

Notes to Attachment L

Note 1: The total A&G expense did not change. However, how A&G is allocated across rate classes has changed. The re-calculation of the allocation factor to exclude Union Gas transportation charges (see Undertaking J2.6 from the proceeding) means that the amount of A&G allocated to IGPC was reduced (see Note 4 of Attachment K). This, of course, results in an increase in A&G allocated to the other rate classes. This contributes to the overall increase to Rate 1 (Residential) which was an increase of \$44.3k, as detailed in the table on Attachment L. This increase has been offset slightly by A&G expenses allocated based on Rate Base responsibility, since IGPC's Rate Base increased modestly from the December Draft Rate Order. This increase directly impacts the Revenue Requirement and thus the rates.

Note 2: As discussed with Board Staff, when NRG's rate consultant was verifying that the proposed Forgone Revenue Rate Rider would recover the appropriate amount, an error in the volumes assigned to the various blocks (tiers) was discovered. The tiering of the volumes used to estimate revenues at current rates was different from the tiering used to estimate proposed rates. The corrected tiering is consistent with the tiering supporting the determination of revenue at current rates. The resulting change is outlined in Attachment J, which notes the related percent impact on bills.

Note 3: NRG sought to achieve an overall Revenue:Cost ("R:C") ratio as close to unity as possible without giving rise to an unacceptable bill impact to any customer class. NRG's first step in deriving proposed rates was to estimate the R6 Demand Rate that would achieve an R:C ratio for the class of unity. This adjustment typically yielded a company-wide R:C ratio that was different from unity. NRG's second step was to adjust R1 variable rates so that the company-wide R:C ratio was as close to unity as possible. The R:C ratio for Rate 1 between Settlement and the Revised Draft Rate Order increased by 0.6% which equates to an increase in the amount of costs being recovered thru Rate 1. The Revised R:C ratio for Rate 1 is closer to a 1:1 ratio than the R:C ratio after settlement.

** It should be noted that this reconciliation is an approximation because the overall impact on the average customers' bill does not match exactly the impact on the Class as a whole.*

*** Board Staff also inquired as to whether the two items noted in paragraph 115 of NRG's Argument-in-Chief (exclusion of Union Gas transportation charges; and separation of A&G into insurance and non-insurance) are accounted for in NRG's January 17, 2011 filing. NRG confirms that these two items were taken into account in generating the Rate Schedules at Attachment A to the January 17, 2011 filing.*