

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

CITIZENS UTILITY BOARD)
)
Complaint requesting the ICC to order)
Peoples Energy Services to cease)
and desist misleading marketing)
of Gas offering.)

Docket No. 03-0592

SECOND AFFIDAVIT OF JOAN S. HOWARD OF
THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

Dated: November 19, 2003

OFFICIAL FILE
I.C.C. DOCKET NO. 03-0592
Staff Exhibit No. 2.0
Witness _____
Date 11/21/03 Reporter TR

JOAN S. HOWARD, HAVING BEEN DULY SWORN, DOES DEPOSE AND SAY AS FOLLOWS:

My name is Joan S. Howard, and my business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

I am employed by the Illinois Commerce Commission ("Commission") as Consumer Policy Analyst in the Consumer Services Division. I am the same Joan S. Howard who provided a November 6, 2003 Affidavit in this proceeding.

Purpose and Scope of Affidavit

The purpose of my affidavit is to respond to certain statements made in the November 14, 2003 Affidavit of Wendy Ito in this proceeding. (Ms. Ito is the Director of Business Planning and Development for Peoples Energy Services Corporation.) This second affidavit is based upon Ms. Ito's November 14 affidavit as well as knowledge mentioned in my November 6 affidavit.

Price

In her November 14 affidavit, Ms. Ito comments that her October 21 affidavit addresses certain provisions and she will not repeat those statements. One of those provisions is price. In her October 21 affidavit, Ms. Ito states, "The offer provided consumers with a simple stable pricing plan to lock into a fixed price of \$.62 per therm for all the gas used until September 2005." She goes on to say, "The offer letter provided a *brief description* of the offer. The Natural Gas Agreement provided the complete terms and conditions of service." The marketing letter mentions only a fixed rate of 62 cents per therm, which doesn't fully disclose the price at all. In fact the agreement contradicts the marketing letter and reveals that the price consists of three components, a point I discussed at length in section entitled Price and Term beginning at page 5 of my affidavit of November 6.

Exhibit A of Ms. Ito's November 14 affidavit, a proposed letter to customers recently enrolled under the natural gas agreement, makes efforts toward pricing disclosure.

Peoples Energy Services describes the offer price as:

62 cents per therm. This price will not change at any time prior to September 2005.

\$2.95 monthly administrative charge.

Utility charges associated with our services, including the aggregation balancing charge (the total of these charges varies each month and for the month of October 2003 ranged from 2.20 cents to 5.7 cents per therm).

While I appreciate Peoples Energy Services' disclosure efforts, these statements still fall short of the Commission's Consumer Services Division's reasonable expectations, largely since customers still remain unclear about the actual price they will pay.

The phrase "utility charges associated with our services" gives the impression that the unspecified charges are utility charges to the customer. If, instead, these are utility charges to the supplier and the supplier has the option to pass the charges on to the customer, this election must be fully disclosed to the customer under the specific terms of the offer.

The phrase "including the aggregation balancing charge" implies that the aggregation balancing charge is not the only charge that Peoples Energy Services may pass to the customer. What charges could the customer be required to pay under this offer and how are they determined? Are they based upon consumption? If yes, are they a per therm charge? If an "aggregation balancing charge" is the only utility charge associated with Peoples Energy Services that will be passed on to the customer, the letter should say so. If not, then the type and pricing of all other charges should be specifically disclosed.

The statement that "the total of these charges varies each month and for the month of October 2003 ranged from 2.20 cents to 5.7 cents per therm" is vague and troubling.

This could mean that the range is wider in other months. It could mean that customers of Peoples Energy (Peoples Gas and North Shore) pay a different amount than Nicor Gas customers. This could mean a customer could pay 64.2 cents per therm or 67.7 cents per therm, or an entirely different figure. At the very least, these varying charges are certainly not the "fixed rate of 62 cents per therm" that Peoples Energy Services described in its original marketing letter.

Ms. Ito suggests that my comments concerning price did somehow not apply to the letter Peoples Energy Services proposes to send to clarify its offer to existing customers.

While my affidavit of November 6 doesn't include comments limited to Peoples Energy Services' letter, Staff has worked informally with Peoples Energy Services to identify issues and suggest changes to improve the proposed letter. The recently revised letter (Exhibit A of Ms. Ito's November 14 affidavit) incorporates some of Staff's suggested changes. The revised letter specifies that a notice will be sent 60 days prior to the end of the two-year term, alerts the customer that a termination fee of 15 cents per therm is applicable, and includes the affiliated interest disclosure. In my opinion the letter identified as Exhibit A in Ms. Ito's November 14 affidavit demonstrates that Peoples Energy Services benefited from Staff's suggestions to clarify the offer on those points. However, more work needs to be done before the letter succeeds in clarifying the offer. In addition to fully disclosing the price, the letter should clarify what is meant by "fixed price plan" with respect to this offer.

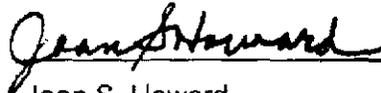
In its current form, the letter remains deficient with respect to price. Informally and in my affidavit, I have declared repeatedly that the price of the offer is not fully disclosed – my comments apply to every presentation of the offer, not only the original marketing letter and natural gas agreement, but also to the proposed letter to enrollees and to all other past and future communications regarding this offer. In its present form the proposed letter does not meet the recommendations put forth by Staff with regard to clarifying the

offer to existing customers. Peoples Energy Services should resolve this issue before it sends the letter.

I would like to take this opportunity to reaffirm the recommendations and conclusions expressed in my November 6 affidavit and ask that the Commission adopt them in this proceeding.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge.

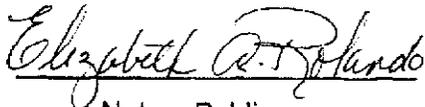
Executed on November 19, 2003


Joan S. Howard

State of Illinois)

County of Sangamon)

Subscribed and sworn to before me
this 19th day of November, 2003


Notary Public

My Commission expires _____

