

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion,)	
)	
v.)	
)	
North Shore Gas Company)	03-0704
)	
)	
Reconciliation of revenues)	
collected under gas)	
adjustment charges with actual)	
costs prudently incurred.)	

DIRECT TESTIMONY
OF
ALLAN IKOMA

- 1 Q. Please state your name and business address.
- 2 A. Allan Ikoma, 130 East Randolph Drive, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company ("Peoples Gas").
- 5 Q. What position do you hold with Peoples Gas?
- 6 A. I am Manager of Rates.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for directing the activities of the Rates Department and
- 9 for making recommendations regarding rate policies for Peoples Gas and
- 10 Respondent, North Shore Gas Company.
- 11 Q. Please summarize your educational background and experience.

12 A. In 1975, I graduated from University of Illinois – Chicago Campus with a
13 Bachelor of Science Degree in Finance and Economics. In 1981, I received a
14 Masters in Business Administration from De Paul University. I have been
15 employed by Peoples Gas from September 1975 to the present. I began my
16 employment in the Market Research Department. In April 1976, I was
17 transferred to what is now the Gas Supply Planning Department. In July 1985, I
18 was promoted to Supervisor. In April 1990, I was transferred to what is now the
19 Rates Department as Supervisor. In September 1992, I returned to Gas Supply
20 Planning as Supervisor. In January 1994, I was transferred to what is now the
21 Quality Control Department in the Customer Relations Division as Supervisor. In
22 April 1996, I was promoted to Manager. In October 2000, I returned to the Rates
23 Department to my current position as Manager.

24 Q. Please give a brief description of the operations and status of Respondent.

25 A. I am advised by counsel that Respondent is a corporation organized and
26 existing under the laws of the State of Illinois, having its principal office at 130
27 East Randolph Drive, Chicago, Illinois 60601. It is engaged in the business of
28 purchasing, storing, distributing, selling and transporting natural gas to over
29 152,000 customers. Respondent's service territory covers approximately 275
30 square miles in the eastern portion of Lake County and a small portion of
31 northeastern Cook County. I am advised by counsel that Respondent is a public
32 utility within the meaning of the Public Utilities Act.

33 Q. Please describe the subject matter of this proceeding.

34 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 12,
35 2003, the Illinois Commerce Commission ("Commission") entered a citation order
36 ("order") directed to fourteen Illinois gas and electric utilities, including
37 Respondent. The order requires Respondent to present evidence to the
38 Commission at a public hearing in Docket No. 03-0704 reconciling revenue
39 collected under the purchased gas adjustment clause (Rider 2, Gas Charge, of
40 Respondent's Schedule of Rates) with the actual costs prudently incurred and
41 recoverable under Rider 2, for the twelve months ended September 30, 2003,
42 Respondent's fiscal 2003. The order also requires Respondent's filing to reflect
43 fourteen specified data for each of its Gas Charges. The order further requires
44 that notice of the filing of this evidence be made in accordance with the
45 requirements of 83 Illinois Administrative Code Part 255. In this proceeding,
46 Respondent is making an evidentiary showing in order to satisfy the
47 requirements of the Commission's order.

48 Q. Please describe the notice given by Respondent of the filing in this case.

49 A. At the time the filing in the above-captioned proceeding was made,
50 Respondent placed copies of the filed evidence, available for public inspection, in
51 each of its offices. Public notice of the filing was also posted in each of these
52 offices. Further, Respondent published notice of the filing in the Waukegan
53 News-Sun, a secular newspaper of general circulation in Respondent's service
54 territory, in accordance with the requirements of 83 Illinois Administrative Code
55 Part 255.

56 Q. Please describe Respondent's Exhibit 1.

57 A. Respondent's Exhibit 1 includes a copy of the audit report of Respondent's
58 independent public accountants, Deloitte & Touche, LLP and the verification by
59 Respondent's Senior Vice President, Desiree Rogers. The audit report includes
60 a copy of Respondent's Statement to Illinois Commerce Commission,
61 Determination of Reconciliation Balance for Gas Charge for Fiscal Year 2003
62 ("Statement"), as described in Rider 2, Section G, of Respondent's Schedule of
63 Rates.

64 Q. Was the Statement prepared under your supervision and direction?

65 A. Yes, it was.

66 Q. Are the verification and the audit report true and correct copies of Ms.
67 Rogers' verification and the audit report of the independent public accounts?

68 A. Yes, they are.

69 Q. What are the types of Gas Charges that Respondent files pursuant to its
70 Rider 2 and what costs do the Gas Charges recover?

71 A. Each month, Respondent files a Commodity Gas Charge ("CGC"), a Non-
72 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), a Transition
73 Surcharge ("TS"), and an Aggregation Balancing Gas Charge ("ABGC"). The
74 sum of the CGC, NCGC and TS is the Gas Charge, which is applied to all
75 Company-supplied therms except standby therms supplied to transportation
76 customers. Standby therms are priced at the standby commodity charge, which
77 is the sum of the CGC, 50% of the NCGC and the TS. The CGC recovers
78 commodity-related costs. The NCGC recovers non-commodity related costs.
79 The DGC also recovers non-commodity related costs, but from transportation

80 customers. A factor of 50% is applied to the DGC, which is applied to each
81 therm of transportation customers' contracted for standby service. Revenues
82 arising from the application of the DGC are credited against the non-commodity
83 related costs used in computing the NCGC. The ABGC also recovers non-
84 commodity related costs, but from suppliers serving small volume transportation
85 customers. The ABGC is applied to all therms delivered or estimated to be
86 delivered by the Company to customers served under Rider SVT. Revenues
87 arising from the application of the ABGC are credited against the non-commodity
88 related costs used in computing the NCGC. Given that the NCGC, DGC and
89 ABGC all recover non-commodity related costs, revenues recovered under these
90 three charges are jointly reconciled with such costs. Finally, the TS, which is
91 applied to each therm delivered by Respondent, recovers pipeline gas supply
92 realignment transition costs.

93 Q. The Commission's order requires Respondent to include certain data from
94 the prior reconciliation year in its determination of the current year's
95 reconciliation. Please specify any unamortized Factor A balance at the end of
96 fiscal 2002.

97 A. The unamortized Factor A balance at the end of fiscal 2002 for each
98 respective Gas Charge is shown on Page 2, Line 1, of Respondent's Exhibit 1.
99 Respondent's unamortized Factor A balance at the end of fiscal 2002 reflects a
100 recoverable balance of \$867,888.08 for the CGC, a recoverable balance of
101 \$1,266,563.19 for the NCGC, DGC and ABGC, and a recoverable balance of
102 \$9,582.27 for the TS, for a total recoverable balance of \$2,144,033.54. These

103 amounts are also reflected on Page 2, Line 13, of Respondent's Statement to
104 Illinois Commerce Commission, Determination of Reconciliation Balance for Gas
105 Charge for Fiscal Year 2002 ("2002 Statement"). This document was submitted
106 as Exhibit 1 in the direct testimony of Mr. Allan Ikoma in Docket No. 02-0726,
107 Reconciliation of Revenues Collected Under Fuel and Gas Adjustment Charges
108 with Actual Costs for fiscal 2002.

109 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
110 were amortized to Schedule I in Respondent's fiscal 2002 monthly filings but
111 were not yet reconciled through Schedule II of Respondent's monthly filings at
112 September 30, 2002.

113 A. Total unreconciled adjustments to gas costs (Factor A) reflect a
114 recoverable amount of \$494,783.75 for the CGC, a recoverable amount of
115 \$513,420.08 for the NCGC, DGC and ABGC, and a recoverable amount of
116 \$1,582.08 for the TS, for a total recoverable Factor A of \$1,009,785.91. These
117 adjustments, for the reported months of August and September, 2002, were not
118 yet reconciled at the end of fiscal 2002. However, they are reflected in the CGC,
119 NCGC, DGC and ABGC, and TS Gas Charges for the effective months of
120 October and November, 2002, which fall within fiscal 2003. These amounts are
121 shown on Page 2, Line 2, of Respondent's Exhibit 1. They are also reflected on
122 Page 2, Line 12, of Respondent's 2002 Statement.

123 Q. Please specify any Factor O amounts requested by Respondent for fiscal
124 2002 and collected or refunded during fiscal 2003.

125 A. There were no Factor O amounts requested by Respondent for fiscal
126 2002, nor were there any other Factor O amounts collected or refunded during
127 fiscal 2003.

128 Q. What was Respondent's refundable or recoverable balance for fiscal
129 2002?

130 A. Respondent's refundable or recoverable balance for fiscal 2002, which is
131 determined by summing the amounts on Page 2, Lines 1 through 3, of
132 Respondent's Exhibit 1, reflects a recoverable balance of \$1,362,671.83 for the
133 CGC, a recoverable balance of \$1,779,983.27 for the NCGC, DGC and ABGC,
134 and a recoverable balance of \$11,164.35 for the TS, for a total recoverable
135 balance of \$3,153,819.45. These amounts are shown on Page 2, Line 4, of
136 Respondent's Exhibit 1. These amounts are also reflected on Page 2, Line 11 of
137 Respondent's 2002 Statement.

138 Q. What are Respondent's fiscal 2003 recoverable gas costs and revenues?

139 A. Recoverable gas costs are summarized and shown on Page 2, Line 5, of
140 Respondent's Exhibit 1. Recoverable gas costs amount to \$125,574,616.34 for
141 the CGC and \$15,393,012.52 for the NCGC, DGC and ABGC, for a total of
142 \$140,967,628.86 to be recovered under the Gas Charge. There are no
143 recoverable gas costs for the TS due to the termination of pipeline transition
144 costs in November 1997, Respondent's fiscal 1998. Although there are no
145 recoverable gas costs for the TS in fiscal 2003, there are revenues arising
146 through the application of the TS, which are recovered under the Gas Charge.
147 These amounts, which are insignificant, arise from billing adjustments and flow

148 through Factor A of the TS. Revenues are summarized and shown on Page 2,
149 Line 6, of Respondent's Exhibit 1. Revenues arising through the application of
150 each Gas Charge amount to \$131,932,674.27 for the CGC, \$16,857,087.81 for
151 the NCGC, DGC and ABGC and \$3.91 refunded for the TS, for a total of
152 \$148,789,758.17 recovered under the Gas Charge. Recoverable gas costs and
153 revenues are shown in more detail on Pages 3, 4 and 5 of Respondent's Exhibit
154 1 for the CGC, NCGC, DGC and ABGC, and TS, respectively.

155 Q. Please specify the pipeline refunds or surcharges that Respondent
156 separately reported in fiscal 2003 monthly Gas Charge filings.

157 A. Pipeline refunds and surcharges, which are summarized and shown on
158 Page 2, Line 7, of Respondent's Exhibit 1, include a refund of \$3,645.65 for the
159 NCGC, DGC and ABGC.

160 Q. Please specify any other adjustments that were separately reported in
161 fiscal 2003.

162 A. There were no other adjustments that were separately reported in fiscal
163 2003.

164 Q. Please specify the interest, calculated pursuant to Section 525.50 of the
165 Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

166 A. Interest, calculated pursuant to Section 525.50, for inclusion in
167 Adjustments to Gas Costs (Factor A), is shown on Page 2, Line 9, of
168 Respondent's Exhibit 1, and reflects a refundable amount of \$19,762.41 for the
169 CGC, a refundable amount of \$9,095.65 for the NCGC, DGC and ABGC and a

170 recoverable amount of \$147.55 for the TS, for a total refundable amount of
171 \$28,710.51.

172 Q. What was Respondent's over- or under-recovery for fiscal 2003?

173 A. Respondent's over- or under-recovery for fiscal 2003 is shown on Page 2,
174 Line 10, of Respondent's Exhibit 1. The over- or under-recovery for each Gas
175 Charge can be determined by deducting the amount on Line 6 (revenues arising
176 through the application of each Gas Charge) from the amount on Line 5 (costs
177 recoverable through each Gas Charge) and adding the amounts on Line 7
178 (separately reported pipeline refunds and surcharges), Line 8 (separately
179 reported other adjustments), and Line 9 (interest). Using this calculation,
180 Respondent's over- or under-recovery for fiscal 2003 reflects an over-recovery of
181 \$6,377,820.34 for the CGC, an over-recovery of \$1,476,816.59 for the NCGC,
182 DGC and ABGC, and an under-recovery of \$151.46 for the TS, for a total over-
183 recovery of \$7,854,485.48.

184 Q. Please specify the recovery balance for the reconciliation year.

185 A. The recovery balance for the reconciliation year, which reflects the sum of
186 the (refundable)/recoverable balances for fiscal years 2002 and 2003 for each
187 respective Gas Charge, is shown on Page 2, Line 11, of Respondent's Exhibit 1.
188 This amount, which can be determined by summing the amounts on Line 4 (fiscal
189 2002 balance) and Line 10 (fiscal 2003 balance), reflects an over-recovery of
190 \$5,015,148.51 for the CGC, an under-recovery of \$303,166.68 for the NCGC,
191 DGC and ABGC and an under-recovery of \$11,315.81 for the TS, for a total over-
192 recovery of \$4,700.666.03.

193 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
194 were amortized to Schedule I in Respondent's fiscal 2003 monthly filings but
195 were not yet reconciled through Schedule II of Respondent's monthly filings at
196 September 30, 2003.

197 A. Total unreconciled adjustments to gas costs (Factor A), which are shown
198 on Page 2, Line 12, of Respondent's Exhibit 1, reflect a refundable amount of
199 \$1,406,771.20 for the CGC, a recoverable amount of \$23,772.53 for the NCGC,
200 DGC and ABGC, and a recoverable amount of \$1,703.87 for the TS, for a total
201 refundable Factor A of \$1,381,294.80. These adjustments, for the reported
202 months of August and September, 2003, are not yet reconciled at the end of
203 fiscal 2003. However, they are reflected in the CGC, NCGC, DGC and ABGC ,
204 and TS Gas Charges for the effective months of October and November, 2003,
205 which fall within fiscal 2004.

206 Q. Please specify any unamortized balance at the end of fiscal 2003.

207 A. The unamortized balance at the end of fiscal 2003 is shown on Page 2,
208 Line 13, of Respondent's Exhibit 1. The unamortized balance for each
209 respective Gas Charge can be derived by deducting the amount on Line 12 (total
210 unreconciled Factor A adjustments) from the amount on Line 11 (the over- or
211 under-recovery balance for the reconciliation year). Respondent's unamortized
212 balance at the end of fiscal 2003 reflects a refundable balance of \$3,608,377.31
213 for the CGC, a recoverable balance of \$279,394.15 for the NCGC, DGC and
214 ABGC, and a recoverable balance of \$9,611.94 for the TS, for a total refundable
215 balance of \$3,319,371.23.

216 Q. Please specify any Factor O amounts requested by Respondent for fiscal
217 2003.

218 A. There are no Factor O amounts requested by Respondent for fiscal 2003.

219 Q. Does Respondent's Exhibit 1 include other reports that support the
220 summary amounts shown on Page 2?

221 A. Yes. Respondent's Exhibit 1 includes a summary of the detailed Schedule
222 II, Adjustments to Gas Costs (Factor A) reports that were filed as part of
223 Respondent's monthly Gas Charge reports for fiscal 2003. Pages 6, 7 and 8 of
224 Exhibit 1 reflect Schedule II reports that were filed for the CGC, NCGC, DGC and
225 ABGC, and TS, respectively. These reports reflect the monthly reconciliation of
226 recoverable gas costs and Gas Charge revenues, adjustments to gas costs
227 (Factor A), refunds and other adjustments, Factor A amortizations and
228 unamortized balances, Factor O amortizations and unamortized balances, and
229 interest determined for each Gas Charge. Finally, Page 9 of Exhibit 1 contains
230 notes that explain Gas Charge reconciliation summary items noted on Page 2 of
231 Exhibit 1.

232 Q. Does this conclude your direct testimony?

233 A. Yes, it does.