name	Last Name	Email	Company Name	Address	Delivery Method	View Trade Secret	Service List Name
Linda	Jensen	linda.s.jensen@ag.state.mn.us	Office of the Attorney General-DOC	1800 BRM Tower 445 Minnesota Street St. Paul, MN 551012134	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
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_13-316_Official CC Service List
Peter	Madsen	peter.madsen@ag.state.mn.us	Office of the Attorney General-DOC	Bremer Tower, Suite 1800 445 Minnesota Street St. Paul, Minnesota 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Pam	Marshall	pam@energycents.org	Energy CENTS Coalition	823 7th St E St. Paul, MN 55106	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Karen	Olson	karen.olson@ag.state.mn.us	Office of the Attorney General-RUD	1400 Bremer Tower 445 Minnesota St St. Paul, MN 55101	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
LauraSue	Schlatter	LauraSue.Schlatter@state.mn.us	Office of Administrative Hearings	600 North Robert Street St. Paul, Minnesota 55101	Paper Service	Yes	OFF_SL_13-316_Official CC Service List
Janet	Shaddix Elling	jshaddix@janetshaddix.com	Shaddix And Associates	Ste 122 9100 W Bloomington Frwy Bloomington, MN 55431	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List
Peggy	Sorum	peggy.sorum@centerpointenergy.com	CenterPoint Energy	800 LaSalle Avenue PO Box 59038 Minneapolis, MN 554590038	Electronic Service	No	OFF_SL_13-316_Official CC Service List
James M.	Strommen	jstrommen@kennedy-graven.com	Kennedy & Graven, Chartered	470 U.S. Bank Plaza 200 South Sixth Street Minneapolis, MN 55402	Electronic Service	No	OFF_SL_13-316_Official CC Service List
Eric	Swanson	eswanson@winthrop.com	Winthrop Weinstine	225 S 6th St Ste 3500 Capella Tower Minneapolis, MN 554024629	Electronic Service	Yes	OFF_SL_13-316_Official CC Service List

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Gas for Authority to Increase Rates for
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Minnesota**

MPUC Docket No. G-008/GR-13-316

OAH Docket No. 80-2500-30979

**ISSUES MATRIX
OF
CENTERPOINT ENERGY MINNESOTA GAS**

January 31, 2014

**Eric F. Swanson
David M. Aafedt
Winthrop & Weinstine, P.A.
225 South Sixth Street, Suite 3500
Minneapolis, Minnesota 55402**

Attorneys for CenterPoint Energy Minnesota Gas

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INTRODUCTION

As required by the Administrative Law Judge’s First Prehearing Order in this matter, CenterPoint Energy Minnesota Gas (“CNP” or “Company”) respectfully files this Issues Matrix, setting forth the positions of CNP, the Department of Commerce – Division of Energy Resources (“DOC” or “Department”), the Office of the Attorney General – Antitrust and Utilities Division (“OAG”), the Suburban Rate Authority (“SRA”), and the Environmental Intervenors (“EI”), consisting of Fresh Energy, Izaak Walton League of America, and Natural Resources Defense Council, as demonstrated through the pre-filed and oral testimony of the parties, together with record sites documenting those positions.

The Issues Matrix is organized to first set forth issues not in dispute, including issues either: (a) discussed only by CNP in its Initial Filing¹; (b) agreed to in the only direct testimony discussing the issue; or (c) resolved through rebuttal, surrebuttal or oral testimony. For those issues resolved through rebuttal or later testimony, the Issues Matrix notes the parties originally in dispute on the issue, before setting forth those parties’ respective positions.

Section II of the Issues Matrix then sets forth those issues still in dispute between two or more parties.

Within each main section, the Issues Matrix discusses the specific issues in the following format, as appropriate:

- A. Revenue requirement
 - 1. Cost of capital
 - 2. Revenue related issues
 - 3. Expense or rate base related issues
- B. Class Cost of Service Study
- C. Rate Design
- D. Decoupling mechanism
- E. Miscellaneous issues not impacting revenue requirements

¹ The Issues Matrix does not enumerate all such issues, but includes selected issues that represented a significant portion of CNP’s Initial Filing such as its investments and expenses related to its Transmission Integrity Management Program (“TIMP”) and Distribution Integrity Management Program (“DIMP”).

I. Issues Not In Dispute

A. Revenue Requirement

1. Cost of Capital

a. Capital Structure

Undisputed.

CNP Position: CNP utilized a test year capital structure, calculated in a manner consistent with the approach established by the Commission in MPUC Docket No. G-008/CI-02-1368 and most recently applied in CNP's last rate case, MPUC Docket No. G-008/GR-08-1075, as follows:

Common Equity	52.60%
Long-term Debt	40.16%
Short-term Debt	<u>7.24%</u>
	100.00%

DOC Position: In direct testimony, the DOC agreed that CNP's proposed capital structure is reasonable to use in this proceeding.

Record Citations:

- CNP Direct: Hevert page 64 starting at line 17.
- DOC Direct: Amit page 34 starting at line 3.

b. Cost of Debt

Undisputed.

CNP Position: CNP filed using an actual cost of long-term debt of 5.84 percent (including issuance costs) and a short-term debt rate of 0.36 percent.

DOC Position: In direct testimony, the DOC agreed that the Company's costs of long-term debt and short-term debt were reasonable to use in this proceeding.

Record Citations:

- CNP Direct: Hevert page 71 starting at line 7.
- DOC Direct: Amit page 42 starting at line 1.

2. Revenue Related Issues

a. Sales Forecast – Customer Counts and Class Sales Forecasts Using Regression Models

Undisputed.

CNP position: The Company’s residential and business customer forecasts are based upon the December 2012 actual customer counts by class. Net customer additions by month and by class were forecast for 2013 and 2014, and were added to the December 2012 actual customer counts to produce the test year customer count forecast by month and by class.

With respect to the Industrial B and C customer classes, customer counts were held constant at their December 2012 levels consistent with the Company’s experience over the past ten years. For the small volume duel fuel (“SVDF”) A and B classes, the monthly test year customer count forecasts are the test year monthly total customer count forecasts for each class less the class’ monthly Transportation customer count forecasts.

With respect to the customer forecast, the Company stated that, on an overall basis, the use per customer forecasts, in total, lead to a declining sales forecast in Test Year 2014. However, a review of individual class forecasts showed increases for some classes and decreases in others as shown in Table 1.

DOC position: The DOC confirmed the accuracy of CNP’s customer count forecasts and concluded that the Company’s test year sales forecasts for those classes where the Company used regression analyses to estimate sales were acceptable for ratemaking purposes.

Record Citations:

- CNP Direct: Fitzpatrick page 9 starting at line 11 and Exh. __ (GLF-D), Schedules 6-10.
- DOC Direct: Heinen page 8 starting at line 2.

b. Sales Forecast – Curtailment

Originally disputed between CNP, DOC.

CNP position: Test year sales forecast was adjusted for estimated curtailment to interruptible customers. In rebuttal testimony, CNP provided additional information on curtailment of small volume dual fuel customers, agreed to the alternative curtailment levels proposed by DOC, and agreed to provide additional information on this issue in future filings as requested by the DOC.

DOC position: DOC identified concerns with the Company’s estimated curtailments, including: 1) proposed curtailment methodology is based on unreasonably high estimates of natural gas usage on individual days, 2) proposed curtailment methodology appears to over-estimate curtailments because estimated curtailments are greater than the historical curtailments (since at least 1998), 3) SVDF B class does not need a curtailment adjustment because historical curtailments are already included in the regression data. DOC recommended an alternative curtailment estimate based on November 2002 – March 2013 average and recommended that CNP provide additional information on this issue in future rate case filings.

Record Citations:

- CNP Direct: Fitzpatrick page 16 starting at line 12.
- CNP Rebuttal: Heer page 2 starting at line 16, Fitzpatrick page 2 starting at line 6.
- DOC Direct: Heinen page 23 starting at line 1.
- DOC Surrebuttal: Heinen page 2 starting at line 11.

c. Sales Forecast – Large Volume Forecast

Originally disputed between CNP, DOC.

CNP position: The Large Volume customer classes forecasts were developed by adjusting the actual 2012 large volume customer counts and volumes for known changes. In rebuttal testimony, CNP provided additional information, discussed the accuracy of prior sales forecasts, and did not agree to DOC proposed adjustment.

DOC position: After comparing predicted and actual sales to large volume dual fuel customers for the test years from the last 3 rate cases, the DOC initially concluded that the Company had underestimated test-year sales for large volume customers and recommended a 3% increase in LVDF sales in this rate case. In surrebuttal testimony, DOC analyzed the additional information provided by CNP in its rebuttal testimony and

stated that it no longer recommended an across-the-board adjustment to pre-curtailment large volume sales. DOC agreed that CNP's original pre-curtailment sales projections are reasonable for ratemaking purposes.

Record Citations:

- CNP Direct: Fitzpatrick page 15 starting at line 11.
- CNP Rebuttal: Peterson page 14 starting at line 17.
- DOC Direct: Heinen page 28 starting at line 5.
- DOC Surrebuttal: Heinen page 11 starting at line 16.

d. Flexible/Market Rate Service Rider Revenues

Originally disputed between CNP, DOC.

CNP position: Revenue from Market Rate customers was calculated using the customer's contractual market rate. In rebuttal testimony and in response to DOC concerns, CNP provided additional information supporting its level of proposed revenues.

DOC position: DOC stated concerns that CNP did not provide information that demonstrated the flexible/market rates that are in place at least cover the incremental cost to serve each customer and initially recommended that revenues for these customers be set at full tariffed rates for purpose of setting rates in this rate case. In surrebuttal testimony, DOC accepted the additional information provided by CNP and no longer recommended that the rate and resulting revenues for market rate customers be set at the tariffed rate for ratemaking purposes.

Record Citations:

- CNP Rebuttal: Peterson page 3 starting at line 4.
- DOC Direct: Shaw page 14 starting at line 14.
- DOC Surrebuttal: Shaw page 3 starting at line 4.

e. Late Payment Revenues

Originally disputed between CNP, DOC.

CNP position: Test Year late payment revenue was calculated by applying the ratio of late payment revenue/firm revenue in the base year (0.42%) to test year firm revenue. In rebuttal testimony, CNP accepted the DOC recommendation of a 0.36% late payment factor.

DOC position: The DOC recommended that Test Year late payment revenue be calculated by applying the ratio of late payment revenue/firm revenue in the 12 months ended September 30, 2013 (0.36%) to test year revenue.

Record Citations:

- CNP Direct: Nesvig page 18 starting at line 20.
- CNP Rebuttal: Nesvig page 2 starting at line 18.
- DOC Direct: Byrne page 42 starting at line 1.
- DOC Surrebuttal: Byrne page 9 starting at line 14.

3. Expense or Rate Base Related Issues

a. TIMP and DIMP Investments and Expenses

Undisputed.

CNP discussed its increasing investments and expenses related to state and federal pipeline integrity management programs and identified these items as the primary financial driver of the rate case. CNP further discussed that these higher levels of investment and expense will continue for the foreseeable future, requiring more frequent rate case filings.

Record Citations:

- CNP Direct: Vortherms starting at page 11, line 7; Centers, entire; Sanders, entire.

b. Allocations

Undisputed.²

The Company allocates its costs between regulated and non-regulated business operations consistent with the fully-allocated method as set forth in the Federal Communications Commission's ("FCC") Cost Apportionment Principles. These Principles were formally adopted by the Company in 1993 as a result of the Commission Order Establishing Accounting Procedures and Requiring Further Filings, dated

² CNP also has a Corporate Allocations methodology, discussed at Nesvig Direct page 63 starting at line 6, identical to the methodology used in its last rate case. No party disputed this overall methodology. However, certain discrete expense items, such as Corporate Community Relations, were the subject of testimony and are set forth below.

November 10, 1992 in Docket No. G-008/C-91-942. CNP's Cost Apportionment Manual ("CAM") explains the Company's accounting system and was approved by Commission Order, dated March 24, 1994 in that docket. On December 30, 1994, in that same docket, the Company's internal controls were determined to be adequate.

The CAM Allocations on Base Year adjustment reflects the application of test year allocation methodologies and factors to base year costs, which resulted in an increase of \$442,330 in test year expense.

Record Citations:

- CNP Direct: Nesvig, p. 84, starting at line 11.

c. Main and service extensions

Undisputed.

In its Order Terminating Investigation and Closing Docket *In the Matter of an Inquiry into Competition Between Gas Utilities in Minnesota*, Docket No. G-999/CI-90-563, the Commission raised certain concerns and questions that it asked the parties to address in subsequent rate cases. The Company addressed each of these Commission questions and concerns in its Initial Filing.

Record Citations:

- CNP Direct: Nesvig starting at page 97, line 13.

d. Bad Debt Expense

Originally disputed between CNP, DOC.

CNP position: Test Year bad debt expense was calculated by applying the ratio of bad debt expense/firm revenue in the base year (1.04%) to test year firm revenue. In rebuttal testimony, CNP accepted DOC recommendation of a 0.80% bad debt factor.

DOC position: Test Year bad debt expense was calculated by applying the ratio of bad debt expense/firm revenue in the 12 months ended September 30, 2013 (0.8%) to test year firm revenue.

Record Citations:

- CNP Direct: Nesvig page 19 starting at line 6.
- CNP Rebuttal: Nesvig page 2 starting at line 3.
- DOC Direct: Byrne page 40 starting at line 9.
- DOC Surrebuttal: Byrne page 9 starting at line 1.

e. Fleet-Fuel Costs

Disputed between CNP, DOC.

CNP position: CNP originally included no specific adjustment for fleet fuel costs beyond a general inflation adjustment. In rebuttal testimony and in response to the DOC, CNP recommended using the actual gallons used and average price (based on the 12 months ending September 30, 2013) to calculate test year vehicle fuel costs.

Department position: DOC recommended an adjustment to fleet-fuel costs based on DOC forecast of gallons (based on 12 months ended 9/30/13) and EIA reported cost/gallon as of October 28, 2013. In surrebuttal testimony, the DOC agreed with the Company's rebuttal adjustment.

Record Citations:

- CNP Direct: Nesvig page 12 starting at line 18.
- CNP Rebuttal: Nesvig page 21 starting at line 9.
- DOC Direct: Johnson page 9 starting at line 14.
- DOC Surrebuttal: Johnson page 4 starting at line 1.

f. Odorant Costs

Disputed between CNP, DOC.

CNP position: Base Year odorant costs were adjusted to remove timing differences (one time sales tax refund was received in 2012 which related to three years of activity and less odorant was purchased in 2012 due to warm weather). In rebuttal testimony and in response to the DOC, CNP agreed with the DOC direct testimony recommendation.

DOC position: DOC recommended reduction in odorant costs based on a new odorant contract.

Record Citations:

- CNP Direct: Nesvig page 21 starting at line 22.
- CNP Rebuttal: Nesvig page 1 starting at line 15.
- DOC Direct: Johnson page 7 starting at line 19.
- DOC Surrebuttal: Johnson page 2 starting at line 4.

g. Travel and Entertainment

Originally disputed between CNP, DOC and OAG.

CNP position: CNP included schedules showing employee travel, entertainment and related employee expenses. In rebuttal testimony, CNP provided additional information requested by the DOC and stated its view that the costs included in the initial filing are reasonable and necessary for the provision of utility service. However, based on the concerns raised about the level of supporting information included, for purposes of this case CNP agreed to the OAG recommendation to allow \$856,420 in travel and entertainment expenses (which thereby disallowed \$755,812 in expenses).

DOC position: DOC stated that the base year appeared to include expenses that should not be recoverable and requested additional review and information in rebuttal testimony, including a key word search to identify potentially improper expenses. In surrebuttal testimony, the DOC agreed with the Company's proposal to accept the OAG recommendation.

OAG position: Recommended allowing \$856,420 in travel, entertainment and other expenses, stating that CNP did not provide the necessary information to justify the remaining expenses. The OAG recommendation included disallowance of lobbying and AGA dues.

Record Citations:

- CNP Direct: Nesvig page 127 starting at line 11.
- CNP Rebuttal: Nesvig page 27 starting at line 1.
- DOC Direct: Byrne page 7 starting at line 12.
- DOC Surrebuttal: Byrne page 4 starting at line 17.
- OAG Direct: Lindell page 33 starting at line 33.

- OAG Surrebuttal: Lindell page 8 starting at line 13.
- OAH Hearing Testimony: Lindell, Tr. Vol. 3, page 25 starting at line 20.

h. FERC 9210 (General Office Expense)

Disputed between CNP, DOC.

CNP position: The Test Year expense amount was developed by inflating the base year amount and adjusting for any known and measurable changes. In rebuttal testimony, CNP provided additional information on FERC 9210 expenses.

DOC position: DOC identified concerns with the rate and size of the increase in FERC 9210 expenses since the last rate case and requested additional information in discovery. In rebuttal testimony, the DOC discussed CNP discovery responses and stated that the issue was resolved, pending confirmation that there were corresponding reductions in other accounts. In surrebuttal testimony, the DOC discussed the Company's supplemental discovery response and did not propose an adjustment the level of FERC 9210 expenses included in the test year.

Record Citations:

- CNP Direct: Nesvig page 6 starting at line 18.
- CNP Rebuttal: Nesvig page 6 starting at line 5.
- DOC Direct: Byrne page 5 starting at line 7.
- DOC Rebuttal: Byrne page 4 starting at line 9.
- DOC Surrebuttal: Byrne page 2 starting at line 17.

i. Meter Reading Expenses

Originally disputed between CNP, DOC.

CNP position: CNP's Initial Filing included a Test Year adjustment to reduce payroll expenses due to a reduction in the number of meter readers needed with implementation of automated meter reading devices. In rebuttal testimony, CNP provided additional information, discussed the fact that the additional savings calculated by the DOC in its direct testimony will not be realized in the test year and discussed other issues that could be impacted by going beyond the test year.

DOC position: The DOC initially recommended that test year expenses not include costs that will be eliminated by the end of the test year. In surrebuttal testimony,

DOC agreed that CNP had adequately explained its proposed test year meter reading expense and no longer supported a further reduction in those expenses.

Record Citations:

- CNP Direct: Nesvig page 21 starting at line 7.
- CNP Rebuttal: Nesvig page 9 starting at line 6.
- DOC Direct: Johnson page 24 starting at line 29.
- DOC Surrebuttal: Johnson page 9 starting at line 28.

j. Personal Computer Lease Expenses

Originally disputed between CNP, DOC.

CNP position: CNP included a Test Year adjustment to reduce lease expense to the amount expected to be incurred in the test year. In rebuttal testimony, CNP discussed that the DOC proposed test year reduction expense is dependent on capital investments and corresponding depreciation that is not included in the test year and that including the proposed reduction in lease expense without increasing rate base and depreciation expense would result in a disallowance of reasonable costs.

DOC position: DOC initially recommended no test year PC lease expense because PC lease expense will be completely eliminated 6 months after the end of the test year. In surrebuttal testimony, the DOC discussed the additional information provided by the Company and withdrew the recommendation to disallow PC lease expense.

Record Citations:

- CNP Direct: Nesvig page 22 starting at line 21.
- CNP Rebuttal: Nesvig page 7 starting at line 5.
- DOC Direct: Byrne page 16 starting at line 10.
- DOC Surrebuttal: Byrne page 7 starting at line 1.

k. Corporate Community Relations Expenses

Originally disputed between CNP, DOC.

CNP position: CNP's Test Year Corporate Community Relations Expenses were calculated by inflating the base year amount. In rebuttal testimony, CNP further discussed historical Community Relations expenses, including over \$700,000 of 2011

Community Relations expenses that were incorrectly charged to other CNP business units.

DOC position: DOC was initially concerned with the level of expense and the variability between years, and originally recommended that a three year average expense amount be included in rates. In surrebuttal testimony, the DOC analyzed the additional information provided by CNP and withdrew the recommendation to adjust Community Relations Expenses.

Record Citations:

- CNP Direct: Nesvig page 67 starting at line 9.
- CNP Rebuttal: Nesvig page 13 starting at line 19.
- DOC Direct: Byrne page 26 starting at line 9.
- DOC Surrebuttal: Byrne page 8 starting at line 12.

I. Property Taxes

Originally disputed between CNP, DOC.

CNP position: Base Year property tax expenses increased so that the test year expense amount reflected the amount projected to be incurred in test year. In rebuttal testimony, CNP provided updated information on property taxes and projected test year property tax expenses, resulting in a reduction of approximately \$1.8 million to the amount originally projected.

DOC position: DOC recommended CNP provide an updated estimate of actual property tax expense after incorporating truth in taxation statements received in 2013. In surrebuttal testimony, DOC accepted the lower property tax amount proposed by CNP in rebuttal testimony.

Record Citations:

- CNP Direct: Nesvig page 16 starting at line 13.
- CNP Rebuttal: Nesvig page 24 starting at line 11.
- DOC Direct: Johnson page 30 starting at line 5.
- DOC Surrebuttal: Johnson page 6 starting at line 1.

m. Cash Working Capital

DOC concurred with CNP, with final cash working capital adjusted to reflect final approved expense levels.

CNP position: CNP prepared a new lead-lag study for this rate case, using the same methodology that was approved in previous rate cases.

DOC position: The DOC did not object to the factors used in lead/lag study, and recommended cash working capital be adjusted to reflect final/approved expense levels.

Record Citations:

- CNP Direct: Nesvig page 89 starting at line 18.
- DOC Direct: Johnson page 31 starting at line 21.
- Evidentiary Hearing: Nesvig, Tr. Vol. 2 page 81 starting at line 8.

n. Interest Synchronization

DOC concurred with CNP, with final interest synchronization to be adjusted to reflect the final approved expense levels.

Record Citations:

- DOC Direct: Johnson page 32 starting at line 13.
- Evidentiary Hearing: Nesvig, Tr. Vol. 2 page 81 starting at line 13.

o. Gas Storage Inventory

CNP Position: At the evidentiary hearing, for purposes of resolving this issue in this case, the Company agreed to the DOC adjustment recommended in surrebuttal testimony.

DOC Position: Based upon CNP's Supplemental Base Cost of Gas Filing on December 23, 2013, Mr. Heinen determined that the Company's commodity cost of gas should be \$4.0048 per dekatherm. Using the same method that the DOC did in the 2008 rate case, the DOC made an adjustment to CNP's test-year gas storage inventory balance, reducing the amount on the balance sheet by \$2,347,276.

Record Citations:

- DOC Surrebuttal, Johnson p. 28, starting at line 11.
- Evidentiary Hearing: Nesvig, Tr. Vol. 2 page 81 starting at line 18.

B. Class Cost of Service Study

1. Allocation of CIP costs

Undisputed.

CNP and DOC agreed that, for purposes of the CCOSS, CIP costs should be allocated to classes on a volumetric basis. OAG did not specifically address this aspect of the CCOSS.

Record Citations:

- CNP Direct: Troxle WP 1 and 6 page 17 line 10, Troxle WP 2 page 4.
- DOC Direct: Davis page 32 starting at line 15.

C. Rate Design

Rate Design issues remain disputed and the parties' respective positions are set forth in Section II, below.

D. Decoupling Mechanism

This issue remains disputed and the parties' respective positions are set forth in Section II, below.

E. Other issues

1. Budget Plan

Originally disputed between CNP, DOC.

CNP position: Requested to update its Budget Plan tariff provision to require customers removed from Budget Plan to be reinstated if unpaid amounts are paid within 60 days. In rebuttal testimony, in response to the concerns raised by the DOC, CNP withdrew its request to update this tariff.

DOC position: DOC identified three concerns with CNP proposal: 1) 60 day period for repayment has not been shown to be reasonable, 2) proposal contradicts tariff

provision that an outstanding balance will not make a customer ineligible for Budget plan, and 3) CNP did not propose to inform existing customers of change.

Record Citations:

- CNP Direct: Nesvig page 124 starting at line 1.
- CNP Rebuttal: Nesvig page 34 starting at line 12.
- DOC Direct: Byrne page 12 starting at line 14.
- DOC Surrebuttal: Byrne page 6 starting at line 1.

2. Supplied Meter Communications Rider

Originally disputed between CNP, DOC.

CNP position: CNP proposed the Supplied Meter Communications Rider which would allow CNP to charge a monthly fee to supply communication service to a customer who has installed telemetry equipment and elects to have CNP supply non-analog communication service to them. In rebuttal testimony, CNP clarified that the requested \$17 monthly charge was based on incremental costs.

DOC position: DOC requested that CNP clarify in rebuttal the proposed amount of the monthly charge and that the monthly charge is based on incremental costs associated with the proposed service.

Record Citations:

- CNP Direct: Nesvig page 124 starting at line 17.
- CNP Rebuttal: Nesvig page 37 starting at line 13.
- CNP Hearing Testimony: Nesvig, Tr. Vol. 2, page 98 starting at line 2.
- DOC Direct: Shaw page 37 starting at line 19.

3. Abandoned Facilities

Undisputed.

CNP and SRA provided testimony regarding the Company's policies and procedures for treatment of abandoned facilities and the necessary coordination between the Company and municipalities in that regard.

Record Citations:

- CNP Rebuttal: Centers page 1 starting at line 16.
- SRA Direct: Kosluchar, entire.
- SRA Surrebuttal: Kosluchar, entire.

II. Disputed Issues

A. Revenue Requirement

1. Cost of Capital – Return on Equity

Disputed between CNP, DOC and OAG; no other party filed testimony.

CNP position: The Company originally recommended a range of 10.0% - 10.75% and an ROE of 10.3%. In rebuttal testimony, the Company responded to the DOC and OAG direct positions and reduced its recommended range to 10.0% - 10.5% and its ROE recommendation to 10.2%, based on information available as of December 13, 2013.

DOC position: The Department responded to the CNP direct position and presented its analysis, recommending a range of 7.82% - 10.41% and an ROE of 9.3%. In rebuttal testimony, the DOC responded to the OAG direct position and discussed that the DOC recommendation would be updated in surrebuttal testimony. In surrebuttal testimony, the DOC updated its analysis and recommended an ROE of 9.59%.

OAG position: The OAG originally recommended a range of 8.7% - 9.0% and an ROE of 8.78%. The OAG did not file rebuttal testimony but in surrebuttal testimony responded to the rebuttal positions of CNP and DOC and revised its recommendation to a range of 8.7% - 9.20% and an ROE of 8.73%.

Record Citations:

- CNP Direct: Hevert page 3, starting at line 2.
- CNP Rebuttal: Hevert page 84, starting at line 15.
- DOC Direct: Amit page 68, starting at line 6.
- DOC Rebuttal: Amit page 1 starting at line 9.
- DOC Surrebuttal: Amit page 2 starting at line 1.
- OAG Direct: Chattopadhyay page 41, starting at line 11.
- OAG Surrebuttal: Chattopadhyay page 2 starting at line 12.

2. Revenue Related Issues

a. Sales Forecast - Time period used to ‘normalize’ weather

DOC concluded that CNP’s use of 10 year weather was acceptable; OAG disputed.

CNP position: In initial testimony, company proposed using 10 years to “normalize” weather based on analysis that indicates 10 years is currently the appropriate predictor for CNP’s Minnesota operations. In rebuttal testimony, CNP agreed with DOC and did not agree with OAG recommendation. CNP also disagreed with the OAG recommendation to open a generic proceeding, stating that determination of the appropriate “climate normal” should be handled on a utility-specific basis.

DOC position: The DOC conducted its own analysis that concluded that 10 year weather was a better predictor but more volatile than 15 or 20 year weather. The DOC also concluded that the Company’s forecast using 10 year weather data does not harm ratepayers and is acceptable in this proceeding.

OAG position: The OAG recommended that the Commission deny CNP’s proposal to project revenue sales on a 10-year weather-normalized basis and instead use a 20-year averaging period to forecast sales forecast. The OAG further recommended that the Commission open a generic proceeding for all gas and electric utilities regarding the possible merits of the use of a 5-year, 10-year, 15-year, 20-year or 30-year time period for weather data.

Record Citations:

- CNP Direct: Loos page 26 starting at line 20.
- CNP Rebuttal: Livezey page 2 starting at line 1.
- DOC Direct: Heinen page 9 starting at line 19.
- OAG Direct: Chavez page 63 starting at line 3.
- OAG Surrebuttal: Chavez page 59 starting at line 11.

b. LNG Sales

Disputed between CNP, DOC; CNP agreed to OAG direct testimony position and OAG did not provide additional testimony.

CNP position: CNP's Base Year LNG margin was reduced in order to include a level in the test year that is representative of test year conditions and expectations. In rebuttal testimony, CNP provided additional information on LNG sales and agreed to the OAG recommendation to set test year LNG sales margin equal to the base year level.

DOC position: DOC recommended that CNP provide a detailed update of contract negotiations and other potential LNG contracts in rebuttal. In surrebuttal testimony, DOC recommended that test year LNG revenue be updated to reflect the estimated 2013 actual LNG revenue.

OAG position: Recommended reversal of test year adjustment to set test year LNG sales margin at base year level.

Record Citations:

- CNP Direct: Nesvig page 31 starting at line 1.
- CNP Rebuttal: Nesvig page 21 starting at line 1.
- DOC Direct: Byrne page 15 starting at line 5.
- DOC Surrebuttal: Byrne page 14 starting at line 17.
- OAG Direct: Lindell page 10 starting at line 22.

3. Expense or Rate Base Related Issues

a. Qualified Pension Expense

Disputed between CNP, DOC.

CNP position: CNP's Qualified Pension expense was based on the actuarial expense determined using generally accepted accounting principles and in compliance with federal law, in accordance with the methodology used in past rate cases, and provided additional support for its pension expense in rebuttal testimony.

DOC position: DOC recommended an alternative pension expense based on an updated measurement date (September 30, 2013) and equal discount rate and long-term growth rate assumptions of 8%. In surrebuttal testimony, the DOC continued to recommend setting both the discount rate and long-term growth rate equal to 8% for ratemaking purposes.

Record Citations:

- CNP Direct: Woods page 73 starting at line 14.
- CNP Rebuttal: Woods page 6 starting at line 4, Sanger page 2 starting at line 17.
- DOC Direct: Johnson page 19 starting at line 15.
- DOC Surrebuttal: Johnson page 22 starting at line 24.
- Exhibit 79, Qualified Pension Expense Summary.

b. Non-Qualified Pension Expense

Disputed between CNP, DOC.

CNP position: CNP's Non-Qualified Pension expense was based on the actuarial expense determined using generally accepted accounting principles. In rebuttal testimony, CNP did not agree with DOC proposed adjustment.

DOC position: DOC recommended non-qualified pension expense not be recoverable from rate-payers because the IRS does not allow non-qualified pension expenses to be deducted for income tax purposes. In surrebuttal testimony, DOC continued to recommend that non-qualified pension expense not be recoverable from ratepayers.

Record Citations:

- CNP Direct: Woods page 73 starting at line 14.
- CNP Rebuttal: Woods page 6 starting at line 20.
- DOC Direct: Johnson page 22 starting at line 18.
- DOC Surrebuttal: Johnson page 26 starting at line 1.

c. Long-Term Incentive Compensation (“LTIP”)

Disputed between CNP, DOC.

CNP position: CNP stated that its long-term incentive compensation is part of the overall compensation program for the Company, which targets total compensation at the mid-point of the market. CNP stated that its long-term incentives are designed to reward sustained improvements in company performance, typically for periods of three or more years.

DOC position: DOC identified concerns with the design of CNP’s LTIP. The DOC recommended denial of recovery of LTIP expenses based upon prior Commission decisions in rate cases.

Record Citations:

- CNP Direct: Woods, page 10, starting at line 2.
- CNP Rebuttal: Woods page 3 starting at line 16.
- DOC Direct: Byrne page 35 starting at line 8.
- DOC Surrebuttal: Byrne page 25 starting at line 15.

d. Short-Term Incentive Compensation

Disputed between CNP, DOC.

CNP position: CNP stated that its short-term incentive compensation is part of the overall compensation program for the Company, which targets total compensation at the mid-point of the market. CNP stated that most employees have an incentive target of 5 percent, 7 percent or 10 percent of pay. Higher level managers will tend to have a greater percentage of total pay at risk, and therefore, higher incentive targets. In rebuttal testimony, CNP did not agree that short term incentive compensation should be capped at 15% of base pay, but did provide the requested calculation.

DOC position: DOC recommended that the PUC cap the recovery of short-term incentive compensation to 15% of base pay, consistent with prior Commission decisions. In surrebuttal testimony, DOC continued to recommend that short term incentive compensation exceeding 15% of base pay be excluded from the test year.

Record Citations:

- CNP Direct: Woods, page 8, starting at line 4.
- CNP Rebuttal: Nesvig page 15 starting at line 15, Woods page 1 starting at line 23.
- DOC Direct: Byrne page 30 starting at line 18.
- DOC Surrebuttal: Byrne page 22 starting at line 7.

e. Marketing Programs

Disputed between CNP, OAG.

CNP position: CNP requested recovery of three marketing programs and included a quantitative cost-effectiveness analysis of each program , consistent with prior rate cases. In rebuttal testimony, CNP provided additional information on marketing programs and did not agree that its marketing programs were in conflict with a full decoupling mechanism.

OAG position: Recommended denial of marketing program costs if the Commission approves a full decoupling mechanism.

Record Citations:

- CNP Direct: Nesvig page 46 starting at line 5.
- CNP Rebuttal: Peterson page 24 starting at line 21.
- OAG Direct: Lindell page 10 starting at line 12.
- OAG Surrebuttal: Lindell page 10 starting at line 3.

f. Income Taxes

Disputed between CNP, DOC.

CNP position: Test Year Income Taxes were calculated by ‘normalizing’ the tax effects of timing differences that arise when items are recorded in financial books in a different period than when they are reported for income tax purposes. In rebuttal, CNP did not agree with the OAG recommendation.

OAG position: Recommended an alternative income tax calculation to decrease taxable income by \$223,091 (and decrease income taxes by \$95,543) to recognize non-deductible post-retirement benefit costs, meals & entertainment and lobbying expenses.

Record Citations:

- CNP Direct: Nesvig page 81 starting at line 4.
- CNP Rebuttal: Nesvig page 25 starting at line 15.
- OAG Direct: Lindell page 11 starting at line 14.
- OAG Surrebuttal: Lindell page 8 starting at line 1.

g. Inflation

Disputed between CNP, OAG.

CNP position: Consistent with Commission precedent in CNP’s prior rate case cases, CNP used two payroll inflation rates and a general inflation rate (producer price index) to adjust those expenses affected by inflation after making 24 adjustments for known and measurable changes to Operation and Maintenance expenses in the test year. In rebuttal testimony, CNP did not agree with OAG recommendation.

OAG position: The OAG recommend alternative inflation factor of -0.65% by comparing 2009 total O&M (less cost of gas and CIP) to 2012 and dividing by four. In surrebuttal testimony, OAG recalculated their recommended inflation factor to -0.87%.

Record Citations:

- CNP Direct: Nesvig page 9 starting at line 18.
- CNP Rebuttal: Nesvig page 3 starting at line 4.
- CNP Hearing Testimony: Nesvig, Tr. Vol. 2 page 84 starting at line 20.
- CNP Exhibit No. 84.

- OAG (Errata) Direct: Lindell page 5 starting at line 11.
- OAG Surrebuttal: Lindell page 4 starting at line 7.

h. Corporate Investor Relations Expense

Disputed between CNP, DOC.

CNP position: Test Year Corporate Investor Relations Expenses were calculated by inflating base year amount. CNP stated that it views all corporate investor relation functions as benefitting ratepayers directly or indirectly, and that recovery of these expenses is consistent with state law.

DOC position: DOC stated that the Commission should disallow recovery of 50% of Corporate Investor Relations expenses as the DOC views investor relations functions to benefit both shareholders and ratepayers. DOC also recommended additional discussion of Corporate Investor Relations expenses in CNP's next rate case.

Record Citations:

- CNP Direct: Nesvig page 67 starting at line 9.
- CNP Rebuttal: Nesvig page 11 starting at line 10.
- DOC Direct: Byrne page 23 starting at line 6.
- DOC Surrebuttal: Byrne page 18 starting at line 1.

i. Rate Case Expense – Current Rate Case

Disputed between CNP, DOC and OAG.

CNP position: CNP recommended a two year amortization period, based on the expected time until next rate case filing and that it does not see a plausible scenario for a longer time period before its next case. In rebuttal testimony, CNP: 1) did not agree with the DOC proposal to amortize 2013 rate case expense over four years but stated it would agree to defer and return to ratepayers any over-recovery of actual rate case expense if the next rate case is not filed in two years; and 2) did not agree with the OAG proposal to disallow expenses incurred to prepare the rate case.

DOC position: DOC recommended a four year amortization, based on the historical average time between rate cases (1977-2013). In surrebuttal testimony, the DOC continued to recommend four year amortization and did not agree with CNP's proposal to use a two year period and defer and track any over-recovery for potential future refund.

OAG position: Recommended disallowance of \$492,918: \$150,000 related to business and weather analysis and testimony, \$42,918 that was incurred in developing the case but prior to the start of the test year, \$200,000 of outside legal costs and \$100,000 of intervenor compensation.

Record Citations:

- CNP Direct: Nesvig Direct, page 76, starting at line 13.
- CNP Rebuttal: Nesvig page 16 starting at line 6.
- DOC Direct: Byrne page 44 starting at line 27.
- DOC Surrebuttal: Byrne page 31 starting at line 9.
- OAG Direct: Lindell page 19 starting at line 1.
- OAG Surrebuttal: Lindell page 4 starting at line 15.

B. Class Cost of Service Study

1. Allocation of income taxes

Disputed between CNP, OAG; DOC concurred with CNP position.

CNP position: CNP prepared two Class Cost of Service Studies. The second (CCOSS2; Troxle workpaper 6) solely reflected costs and did not include any embedded policy decisions from previous rate cases.

DOC position: DOC concluded that CCOSS2 assigns income taxes by class on the basis of taxable income that fully and only reflects costs attributable to each class.

OAG position: OAG concluded that CCOSS1 followed the Commission ordered method using taxable income and CCOSS2 did not follow the MPUC requirements.

Record Citations:

- CNP Direct: Troxle page 7 starting at line 1.
- CNP Rebuttal: Troxle page 2 starting at line 2.
- DOC Direct: Lahd page 11 starting at line 12.
- OAG Direct: Lindell page 14 starting at line 16.
- OAG Surrebuttal: Lindell page 15 starting at line 3.

2. Allocation of Regulatory Commission Expense

Disputed between CNP, DOC.

CNP position: CNP allocated Regulatory Commission Expense by the number of customer locations by customer class.

DOC position: DOC recommended Regulatory Commission Expense be allocated using a composite of total production & distribution O&M expenses less cost of gas as suggested by the 1989 Gas Distribution Rate Design Manual of the National Association of Regulatory Utility Commissioners.

Record Citations:

- CNP Direct: Troxle Workpaper 2 page 5.
- CNP Rebuttal: Troxle page 3 starting at line 8.
- DOC Direct: Lahd page 13 at line 7.
- DOC Surrebuttal: Lahd page 3 starting at line 18.

3. Allocation of Distribution Costs

Disputed between CNP, OAG.

CNP position: CNP conducted a minimum system study using 2” main to construct the minimum system, consistent with past rate cases.

OAG position: Suggested a 1” main be used as a price proxy for the zero-intercept method. OAG position did not change in surrebuttal testimony.

Record Citations:

- CNP Direct: Troxle page 16 starting at line 1.
- CNP Rebuttal: Troxle page 8 starting at line 4.
- OAG Direct: Nelson page 38 starting at line 12.
- OAG Surrebuttal: Nelson page 12 starting at line 15.

4. Demand Allocator – Relative Demand Assessment (RDA)

Disputed between CNP, OAG.

CNP position: CNP used the RDA adjustment to control for the capacity within the 2nd main used within the minimum system study.

OAG position: OAG did not agree that the RDA adjustment should be used.

Record Citations:

- CNP Direct: Troxle page 21 starting at line 5.
- CNP Rebuttal: Troxle page 8 starting at line 4.
- OAG Direct: Nelson Page 39 starting at line 1.

5. Compliance with prior requirement

Disputed between CNP, OAG.

CNP position: Mr. Troxle provided WP2 which described allocation methodology and rationale. In rebuttal testimony, CNP continue to support the WP2 that was included in the initial filing and discussed the impracticalities with the OAG recommendation.

OAG position: Disagreed that WP2 complied with previous order and suggested it could be improved if CNP be required to substantiate choice of allocator with empirical evidence or an economic discussion of how hypothetical data would support the use of specific allocators.

Record Citations:

- CNP Direct: Troxle page 9 starting at line 21.
- CNP Rebuttal: Troxle page 19 starting at line 14.
- OAG Direct: Nelson page 35 starting at line 9.

6. Allocation of Sales Expenses (FERC 911-916)

Disputed between CNP, OAG.

CNP position: CNP stated that Sales Expenses should be allocated based on the number of customers.

DOC position: The DOC recommended that FERC 911-916 costs be directly assigned with actual data (if available) to customer classes or allocated based on each class's overall revenue responsibility.

OAG position: The OAG recommended that costs associated with sales accounts are caused by sales (not number of customers), and essentially mirrored the DOC's position.

Record Citations:

- CNP Direct: Troxle Workpaper 2 page 4.
- CNP Rebuttal: Troxle page 21 starting at line 8.
- DOC Rebuttal: Lahd page 5 starting at line 8.
- OAG Direct: Nelson page 36 starting at line 14.
- OAG Surrebuttal: Nelson page 21 starting at line 3.

7. Allocation of Customer Account Expenses (FERC 901 – 905)

Disputed between CNP, OAG.

CNP position: CNP allocated FERC 901, 902, 904 & 905 by number of customers and FERC 903 by investment weighted number of locations. In rebuttal testimony, CNP did not agree with OAG recommendation.

OAG position: The OAG stated that investment-weighted number of locations should be used to allocate all customer account expenses by customer class. OAG position did not change in surrebuttal testimony.

Record Citations:

- CNP Direct: Troxle Workpaper 2 page 4.
- CNP Rebuttal: Troxle page 21 starting at line 13.
- OAG Direct: Nelson page 37 starting at line 8.
- OAG Surrebuttal: Nelson page 19 starting at line 15.

8. Allocation of FERC 907, 909 and 910

Disputed between CNP, OAG.

CNP position: CNP allocated these expenses by number of customer locations.

OAG position: The OAG believes that larger users have more complex problems and infrastructure, which requires more attention and costs. As a result, OAG recommended that FERC 907, 909 & 910 be allocated by sales.

Record Citations:

- CNP Direct: Troxle Workpaper 2 page 4.
- CNP Rebuttal: Troxle page 22 starting at line 7.
- OAG Direct: Nelson page 37 starting at line 20.

C. Rate Design

1. Revenue Apportionment

Disputed between CNP, OAG; DOC recommended adoption of CNP's proposed revenue apportionment but in surrebuttal offered an alternative revenue apportionment.

CNP position: CNP proposed moving the rates for Residential, Commercial A and Commercial/Industrial B classes closer to their cost of service and retaining the present base rates for Commercial/Industrial C, small volume dual fuel and large dual fuel (adjusting only the CCRC and GAP charges).

DOC position: DOC agreed with CNP's proposed revenue apportionment and also requested additional information on curtailment of SVDF customers that elect to pay a higher rate under Flexible/Market Rate Service Rider. DOC recommended that if Commission approve a lower revenue requirement than requested, the revenue responsibility for non-firm customers be held constant and the remaining revenue requirement be apportioned proportionately to firm customers. In surrebuttal testimony, DOC continued to recommend adoption of CNP's proposed revenue apportionment, but also proposed an alternative revenue apportionment that would result in lesser increases to residential and Commercial A customers.

OAG position: The OAG recommended that the existing revenue apportionment be continued by applying any rate increase on an across-the-board basis. OAG position did not change in surrebuttal testimony.

Record Citations:

- CNP Direct: Drows page 5 starting at line 5.
- CNP Rebuttal: Drows page 16 starting at line 14.
- DOC Direct: Shaw page 23 starting at line 5, page 24 starting at line 4, and page 25 starting at line 1.
- DOC Surrebuttal: Shaw page 11 starting at line 18.
- OAG Direct: Chavez page 24 starting at line 18.
- OAG Surrebuttal: Chavez page 63 starting at line 20.

2. Fixed/Variable Charges

Disputed between CNP, DOC, OAG, EI; table below summarizes positions.

CNP position: Recommend increase residential fixed charge from \$8/month to \$15/month and increases to Commercial-A and Commercial/Industrial B fixed charges while no change to other classes.

DOC position: DOC recommended a smaller increase to the residential fixed charge (\$9.50/month) and slight decreases in SVDF and LV fixed charges.

OAG position: OAG recommended maintaining existing fixed charges for the Residential and Commercial A classes.

EI position: EI recommended maintaining existing fixed charges.

	Current	CNP	DOC	OAG	EI
Residential	\$8.00	\$15.00	\$9.50	\$8.00	\$8.00
Commercial A	\$12.00	\$15.00	\$15.00	\$12.00	-
C/I B	\$18.00	\$21.00	\$21.00	-	-
C/I C	\$43.00	\$43.00	\$43.00	-	-
SVDF A	\$60.00	\$60.00	\$50.00	-	-
SVDF B	\$90.00	\$90.00	\$80.00	-	-
LV Sales	\$600.00	\$600.00	\$800.00	-	-
LV Transport	\$700.00	\$700.00	\$900.00	-	-

Record Citations:

- CNP Direct: Drows page 8 starting at line 4.
- CNP Rebuttal: Drows page 2 starting at line 13.

- DOC Direct: Shaw page 27 starting at line 6 and page 34 starting at line 20.
- DOC Surrebuttal: Shaw page 11 starting at line 1.
- OAG Direct: Chavez page 40 starting at line 7.
- OAG Surrebuttal: Chavez page 27 starting at line 4.
- EI Direct: Sullivan page 18 starting at line 343.
- EI Surrebuttal: Sullivan page 2 starting at line 16.

D. Decoupling Mechanism

Disputed between CNP, DOC, OAG, EI; after the close of the evidentiary hearings CNP informed the parties that it will no longer seek Commission approval of a decoupling mechanism in this proceeding and will so state in its Initial Brief.

CNP position: CNP proposed to implement a full decoupling mechanism (the RD Rider) for residential and small volume firm customers. In rebuttal testimony, CNP continued to support proposed full decoupling mechanism and agreed to either the proposed cap that was included in the initial filing or the DOC proposed cap. In surrebuttal testimony, CNP agreed to include all classes in the RD Rider. CNP also indicated that due to its concerns with a partial decoupling mechanism, it preferred no decoupling to a partial decoupling mechanism. After the close of the evidentiary hearings, CNP informed the parties that it will no longer seek Commission approval of a decoupling mechanism in this proceeding.

DOC position: DOC initially recommended that the Commission should approve either the full decoupling proposal or reinstate the discontinued partial decoupling mechanism. The DOC further recommended that either mechanism should have a 10% (after removing CCRC) cap on adjustments and recommended that the company provide more detail of proposed evaluation plan in rebuttal testimony. In rebuttal testimony, DOC recommended that if the Commission approved a decoupling mechanism, it should approve the same mechanism for all customer classes, with the exception of market-rate customers. At hearing, the Department indicated that it no longer supported approval of a full decoupling mechanism for CNP and recommended either a partial decoupling mechanism or no decoupling in the current proceeding.

OAG position: OAG did not recommend approval of proposed full decoupling mechanism and recommended that if Commission approved any form of decoupling, the mechanism should be considered a pilot, all customers should be included, there should be a 22.1 basis point reduction in ROE, the cap should remain the same as in the expired partial decoupling mechanism (3%), marketing program costs should not be recovered

and the use of 10 year weather should be denied. OAG position did not change in surrebuttal testimony, and updated the ROE reduction recommendation to 22.8 basis points. The OAG also recommended that if the Commission approves CNP's proposed full decoupling mechanism, it should also lower the residential customer charge to \$5/month.

EI position: EI recommended that the proposed mechanism should be approved. In rebuttal testimony, EI disagreed with the OAG recommendation for a 22.1 basis point ROE reduction.

Record Citations:

- CNP Direct: Gastineau page 7 starting at line 18.
- CNP Rebuttal: Gastineau page 2 starting at line 5.
- DOC Direct: Davis page 33 starting at line 2.
- DOC Rebuttal: Davis page 7 starting at line 7.
- DOC Surrebuttal: Davis page 9 starting at line 8
- OAG Direct: Chavez page 40 starting at line 7, page 56 starting at line 16 and page 57 starting at line 13.
- OAG Surrebuttal: Chavez page 66 starting at line 1.
- EI Direct: Sullivan page 7 starting at line 127.
- EI Rebuttal: Sullivan page 9 starting at line 154.

E. Other issues

1. CIP costs

Disputed between CNP, DOC; however both parties agree that there is no impact to the overall revenue requirement.

CNP position: In initial testimony, CCRC revenue was calculated by dividing test year CIP expenses by test year volumes (less volumes from CIP exempt customers). In rebuttal testimony, CNP discussed that a separate CCRC revenue adjustment is not needed, but it would be necessary to recalculate the CCRC recovery rate to ensure that CCRC revenues are consistent with CIP costs that are reflected as a test year expense.

DOC position: DOC recommended CCRC revenue be increased to reflect additional CCRC revenue based on increase in sales volumes.

Record Citations:

- CNP direct: Nesvig page 33 starting at line 3.
- CNP Rebuttal: Nesvig page 38 starting at line 1.
- DOC Direct: Heinen page 33.
- DOC Surrebuttal: Heinen page 14 starting at line 7.

2. Reconnection Fee

Disputed between CNP, DOC.

CNP position: Based on updated cost of disconnecting and reconnecting meters, the Company requested an increase in the reconnection fee from \$22.50 to \$37 (1/2 of the actual cost). In rebuttal testimony, CNP accepted DOC recommendation to raise the reconnection fee to \$28 and provided information on the potential impact to other revenue once any tariff change is made at the time of final rates. During testimony, CNP stated that because the higher reconnect fee was not in place during interim rates, there is no need for any interim rate adjustment.

DOC position: The DOC identified a concern with the magnitude of the requested increase and requested CNP to update test year Other Revenue to reflect the \$28 reconnect fee. In surrebuttal testimony, the DOC stated that the issue of any interim rate refund be addressed by the Company at the time the Company files its interim rate compliance filing.

Record Citations:

- CNP Direct: Nesvig page 117 starting at line 13.
- CNP Rebuttal: Nesvig page 37 starting at line 3.
- CNP Hearing Testimony: Nesvig, Tr. Vol. 2 page
- DOC Direct: Byrne page 11 starting at line 7.
- DOC Surrebuttal: Byrne page 11 starting at line 18.

3. Incentive Compensation Refund Mechanism

Disputed between CNP, DOC.

CNP Position: CNP did not support a “tracker” for incentive compensation, since the tracker recommended was a “one-way” tracker.

DOC position: DOC recommended that CNP continued to be required to refund any incentive compensation built into rates but not paid to employees. In surrebuttal testimony, DOC continued to recommend that CNP continued to be required to refund any incentive compensation built into rates but not paid to employees.

Record Citations:

- DOC Direct: Byrne page 36 starting at line 26.
- DOC Surrebuttal: Byrne page 26 starting at line 2.
- CNP Hearing Testimony: Nesvig, Tr. Vol. 2 page 97 starting at line 12.

4. Rate Case Expense – 2008 Rate Case

Disputed between CNP, DOC.

CNP position: In compliance with the Final Order from the 2008 rate case (docket G-008/GR-08-1075), CNP tracked the recovery of rate case expense related to the 2008 rate case. In rebuttal testimony, CNP proposed to return approximately \$400,000 (amount of 2008 rate case expense recovered that was in addition to what was actually incurred) with any interim rate refund in this rate case.

DOC position: DOC recommended that CNP refund the difference between the amount allowed in the 2008 rate case and the amount recovered (based on 57 months of recovery), including 8.09% for 21 months to reflect the collection of rate of return on refund amount. In surrebuttal, DOC continued to recommend that CNP refund the difference between the amount allowed in the 2008 rate case and the amount recovered (based on 57 months of recovery), including 8.09% for 21 months to reflect the collection of rate of return on refund amount.

Record Citations:

- CNP Direct: Nesvig page 78 starting at line 3.
- CNP Supplemental Direct: Nesvig Supplemental Direct page 4 starting at line 13.
- CNP Rebuttal: Nesvig page 17 starting at line 15.
- DOC Direct: Byrne page 47 starting at line 17.
- DOC Surrebuttal: Byrne page 34 starting at line 6.

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