STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company

Proposed general increase in rates and revisions to service classifications, riders and terms and conditions of service.

The Peoples Gas Light and Coke Company

Proposed general increase in rates and revisions to service classifications, riders and terms and conditions of service.

Docket No. 23-0068

Docket No. 23-0069

Direct Testimony on Rehearing of

POLLY M. ELDRINGHOFF
Vice President,
Operational Performance and Compliance
The Peoples Gas Light and Coke Company and North Shore Gas Company

and

MARGARET SALVATORE
Manager of Capital and Operations Planning
The Peoples Gas Light and Coke Company

On Behalf of
North Shore Gas Company and
The Peoples Gas Light and Coke Company
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I. INTRODUCTION AND BACKGROUND.

A. Identification of Witnesses

Q. Please state your names and business addresses.

A. We are Polly M. Eldringhoff and Margaret Salvatore. Our business address is 200 East Randolph Street, Chicago, Illinois 60601. We are jointly sponsoring this testimony.

Q. Ms. Eldringhoff, did you sponsor direct, rebuttal, and surrebuttal testimony on behalf of The Peoples Gas Light and Coke Company (“Peoples Gas,” “PGL,” or the “Company”) and North Shore Gas Company in these consolidated dockets?

A. Yes. My background, professional qualifications, and duties have not changed since that time.

Q. Ms. Salvatore, what position do you hold with People Gas?

A. I am the Manager of Capital and Operations Planning.

Q. What are your responsibilities in that position?

A. My present responsibilities include leading the Project Controls team, which is responsible for construction-focused cost and schedule management functions. The Manager of Project Controls reports directly to me. Additionally, I lead the Planning team, which is responsible for analyzing operations and construction resource need and availability forecasts, near-term logistics considerations, and execution risk evaluations.
Q. Ms. Salvatore, please describe your educational background and professional experience.

A. I graduated from the University of Illinois Champaign-Urbana in 2006 and received a Bachelor of Science degree in general engineering and a minor in business. I have worked at the Company in various project controls and capital planning managerial roles for nearly eight years. Prior to Wisconsin Energy Corporation’s acquisition of Integrys Energy Group, Peoples Gas’s then corporate parent, I was a Project Controls Analyst for Integrys Business Support, LLC. In that role, I supported multiple project managers with biweekly schedule updates, monthly cost reports with forecast and variance analyses, and general project support. Before working at Integrys Business Support, LLC, I was a Cost Lead at Bechtel Oil, Gas, & Chemicals—Wheatstone Liquefied Natural Gas Project, where I led a team responsible for cost analysis and reporting on a multi-billion-dollar project, which included production of monthly forecasts, biweekly labor reports, staffing plan maintenance, monthly funding request preparation, and quarterly financial reports. Prior to that role, I was a Project Controls Engineer, and later a Project Controls Supervisor, for engineering/acquisition and construction at Bechtel National, Inc.—Blue Grass Chemical Agent-Destruction Pilot Plant Project. As a Project Controls Engineer, I managed the engineering cost and schedule functions. As a Project Controls Supervisor, I oversaw the team responsible for scheduling and cost analyses, supporting the engineering and contracting teams. Prior to these positions, I was a Project Controls Engineer and Control Systems Engineer at Bechtel National, Inc.—Ground-based Midcourse Defense Project. In those roles, I served as an engineering planner, and completed change requests and engineering change proposals.
B. **Purposes of Testimony**

Q. What are the purposes of your direct testimony on rehearing in this proceeding?

A. Our direct testimony on rehearing responds to the Illinois Commerce Commission’s (“Commission” or “ICC”) decision to grant rehearing on what Safety Modernization Program (“SMP”) work should be continued in 2024 in light of the Commission’s ordered SMP “pause,” and addresses two categories of work that Peoples Gas is seeking permission to continue: emergency, safety, and reliability (“ESR”) work; and work in progress that was started in 2023 and needs to be completed in 2024 (or in one case will carry over into 2025).

(1) **ESR Work:** We will explain the extent to which ESR work is part of Peoples Gas’s SMP and why the Company needs to perform certain important ESR work in 2024 during the SMP “pause” ordered by the Commission. This ESR work falls outside of the Commission’s direction regarding the Company’s “neighborhood by neighborhood” work, and includes: (a) emergency replacement of leaking pipe segments (sometimes referred to as “short-cycle” work); (b) “system improvement” projects to address reliability problems on portions of the distribution system, thereby preventing emergencies and outages from arising; and (c) “public improvement” projects where the Company is directed to move its facilities by the City of Chicago, other governmental agencies, or other underground users to make way for work that the City and/or those entities need to complete, again avoiding

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1 *See North Shore Gas Co., et al., ICC Docket Nos. 23-0068/0069 (cons.), Final Order (Nov. 16, 2023), at 29 (“Order”).*
emergencies and service interruptions due to Peoples Gas’s pipes being in conflict with City or other third parties’ underground infrastructure.

(2) **Work In Progress:** We will explain why Peoples Gas should also be permitted to finish projects in progress, including neighborhood, system improvement, public improvement, and high pressure work. This work was started in 2023 and should not be left in a state of incompletion that creates risks to public safety and perpetuates eyesores and inconveniences associated with mid-stream construction work due to the Commission’s ordered “pause” of the SMP. Note that some system improvement and public improvement projects started in 2023 and thus fall into this work in progress category; others will begin in 2024 and are therefore included in the ESR category.

C. **Sponsored Exhibits**

Q. **Are you sponsoring any exhibits with your direct testimony on rehearing?**

A. Yes. We sponsor the following exhibits:

1. **NS-PGL Ex. 50.01, Schedules 1-4** presents the projects that are included under the ESR work category, including emergency/short-cycle projects (Schedule 1), photographs of certain emergency/short-cycle projects (Schedule 2), the not yet started system improvement projects (Schedule 3), and the not yet started public improvement projects (Schedule 4);

2. **NS-PGL Ex. 50.02** presents the quantities, dates, reasons for, and costs of public improvement and system improvement projects included under the ESR work category;
(3) NS-PGL Ex. 50.03 provides granular details concerning the costs for both the ESR work category and the work in progress category, showing spend through the end of 2023 for each project at the activity level (mains, services, restoration, and meters), and proposed spend by month for 2024;

(4) NS-PGL Ex. 50.04, is the Uniform Main Ranking Index (“UMRI”) Project Tracking Procedure that Peoples Gas employs for system improvement projects aimed at addressing the replacement of vulnerable pipe segments with higher probabilities and consequences of failure;

(5) NS-PGL Ex. 50.05, Schedules 1-15 presents each of the projects included under the work in progress category, including the neighborhood projects separated by their respective neighborhoods (Schedules 1-11), the high pressure project (Schedule 12), system improvement projects (Schedule 13), and public improvement projects (Schedule 14), as well as photographs of certain work in progress (Schedule 15);

(6) NS-PGL Ex. 50.06 presents the quantities, dates, reasons for, and costs of projects included under the work in progress category;

(7) NS-PGL Ex. 50.07 is the six-step SMP informational guide that Peoples Gas provides to customers when performing pipeline upgrades in their neighborhood; and

(8) NS-PGL Ex. 50.08 is a map showing the locations of in progress and ESR work across the City of Chicago as of January 1, 2024.
II. OVERVIEW OF COMMISSION’S ORDER ON REHEARING AND INFORMATION PROVIDED IN THIS TESTIMONY.

Q. At the outset, please briefly describe the Commission’s Order.

A. The Commission’s Order directed Peoples Gas to “pause” its SMP while the Commission investigates the program. Order at 29. The Commission removed the Company’s entire forecasted investment in SMP—$265 million— from its test year rate base. *Id.* In doing so, the Commission reduced the Company’s 2024 revenue requirement by $14.3 million.

Q. Did the Commission expressly state what work under the SMP must be paused?

A. While directing the Company to “pause” the SMP entirely, the Order also stated that “the funding level disallowed relates solely to the SMP work being conducted neighborhood by neighborhood” on the grounds that “neighborhood by neighborhood modernization has failed to adequately prioritize the replacement of high-risk pipe as directed by PHMSA, the Kiefner Study and the Commission.” *Id.* (emphasis added). However, the SMP has historically been much broader than just “neighborhood by neighborhood” work, which the Order at least implicitly recognized by stating that the Commission “expects PGL to continue to address existing and new leaks as it would in the normal course of prioritizing customer safety.” *Id.*

Q. How do you interpret the Commission’s decision to reopen this proceeding?

A. It appears to the Company that there is potential confusion regarding the scope of SMP. As the Company’s quarterly reports show, work contained within the “SMP” designation

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2 $265 million represents the work falling within the broad category of SMP that was forecasted to be placed in service in 2024. The full amount of forecasted spending for this work in 2024 was $280 million. Eidukas Dir., PGL Ex. 1.0 REV, 4:63-67.
includes not only neighborhood by neighborhood work, but also a variety of typical gas utility work needed for safety, reliability, and compliance with governmental and third-party requests to move facilities that has nothing to do with “neighborhood by neighborhood” work. Including this work under the SMP umbrella was not an arbitrary decision by the Company, but rather was a result of specific Commission direction.\(^3\) The Order removed Peoples Gas’s entire forecasted investment in SMP, apparently due to the impression that all of Peoples Gas’s planned 2024 SMP work is “neighborhood” work.

Peoples Gas sought rehearing to clarify what work should be continued in 2024 in light of the Commission’s Order. The Commission granted limited rehearing on this issue in an oral decision on January 3, 2024 (“Rehearing Order”). Chairman Scott specifically requested information from the Company on work that was started in 2023 and remained uncompleted as of the end of the year (known as “work in progress”), and emergency work, as follows:

- Peoples must provide itemized documentation of the work within the scope of rehearing. Specific information on 2023 SMP work in progress must include, at a minimum:
  - Neighborhood location;
  - Neighborhood descriptions, such as how many blocks it contains;
  - Actual start date in 2023 by neighborhood and block;
  - Estimated completion date by neighborhood and block;
  - Cost-to-date per neighborhood and block; and
  - Cost-to-complete by neighborhood and block.

- Peoples must separately itemize the following by block with clear distinction between completed and incomplete work:

\(^3\) The Commission’s Final Order in Docket No. 16-0376 required Peoples Gas to report all its work being recovered under Rider QIP as “qualifying infrastructure plant” (as defined in 220 ILCS 5/9-220.3(b)) in its quarterly “SMP” reports. *Ill. Commerce Comm’n on Its Own Motion v. The Peoples Gas Light & Coke Co.*, ICC Docket No. 16-0376, Final Order (Jan. 10, 2018), at 185.
The cast iron or ductile iron being retired or replaced in feet retired compared to feet replaced;
o The meters relocated by block;
o Pressurization; and
o Any other work Peoples has completed or intends to complete at the in progress site.

- Peoples must also provide information related to emergency work, including at a minimum:
o Explanation of emergency work, i.e., what events or types of events rise to emergency level;
o Emergency work estimates and/or forecasting for 2023 and 2024;
o Emergency work funding/budgeting surplus for 2023 and previous three years; and
o Explanation of the relationship between emergency work and SMP.  

This testimony and the attached exhibits provide the requested information. We are providing all the requested information at the neighborhood and project level (each neighborhood contains multiple projects, which are also referred to as phases). Peoples Gas’s projects can range from less than two blocks to 20 blocks. With respect to the Commission’s request for block-level cost information, Peoples Gas does not maintain all the requested project cost information at this level. Block-level information has not been required for any of the reporting Peoples Gas has provided under Commission orders in Docket Nos. 16-0376 and 18-1092. A challenge with additional cost reporting at the block level is that it would require additional resources at Peoples Gas and its contractors. The Commission’s recently noticed investigation into the SMP will consider and evaluate the

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5 The Commission’s November 16, 2023 Order directed the Company “to reconsider its priorities and provide more detailed, disaggregated cost information in the SMP proceeding to enable the Commission to determine the reasonableness and prudence of the Company’s next iteration of the SMP.” Order at 30. On January 31, 2024, the Commission issued its Initiating Order in Docket No. 24-0081 beginning the SMP investigation.
current neighborhood approach, as well as the most current mileage and neighborhood maps of remaining cast iron and ductile iron pipe within the Company’s distribution system. Peoples Gas suggests that the concept of block-level information be evaluated as part of that proceeding. As discussed further below, we are providing all requested information at the most granular level available to us.

Q. **Please describe what sort of SMP work constitutes “neighborhood” work.**

A. One category of work historically included in the broader SMP was referred to as the “neighborhood program” and consisted of the following categories of QIP-recoverable work:

- Replacement of older piping materials that are prone to leaks, cracks, and breaks (e.g., cast and ductile iron main);
- Relocation of meters from the inside to outside of customer homes; and
- Upgrading the gas system to medium pressure.

Q. **What portion of the originally requested $280 million for 2024 SMP investment related to “neighborhood” work?**

A. Approximately $175 million of the planned $280 million in 2024 work consisted of “neighborhood” work. As reflected in the following chart, this falls into two categories – work that was planned to start in late 2023 or in 2024 that is being paused consistent with the Commission’s Order, and $48.7 million in uncompleted neighborhood work in progress that is at issue in this rehearing:
The figures presented above are slightly different than those that were provided in Peoples Gas’s Emergency Motion and rehearing request. The reason for this difference is that the earlier pleadings relied on October 31, 2023 figures, which were the most recent available when the Emergency Motion was filed. This testimony incorporates January 1, 2024 cost and quantity estimates throughout, unless otherwise noted.

Q. **What types of SMP work fall outside of the neighborhood program?**

A. While the neighborhood program is one component of the SMP, there are several other categories of important work that do not fit under the “neighborhood by neighborhood”

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6 On December 1, 2023, Peoples Gas filed a Verified Emergency Motion for Clarification of Commission Order ("Emergency Motion") requesting clarification on what aspects of the SMP were being paused. The Commission denied the Emergency Motion on December 14, 2023.
category that Peoples Gas needs to perform in 2024 (and performed prior to the existence of the SMP). This ESR work includes:

- Emergency replacement of leaking pipe segments to address Grade 1 and Grade 2 leaks;
- “System improvement” projects to address reliability problems on portions of the distribution system;
- “Public improvement” projects where the Company is directed to move its facilities by the City of Chicago, other governmental agencies, or other underground users; and
- High pressure projects to address reliability and capacity problems.

These types of work were historically eligible for QIP recovery based on the materials being replaced and fell under the broad label of “SMP.” However, they are *not* driven by the neighborhood model of accelerating the replacement of high-risk-ranked cast iron and ductile iron pipe, moving meters from inside to outside, and upgrading the system to medium pressure on a neighborhood-by-neighborhood basis. Thus, to directly answer the question that Chairman Scott posed about the extent to which emergency work is within the scope of the SMP, emergency work that replaced at-risk materials was traditionally included within the scope of the SMP (and recoverable under Rider QIP).

For the last three years, an average of $28.9 million per year of emergency work involved replacing at-risk or low pressure main, and an average of $1.6 million (or 5%) per year did not. Therefore, by disallowing the full $280 million forecast for SMP work in 2024, the Commission effectively disallowed 95% of the funding for emergency work, *i.e.*,
the critical work required to perform emergency replacements of leaking pipe segments, as discussed below.

Q. Has the SMP improved the safety of Peoples Gas’s system?

A. Yes. By removing the at-risk pipe from Peoples Gas’s system, the number of Class 1 and 2 leaks has been declining steadily for several years, as shown in the chart below.

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7 Leaks are graded as 1, 2, or 3. Grade 1 leaks represent an existing or probable hazard to persons or property, and require the immediate commencement of repair and continuous action until the conditions are no longer hazardous, the source of the leak is eliminated, and permanent repairs have been completed; Grade 2 leaks are recognized as nonhazardous to persons or property at the time of detection, but justify scheduled repair based on probable future hazard; and Grade 3 leaks are recognized as nonhazardous to persons or property at the time of detection and can be reasonably expected to remain nonhazardous.
III. **ESR-RELATED WORK.**

Q. Please describe the emergency work category of ESR-related work in greater detail.

A. Emergency work\(^8\) includes responding to and addressing Grade 1 and 2 leaks on the Company’s system, which can and regularly do occur because of natural forces like frost heave or excessive corrosion, as well as manmade issues like excavation damage by contractors. These leaks pose immediate and near-term risks to people, property, and the environment and must be addressed quickly. Additionally, obstructions in gas mains caused by debris, calcification, or water and ice that interrupt the flow of gas to customers will at times require emergency work.\(^9\) In many cases, where the leak occurs on old, leak-prone pipe, Peoples Gas will replace that pipe with modern material to provide a more permanent repair. This approach is intended to avoid repeat failures, which create additional safety concerns, as well as being disruptive and costly. The typical process for emergency work is “replace-in-place,” which means to physically remove the existing main and to install the new main directly in its place.

Q. Please provide the forecast for emergency work for 2024.

A. Currently known emergency work projects for 2024 are listed and described in NS-PGL Ex. 50.01, Schedule 1. However, by definition, emergency projects are not typically planned; accordingly, this list will change substantially throughout the year as conditions occur that require emergency repair. The Company estimates the cost of such work in 2024 will be $28.9 million. This figure is based on past actual spending levels for emergency

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\(^8\) This is sometimes referred to as “short cycle” work, which refers to the special procedure in place that allows Peoples Gas to obtain expedited permits from the City of Chicago to enable emergency work.

\(^9\) NS-PGL Ex. 50.01, Schedule 2, presents photographs of certain emergency/short-cycle projects.
work over the past three years and is likely low, as it is nearly certain that leaks on the
riskiest pipe in the system that would have been addressed under the neighborhood
approach but for the Commission’s ordered “pause” will develop into emergency work in
2024. Accordingly, Peoples Gas requests $1.566 million be restored to its revenue
requirement to cover the cost of this work reflecting the $28.9 million estimate for
emergency work in 2024.

Q. As requested by the Commission in its Rehearing Order, please describe the
Company’s performance against budgets for emergency work for 2023 and the
previous three years.

A. The chart below provides this information. As can be seen from the chart, emergency/short-
cycle work has exceeded budget in each of the last four years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$12,113,278</td>
<td>$28,240,181</td>
<td>$16,126,902</td>
</tr>
<tr>
<td>2021</td>
<td>$22,423,000</td>
<td>$24,564,480</td>
<td>$2,141,480</td>
</tr>
<tr>
<td>2022</td>
<td>$21,370,217</td>
<td>$33,701,891</td>
<td>$12,331,674</td>
</tr>
<tr>
<td>2023</td>
<td>$24,373,747</td>
<td>$27,281,117</td>
<td>$2,907,370</td>
</tr>
</tbody>
</table>

Q. Please explain the reason for the historic variances between budget and actual for
emergency work.

A. Emergency projects are not typically planned and therefore unforeseen, emerging problems
on the natural gas system can lead to increased costs. The unpredictability of these costs is
exacerbated by differences in weather each winter. While Peoples Gas attempts to develop
accurate budget forecasts based on the most recent available data, the need for reactive
replacement work has generally increased as the system has continued to age. Furthermore,
emergency work is expensive on a cost per foot basis as it is unplanned and prioritizes immediate safety above long-term operational efficiency.

**Q. How does emergency work relate to Peoples Gas’s reliability and safety goals?**

**A.** Emergency work is consistent with these goals. The majority of Grade 1 and 2 leaks that occur on Peoples Gas’s system arise in aging, leak-prone pipe. Therefore, when the Company addresses such leaks, it is simultaneously improving the safety and reliability of its entire system by retiring old, leak-prone pipe and replacing it with modern plastic and steel mains. However, as stated above, emergency projects tend to have a much smaller scope, are not pre-planned, and carry the highest level of urgency. These jobs are considerably more costly on a unit basis because their reactive nature does not allow them to be planned out months or years in advance; this work necessarily occurs immediately as a response to emergency situations that arise suddenly.

**Q. Please describe the Company’s system improvement work.**

**A.** System improvement projects are also pursued independent of the neighborhood program and are undertaken without respect to the neighborhood risk ranking model. These projects address specific targeted problems wherever they are in the City and are focused on areas where there are many leaks, or where specific operational issues threaten to disrupt service to customers. In other words, system improvement work is critically necessary to prevent reliability problems from turning into emergencies. An example can be where water gets in the main on our low-pressure system and on cold days causes a freeze up in the pipe, interrupting service to our customers. While a significant portion of the system...
improvement projects for 2024 were already underway in 2023, approximately $19.7 million in such projects are slated to begin in 2024. NS-PGL Exs. 50.02 and 50.03.

One compliance-driven portion of our system improvement work is dictated by the UMRI, which is a tool that maintains historical information on individual pipe segments and creates an “index factor” for each segment based on past performance indicators on the pipe. Peoples Gas developed this methodology in response to Liberty Consulting’s\(^{10}\) finding that the Company needed to re-evaluate the values assigned to the various factors in its main evaluation process, including assigning higher values to components with a higher probability and consequence of failure. As such, Peoples Gas addresses any emerging need to replace vulnerable pipe segments through the UMRI and a defined project tracking approach.\(^ {11}\) This requires the replacement of main segments that equal or exceed an UMRI score of 6.0, regardless of location or neighborhood, and the replacement of main segments that equal or exceed an UMRI score of 5.0 that are adjacent to schools, hospitals, and nursing homes, within one year.

Q. **What is the effect of pausing system improvement work?**

A. Our concern with pausing this work is that it will increase the likelihood of emergencies, and could significantly harm customers by threatening reliability, leading to system failures during the coldest parts of the year. It could also lead to serious public safety issues by failing to address the potential for more consequential leaks or reliability concerns before they happen. Peoples Gas continuously monitors and models its natural gas system and

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\(^{11}\) Peoples Gas’s UMRI Project Tracking Procedure is attached here to as NS-PGL Ex. 50.04.
when it falls outside of acceptable performance parameters, projects are undertaken to remediate the reliability problem prior to an emergency situation for our customers. System improvement projects planned to begin in 2024 are detailed in NS-PGL Ex. 50.0, Schedule 3; see also NS-PGL Ex. 50.02.

Q. **Please provide an estimate of the cost of system improvement work for 2023 and 2024.**

A. Peoples Gas spent approximately $72.0 million on system improvement work in 2023. Peoples Gas estimates $19.7 million in system improvement work will begin in 2024. NS-PGL Ex. 50.03. This estimate was developed based upon a conservative forecast of additional system improvement projects that will be needed in 2024, beyond those that were already underway at the end of 2023. Peoples Gas requests that that the Commission allow this work to continue and restore $1.068 million to the Company’s revenue requirement to cover the cost of this work.

Q. **Please explain the relationship between system improvement work and the SMP.**

A. Similar to the emergency work, system improvement projects that replaced at-risk materials and/or upgraded the system to medium pressure were traditionally included within the scope of the SMP (and recoverable under Rider QIP). Peoples Gas performs some system improvement work to reduce the risk of an over-pressurization scenario like the 2018 incident in the Merrimack Valley gas explosions. There, excessive pressure in low-pressure natural gas pipelines caused a series of explosions and fires, ultimately leading to loss of life and severe damage to the surrounding communities.
Q. How does system improvement work relate to Peoples Gas’s reliability and safety goals?

A. As with emergency work, most problems requiring system improvement projects arise on aging, low pressure, leak-prone pipe. By replacing that pipe with modern plastic pipe at medium pressure Peoples Gas is reducing risk and advancing critical safety and reliability goals.

Q. Please describe in greater detail the Company’s public improvement work.

A. Public improvement work is directed by the City of Chicago and other third parties and is planned and completed separately from neighborhood work. Public improvement projects involve situations where the City or other underground users are performing work under the streets. In some cases, this work requires Peoples Gas to relocate its facilities, but even where relocation is not strictly required, the Company takes advantage of these situations to efficiently replace leak-prone pipe in the same area in a coordinated manner with the City and other underground users. So, for example, if the City has to open streets in an area to complete sewer work, Peoples Gas will coordinate with City crews to simultaneously replace leak-prone pipe in the area. This coordination helps Peoples Gas comply with the City’s street construction and resurfacing moratoriums, which double permit fees and assess degradation fees. Thus, coordinating in this way ultimately saves

12 Illinois’ home rule doctrine establishes that the City can require Peoples Gas to relocate its facilities. Peoples Gas Light & Coke Co. v. City of Chi., 109 N.E.2d 777, 785-786 (Ill., 1952). Therefore, Peoples Gas does not have any viable choice but to relocate its facilities when requested to do so by the City.

13 The City, via ordinance, has established a street construction moratorium of 10 years for any street that has been constructed with a concrete surface/base and a street resurfacing moratorium of 5 years for any street that has been resurfaced with asphalt. See 2019 CDOT Rules and Regulations for Construction in the Public Way, Sec. 3.4.3, available at: https://www.chicago.gov/content/dam/city/depts/cdot/Construction%20Guidelines/2019/2019_CDOT_Rules_and_Regs_101819.pdf.
costs for customers, prevents multiple disruptions to City streets, and eliminates
duplicative restoration costs.

Public improvement projects also move Peoples Gas’s facilities out of the way of
other underground infrastructure, which effectively prevents emergencies that might arise
due to contractor strikes during excavation, or due to having natural gas pipes in too-close
proximity to other underground facilities. With respect to this latter scenario, relocation is
often required to comply with PHMSA’s rules to prevent system emergencies. For
example, PHMSA’s rules provide, in relevant part:

When an operator has knowledge that the support for a segment of
buried cast-iron pipeline is disturbed . . . That segment of the
pipeline must be protected, as necessary against damage during the
disturbance…. As soon as feasible, appropriate steps must be taken
to provide permanent protection for the disturbed segment from
damage that might result from external loads …

49 CFR § 192.755(a), (b). In many cases the most prudent action is to replace an affected
facility with modern material to stay in compliance with federal, state, and local codes or
rules.

Q. Please describe each of the public improvement planned for 2024.

A. Public improvement projects planned for 2024 are detailed in NS-PGL Ex. 50.01, Schedule
4; see also NS-PGL Ex. 50.02.

Q. Please provide an estimate of the cost of public improvement work for 2023 and 2024.

A. Peoples Gas spent approximately $18.6 million on public improvement projects in 2023.
Peoples Gas estimates $13.5 million in public improvement work will begin in 2024. NS-
PGL Ex. 50.03. This estimate is based on a conservative forecast of 2024 public
improvement work based upon the cost required to comply with such requests in the past
several years, beyond the projects that were already underway at the end of 2023. Peoples Gas requests that the Commission allow this work to continue and restore $0.730 million to the Company’s revenue requirement to cover the cost of this work.

Q. Please explain the relationship between public improvement work and the SMP generally.

A. As explained above, public improvement work that addresses leak-prone material and/or upgrades to medium pressure is consistent with the SMP and has historically been included in reporting on the SMP.

Q. Can you please describe how public improvement work relates to Peoples Gas’s reliability and safety goals?

A. Again, public improvement work furthers the Company’s safety and reliability goals because it replaces aging, leak-prone pipe with new, plastic pipe, and prevents conflicts amongst underground infrastructure that could become emergencies. When feasible, the Company takes the opportunity during public improvement work to upgrade the system to medium pressure, thereby reducing the hazard of operating an inherently risky low-pressure system as well as aligning with the Company’s safety and reliability goals.

Q. Please explain what information is presented in NS-PGL Ex. 50.01.

A. This exhibit provides further detail on the emergency/short-cycle projects (Schedule 1), system improvement projects (Schedule 3), and public improvement projects (Schedule 4) included under the ESR work category. For each phase of every currently known public improvement and system improvement project, NS-PGL Ex. 50.01, Schedules 3 and 4 provide three documents: (1) a drawing cover sheet for the phase; (2) a status map; and (3)
detailed contractor construction schedule. The drawing cover sheet provides a map showing the precise location of the project phase, a project description and scope of work, relevant construction standards, quantities of pipe being installed and retired by size, as well as asphalt and concrete restoration quantities and the number of meters and services being transferred. The status map provides installation quantities for meters, services, and distribution lines for each phase and shows progress for each block in the phase. The third document details the schedule for construction for each phase at a single block or multi-block level in both text and graphical format. NS-PGL Ex. 50.01, Schedule 2, also provides photographic evidence of certain emergency/short-cycle projects, and NS-PGL Ex. 50.08 provides a map showing the location of each ESR project.

IV. **2023 SMP WORK IN PROGRESS.**

Q. **Is there another other type of work that should be permitted to continue in 2024 in addition to the ESR work described above?**

A. Yes. While Peoples Gas understands the Commission’s directive to pause work on neighborhood projects and therefore has not initiated any new neighborhood work, it is important that Peoples Gas be permitted to finish projects that were started in 2023 and would otherwise remain in a state of incompletion, creating eyesores and risks to public safety. These projects fall within the neighborhood, high pressure, system improvement, and public improvement categories of work.

Q. **Can you please describe the work in progress in greater detail?**

A. Yes. The neighborhood work in progress was initiated as part of the Company’s ongoing efforts to replace leak prone pipe, neighborhood-by-neighborhood, on a risk-ranked basis.
This category also includes high pressure, system improvement and public improvement projects that were begun in 2023 and carried over into 2024. For the past decade or so, this type of work has been ongoing throughout the year, with projects starting in one year often continuing into the subsequent year. If certain projects begun in 2023 are not allowed to be completed in 2024, it will delay retirement of vintage pipe, leaving multiple pipes/systems in place, increasing risks of hits to the pipe through digging, and leaving those pipes in states of incompletion that will create eyesores and risks to public safety, including torn up streets, sidewalks, and yards, street and sidewalk blockages, unconnected customer service lines with above-ground exposed pipe, and targets for vandalism and theft. Additionally, this will leave unsightly and unfinished pipe work inside customer homes where preparation for the relocation of gas meters has been started including coring holes through customer building walls. NS-PGL Ex. 50.05, Schedule 15 contains several photographic examples of work in progress.

Q. **How many neighborhood projects in progress require completion in 2024?**

A. As of the date of this filing, Peoples Gas has 53 projects underway in 11 neighborhoods. These projects are detailed in NS-PGL Exs. 50.05, Schedules 1-11, and 50.06.

Q. **Please describe the neighborhood projects in progress reflected in NS-PGL Ex. 50.06.**

A. NS-PGL Ex. 50.06 contains data for each phase of every neighborhood project that began in 2023 and remains underway in 2024. This data is directly responsive to many of the questions Chairman Scott indicated the Commission wanted answered in this rehearing proceeding, including:

- The total blocks in each phase;
• A breakdown of overall feet of main in each phase being installed by material 
type, pressure, and diameter, how many feet have been completed and how 
many remain to be completed as of January 1, 2024, again by material type, 
pressure, and diameter;

• The start and end date for each phase;

• The number of meter transfers completed to date and remaining to be 
completed; and

• A breakdown of overall feet of main in each phase being retired by material 
type, pressure, and diameter, how many feet have been completed and how 
many remain to be completed as of January 1, 2024, again by material type, 
pressure, and diameter.

Q. Is Peoples Gas able to provide the costs incurred to date for in progress neighborhood, 
high pressure, system improvement, and public improvement work by neighborhood 
and block?

A. We are providing the actual costs incurred to date for each project underway. NS-PGL Ex. 
50.03 provides costs incurred through December 31, 2023, and then costs remaining, by 
month, through project completion. This data is broken down into costs for mains, services, 
restoration, and meters. To date, Peoples Gas has not tracked these costs on a block-by-
block basis, and they were not bid that way by contractors. We are providing calculated 
average costs for each project on a block-by-block basis in NS-PGL Exs. 50.02 and 50.06. 
Note, however, that these averages do not necessarily align with real world costs, since 
costs vary block-to-block. As stated previously, Peoples Gas understands that the
Commission’s forthcoming investigation into the SMP will consider and evaluate the current neighborhood program. Peoples Gas therefore suggests addressing the concept of block-level information in that proceeding.

**Q. Can you please explain the high pressure work in progress?**

**A.** Yes. High pressure work is also separate from the neighborhood work, and involves installation of high pressure mains, which support existing service throughout Peoples Gas’s service territory and provide the “backbone” for future upgrades to bring the entire gas network in Chicago up to medium pressure or provide additional reliability for the existing medium pressure system. Failure to allow completion of the in progress high pressure project carries the same problems described above for unfinished system improvement work, plus the risk of abandoning critical infrastructure in a prime utility corridor space in the City of Chicago right of way.

**Q. How many high pressure projects in progress require completion in 2024?**

**A.** As of the date of this filing, there is one high pressure project underway in the Central Business District. This project is detailed in NS-PGL Ex. 50.05, Schedule 12. The start date was June 5, 2023 and the estimated completion date is July, 2024.

**Q. Please provide the costs incurred to date for this high pressure project in progress.**

**A.** Through 2023, Peoples Gas incurred $7.4 million for this project; in 2024 the Company expects to incur an additional $9.7 million to complete the project. See NS-PGL Ex. 50.03; see also NS-PGL Ex. 50.06.
Q. Chairman Scott also requested that the Company describe “any other work Peoples [Gas] has completed or intends to complete at the in progress site.”\textsuperscript{14} Is there any work you would like to discuss under this catch-all category?

A. Yes. There are two categories of work relating to neighborhood projects. The first is installing services, which are the pipes running from mains to customers’ homes and businesses. Quantities for services for each phase are provided in NS-PGL Ex. 50.06. The second is restoration, which is the last stage of construction during which streets, sidewalks, and lawns are restored to their pre-construction condition. The final date of restoration is also in most cases the date on which a project is deemed completed. Details on restoration are also provided in NS-PGL Ex. 50.06.

Peoples Gas is very proactive with respect to customer communications when commencing these types of projects. NS-PGL Ex. 50.07 is a six-step SMP guide that the Company provides to customers to tell them what to expect when Peoples Gas performs pipeline upgrades in their neighborhood. For projects that are in progress, customers have a reasonable expectation that all these steps will be completed in a timely and efficient manner.

Q. Please describe the system improvement and public improvement work in progress.

A. We described system improvement and public improvement projects above. There were a number of these projects underway at the end of 2023 that continued into 2024. NS-PGL Ex. 50.06 contains the following data for each phase of every one of these projects:

- The total blocks in each project;

\textsuperscript{14} See North Shore Gas Co., \textit{et al.}, ICC Docket Nos. 23-0068/0069 (cons.), Regular Open Meeting Transcript (Jan. 3, 2024), at 16:11-12.
• A breakdown of overall feet of main being installed by material type, pressure, and diameter, how many feet have been completed and how many remain to be completed as of January 1, 2024, again by material type, pressure, and diameter;
• The start and end date for each project;
• The number of meter transfers completed to date and remaining to be completed; and
• A breakdown of overall feet of main being retired by material type, pressure, and diameter, how many feet have been completed and how many remain to be completed as of January 1, 2024, again by material type, pressure, and diameter.

Additionally, NS-PGL Ex. 50.03 provides costs to date and costs yet to be incurred for each public improvement and system improvement project in progress.

Q. How much does Peoples Gas estimate it will cost to complete in progress projects in 2024?

A. Peoples Gas estimates that the cost to complete the work in progress for neighborhood projects in 2024 will be $48.7 million, and the cost to complete high pressure project will be $9.7 million. NS-PGL Ex. 50.03. We estimate that in progress system improvement work will cost $16.4 million, and public improvement work will cost $8.0 million. Accordingly, the Company requests that $4.486 million be restored to the revenue requirement to cover the cost of this work.

Q. Please explain what information is presented in NS-PGL Ex. 50.05.

A. This exhibit provides further detail on the neighborhood projects (Schedules 1-11), the high pressure project (Schedule 12), system improvement projects (Schedule 13), and public
improvement projects (Schedule 14) that are in progress. Specifically, for each phase of every project that is in progress, NS-PGL Ex. 50.05 provides three documents: (1) a drawing cover sheet for the phase; (2) a status map; and (3) detailed contractor construction schedule. The drawing cover sheet provides a map showing the precise location of the project phase, a project description and scope of work, relevant construction standards, quantities of pipe being installed and retired by size, as well as asphalt and concrete restoration quantities and the number of meters and services being transferred. The status map provides install quantities for meters, services, and distribution lines for each phase and shows progress for each block in the phase. The third document details the schedule for construction for each phase at a single block or multi-block level in both text and graphical format. NS-PGL Ex. 50.05, Schedule 15, provides photographic evidence of certain in progress work, and NS-PGL Ex. 50.08 provides a map showing the location of each project in progress.

Q. Is there anything else that you would like to share about the ESR work or the in-progress work in relation to this rehearing?

A. Yes. We appreciate the opportunity to describe the work we are doing to provide safe and reliable service to our customers. This testimony and supporting exhibits provide a significant amount of information about the work and we look forward to responding to additional questions to ensure all stakeholders understand the necessity and prudence of this planned work.

Q. Does this conclude your direct testimony on rehearing in this proceeding?

A. Yes.