DIRECT TESTIMONY

of

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Illinois Power Company

Proposed Rate Increase for Gas Service

Docket No. 04-0476

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Introduction

Q. Please state your name and business address.

A. My name is Peter Lazare. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. What is your present position?

A. I am a Senior Rate Analyst with the Illinois Commerce Commission ("Commission"). I work in the Financial Analysis Division on rate design and cost-of-service issues.

Q. What is your experience in the regulatory field?

A. My experience includes twelve years of employment at the Commission where I have provided testimony and performed related ratemaking tasks. My testimony has addressed cost-of-service, rate design, load forecasting and demand-side management issues that concern both electric and gas utilities.

Previously, I served as a Research Associate with the Tellus Institute, an energy and environmental consulting firm in Boston, Massachusetts. I also spent two years with the Minnesota Department of Public Service as a Senior Rate Analyst, addressing rate design issues and evaluating utility-sponsored energy conservation programs.

Q. Please discuss your educational background.

A. I received a B.A. in Economics and History from the University of Wisconsin and an M.A. in Economics from the University of Illinois at Springfield in 1996.

Q. What is the purpose of your testimony in this proceeding?

A. I discuss cost of service and rate design issues pertaining to the rate increase proposed by Illinois Power Company ("IP" or "the Company"). The Company has proposed a new set of rates for all of its customer classes supported by an updated class cost of service study. I have reviewed the Company filing and developed alternative recommendations which I present in my testimony.

Q. How is your testimony organized?

A. I begin by discussing billing determinants issues. Then I address cost of service, class revenue allocations and the design of rates.

Billing Determinants

Q. What billing determinants issue did you examine in this proceeding?

A. I examined how the Company weather-normalized billing determinants for the test year.

Q. Please describe the role of billing determinants in the ratemaking process.

A. Billing determinants represent the number of customer bills, amount of usage and demand units for a given rate class that when multiplied by the associated rate charges produce the test year revenues for the class. If the number of billing determinants is not properly accounted for, the resulting calculation of revenues can be inaccurate as well.

Q. Please explain why test year billing determinants are weather-normalized.

A. Natural gas is used primarily, but not exclusively, as a heating fuel. A colder than average Winter heating season leads to higher consumption and greater revenues while a mild Winter has the opposite effect. Accordingly, billing determinants based on a test year that was colder or warmer than normal need to be weather normalized to ensure that rates do not over- or under- recover costs.

Q. How is the variability of weather accounted for in the ratemaking process?

A. The ratemaking process seeks to develop a reasonable set of rates for retail customers that reflect normal conditions. When it comes to weather, normal is defined as the average over a recent time period, usually 30 years in length. If the test year weather as measured by Heating Degree Days ("HDD") is above or below this average, then test year billing determinants are adjusted downwards or upwards to reflect consumption that would prevail under normal weather conditions.

Q. Has IP normalized its billing determinants?

A. Yes, the Company normailzes by comparing the number of Heating Degree Days for the test year with the average of HDDs over the past 30 years registered at three weather stations within its service territory. The Company then adjusts billing determinants up or down depending on whether the test year is warmer or colder than average.

Q. Has the Company encountered any problems in its normalization process?

A. Yes, IP made an error in its original calculation of normalized weather. In response to discovery, the Company found it did not properly weight the weather data from its three reporting stations and erroneously concluded that the test year weather was abnormally cold. As a result, the Company significantly reduced test year billing determinants and existing revenues and overstated the amount of increase necessary to reach its desired revenue requirement.

Q. How has this problem been addressed?

A. The Company submitted a set of revised exhibits and schedules based on a corrected weather normalization calculation. That calculation found that test year weather was actually slightly warmer than normal rather than unusually cold (Schedule C-2.21, Revised Aug. 27, 2004). So, the Company replaced a significant downward adjustment of test year revenues by an increase of $336 thousand in its revised filing.

Q. What do you conclude about the Company's revised weather normalization adjustment?

A. I find that the Company's revised weather normalization analysis to be reasonable. It is consistent with the temperature recordings at the Company's weather stations. The near normal weather led the Company to significantly reduce its corresponding adjustment of billing determinants and current revenues. The resulting set of billing determinants provides a reasonable foundation for ratemaking in this case.

Cost of Service Issues

Q. Please begin this discussion by explaining the role of a cost of service study in the ratemaking process.

A. The cost of service study provides the cost foundation for allocating revenues and designing rates for retail customers. The cost study apportions each of the Company's costs to individual rate classes based on allocation factors which seek to reflect as accurately as possible how classes impact system costs. The total allocation of costs indicates the amount of revenues to collect from each class of customers.

These allocations also provide the foundation for designing rates. To develop rates each of the costs for each class must be classified as customer-, demand-

or commodity-related. These breakdowns provide a foundation for setting facility, demand and delivery charges.

Q. Do you have any concerns about how the Company proposes to allocate costs in this proceeding?

A. Yes, I take issue with the Company's proposed allocation factors for two sets of costs. One is the allocator IP proposes to use for transmission and distribution ("T&D") costs and the second is IP's proposed allocator for services costs.

T&D Allocation

Q. What allocation methodology does the Company propose for T&D costs?

A. The Company proposes to use the Average and Excess ("A&E") methodology to develop the allocator for these costs.

Q. How does the A&E allocator work?

A. The A &E allocator has two components. One is the average demands for customer classes and the system as a whole. The second component reflects class and system peak demands, actually the excess of peak demands over average demands. The average component allocates system average demand by the ratio of average demand for individual classes to the sum of the average demands for all rate classes. The excess of system peak over average demand is allocated according to each class' share of the excess noncoincident demands of all rate classes.

Q. How does the Company support the A&E allocator?

A. Company witness Althoff makes two arguments on behalf of the A&E allocator. First, she cites precedent for the A&E allocator, noting its approval by the Commission in the Company's last rate case, Docket No. 93-0183. IP Ex. 5.1, P. 7. Then, she argues that the non-coincident demands employed by the A&E allocator are considered by the Company for T&D design and planning. Id.

Q. What is your opinion of the A&E methodology proposed by IP?

A. It is a flawed methodology that should not be used to allocate costs in this case. The A&E allocator has both good and bad features. To the good side, the reliance on average demands recognizes that distribution systems are erected not just to serve peak demands, but also to meet customer demands throughout the year. However, the Excess component of the allocator presents two problems from a cost standpoint.

Q. What are the problems with the Excess component of the allocator?

A. For one, the reliance on noncoincident peak demands to allocate this portion of the rate fails to account for a key factor driving the construction of the distribution system, the need to meet peak demands. The system has to be sized properly to serve all customers when demand on the system as a whole has reached its peak. If class noncoincident peak demands diverge from the system peak, then they will not accurately reflect class contributions to the system peak. This could create a mismatch between cost causation and cost allocation.

The second problem is that the Excess component incorrectly focuses on the difference between peak and average demands, rather than peak demands only, to allocate costs. The key factor driving costs is class contributions to peak demands, rather than the class contribution to the excess of peak demand over average demand. By using the Excess component, the A&E employs the wrong standard for determining cost causation. Further, because the contribution of average demand is already included in the Average component of the A&E methodology, it is illogical and unreasonable to develop an Excess component that again accounts for average demand.

Q. Do you consider Commission approval of the A&E in the Company's last rate case a compelling argument?

A. No, I do not. Since the A&E allocator was approved more than a decade ago for IP, the Commission has consistently chosen another allocator, the Average and Peak ("A&P") to allocate T&D costs for gas utilities. The Commission reaffirmed that position as recently as this year by choosing the A&P methodology over the A&E methodology for both the AmerenCIPS and AmerenUE gas companies (Dockets Nos. 02-0798, 03-0008, 03-0009 (Cons.)).

Q. What alternative to the Average and Excess allocator should the Commission adopt?

A. The Commission should adopt the Average and Peak ("A&P") allocator for transmission and distribution plant. This approach provides the most reasonable, cost-based method for allocating these costs and has previously been approved by the Commission. *See Order*, Union Electric Company, Ill. C.C. Docket No. 98-0546, 1999 Ill. PUC LEXIS 185 at 18-20 (February 18, 1999); *Order*, Central Illinois Public Service Company, Ill. C.C. Docket No. 98-0545, 1999 Ill. PUC LEXIS 186 at 23-27 (February 19, 1999).

Q. How does the A&P method work?

A. Like the A&E, the A&P is a two-part allocator that allocates average system demands one way and the difference between the system peak and the system average demand in another way. While the A&P uses the same approach as the

Average and Excess allocator for allocating average demands, it allocates the difference between system peak and average demands differently. That component is allocated by class contributions to peak demand.

Q. What are the advantages of the A&P approach?

A. The A&P recognizes the two key factors that drive investment in transmission and distribution plant. One factor is the need to meet peak demands, not just for individual classes but for the system as a whole. That is why coincident peak demands are used for one component of the allocator. Second, the allocator recognizes the role of year-round demands in shaping transmission and distribution investments through the average demand component.

Q. Have you developed an alternative A&P allocator for IP?

A. Yes, I have developed such an allocator in the attached Schedule 1.0. The A&P allocator maintains the Company's proposed differentiation of the system into high and low pressure components. However, each component is allocated according to the average and peak demands of the applicable customers.

Services Allocator

Q. What is your second concern about the Company's proposed cost of service study?

A. I am concerned about IP's proposed allocator for Account 380, Services.

Q. Please begin by defining services and explaining the purpose of services in a gas system.

A. Services are the lines that run along the customer's property carrying gas between the distribution line (in some cases the transmission line) and the meter at the residence or business. While distribution lines may serve a larger customer group, service lines are dedicated to individual customers or a few customers in an apartment building or other configuration.

Q. Please explain how the Company proposes to allocate services among rate classes.

A. The Company has developed an allocation methodology that uses a sample of services to estimate costs for rate classes as a whole. The Company's approach, which is presented in workpapers, employs a subset of 16,273 service lines to allocate service lines costs for its 413,559 retail customers (WPE-6.331&2). The 16,273 services are broken down by pipe size and material (steel or plastic) and allocated among IP's customer classes. Factoring in the cost for each size and material and applying a weighting according to the number of customers and average service line length in each class produces an overall cost of services for each class. The costs for each class provide the foundation for the Company's service allocator.

Q. Do you have any concerns with the Company's proposed allocator?

A. Yes, I am concerned that the proposed breakdown of service costs by material

skews the allocation of services among rate classes. Specifically, the Company's proposed approach appears to over-allocate costs to the Residential class (SC 51) and under-allocate costs to nonresidential customers.

Q. Please explain.

A. There are two key considerations driving this conclusion. The first is the Company's estimate of the unit costs (per linear foot) for steel and plastic service pipe. For different pipe sizes the Company estimates a significantly higher unit price for steel than for plastic as shown in Schedule 2.0. According to the schedule, the unit price of steel is more than five times the cost of plastic for all service lengths under 3 inches in diameter. This is a meaningful difference considering that more than 99% of the service lines in IP's survey are less than 3 inches in diameter. Thus, for more than 99% of service lines the Company assumes that steel pipes cost more than 5 times as much as corresponding plastic pipes on a unit basis.

Q. How do these cost differences impact the allocation of services?

A. The impact is significant because the Company assumes a much higher proportion of steel service lines for residential customers than nonresidential customers. IP's assumption that steel costs significantly more raises the residential share of overall service costs relative to other classes.

Q. What concerns you about the Company's logic on this issue?

A. The proposed allocator relies on questionable data concerning: (1) the breakdown between steel and plastic service lines on its system, and (2) the relative cost of steel and plastic pipe.

Q. What is the issue concerning the breakdown of steel and plastic services on the IP system?

A. The Company assumes that the large majority of service lines on its system employ steel pipe. IP's survey includes 13, 271 steel and only 3,002 plastic services. Thus, steel accounts for more than eighty percent of the services used to develop the allocator. However, alternative information finds plastic service lines to be more common than steel on the IP system. The Company's Annual Report to the US Department of Transportation for its Gas Distribution System (Response to Data Request IIEC 1.17) identifies a total of 240,172 plastic service lines and only 159,135 steel service lines on the system. This source suggests that steel accounts for less than 40% of the service lines in place, rather than the 80% share assumed for IP's allocator.

Q. Does the report for the US Department of Transportation support IP's claim that the Residential class has a higher proportion of steel services than other classes?

A. No, it does not. Out of the total of 159,135 steel services identified in IP's report, 8,723 are determined to be 1 inch or less; 1,409 between one and two inches; 64 between 2 and four inches; 7 over four inches and 148,932 of unknown size. In other words, the Company does not know the sizes of more than 93% of the steel services on its system. According to these results, the Company cannot state affirmatively whether Residential customers have a higher or lower proportion of steel services than other classes.

Q. Does the report also raise questions about the Company's assumptions concerning the breakdown of plastic service lines among rate classes?

A. Yes. The Company identifies a total of 3,002 plastic service lines that it uses to develop its services allocator. Of that total, 2,821, or 94%, are categorized as **greater than** an inch in diameter. This distribution by size also conflicts with the data provided in IP's report to the Department of Transportation. That report identified 187,089 plastic services to be an inch or less; 11,522 greater than an inch and 41,561 unknown in length. In other words, the report identifies 94% of the known plastic services as **less than** an inch in diameter. Thus, two different sets of data, both provided by IP, provide diametrically opposite results concerning the sizes of plastic service pipe on the IP system. These results further undermine the reliability of the data IP relies on for its services allocator.

Q. Do you also have questions about the unit cost data underlying IP's proposed services allocator?

A. Yes. IP uses cost data for steel and plastic service pipes that appears to conflict with the Company's cost data for steel and plastic distribution pipes. The Company assumes that steel service pipes cost significantly more than plastic pipes. When it comes to distribution pipes, the Company has found that unit costs are higher for plastic than for steel. This is borne out by the attached Schedule 3.0 which presents lengths and historical cost data for comparable steel and plastic distribution lines (IP Response to IIEC 1-33). The average price is $7.32/ft. for all plastic pipes two inches or less and $3.67 for similar-sized steel. For all pipes up to 8 inches the averages are $8.35 and $6.45 for plastic and steel, respectively. These two data sources imply that plastic pipes may be more costly to install at the distribution level, but when the network reaches the customers' premises, steel suddenly becomes the far more expensive option. These are mutually inconsistent results.

Q Based on the preceding discussion, what do you therefore conclude about the Company's proposed unit costs for service lines?

A. I find those costs unreliable and therefore inappropriate to use in a service cost allocator.

Q. Please summarize your findings concerning IP's proposed services

allocator.

A. The Company fails in its effort to establish a distinction between plastic and steel from either a physical or cost standpoint. Alternative information provided by the Company contradicts IP's conclusions on both counts. There is no basis for adjusting cost allocations to reflect differences between steel and plastic pipe that are more perceived than real.

Q. How should the Company's proposed allocator be revised?

A. The cost distinctions between steel and plastic should be removed from the calculation.

Q. Have you developed an alternative services allocator that achieves this objective?

A. Yes, I have developed a revised services allocator in Schedule 4.0. My allocator relies on the data used for IP's allocator. However, it does not break costs down between steel and plastic pipes as IP's proposed allocator does because of the unreliability of the supporting data. My proposed allocator does apply a weighting to different sized pipe to recognize that unit costs increase with the size of the pipe. That fact is recognized in all the cost data provided by IP and conforms to my understanding of how costs are incurred in the gas industry.

Q. How did you weight service pipe to recognize that unit costs increase with pipe size?

A. I developed a weighting based on the average escalation of service pipe costs calculated by IP for steel and plastic service pipes. Each service line size is multiplied by the applicable cost weighting to derive overall service costs by customer class. The application of these weightings along with the number of customers in each class and the average service length by class produce the service cost allocator presented in Schedule 4.0.

Company vs. Staff Study

Q. Does the Company's proposed cost study present any other problems from a regulatory standpoint?

A. Yes, the cost study employed by IP for this case is ill-suited to the free exchange of information necessary for the ratemaking process. IP relies on a copyright-protected study provided by a third party to develop the class cost of service. Outside users must sign a confidentiality agreement to review a working copy of the model.

When Staff asked for a copy of the Company's study, it was given a version which did not give Staff full access to all parts of the study. Certain formulas in the study were hidden from the user. This impeded Staff's efforts to determine whether the model did, in fact, produce the results it claimed. Thus, considerable

time and energy was invested in this effort to retrieve basic and essential information supporting the Company's proposed rates. This is time better spent reviewing the Company's costing and rate proposals in this case.

The regulatory process must ensure that the rates customers pay are just and reasonable. To make that determination, regulators and intervenors need full and unimpeded access to the underlying costs that support proposed rates. The limited and incomplete cost study initially provided by IP in this case makes it difficult for regulators to meet this objective. The Company's action adds complexity and delay that serve to undermine and compromise the review process. This makes it difficult for Staff to verify that the Company's proposed rates are, indeed, just and reasonable.

Q. What remedies do you propose for this problem?

A. I propose two remedies, one for the current case and another for future proceedings. For this case, I have developed an alternative Staff cost of service study summarized in Schedule 5.0 that provides the foundation for a set of Staff-sponsored rates. Staff's study begins with the costs and allocation factors presented in the Company study and incorporates alternative allocation approaches as discussed in my testimony.

The resulting Staff study offers two advantages. First, it rests upon a more reasonable allocation methodology than the Company study. The Staff study

employs a costing approach that has been approved in a number of gas cases before the Commission. Furthermore, it features two key improvements on IP's proposed cost of service study. The first is the use of the Average and Peak (A&P) allocator for transmission and distribution costs. Second, I have developed an alternative allocator for services costs which reflects more reasoned cost assumptions than IP's proposed approach.

Second, the Staff study offers the clear advantage of being more straightforward and transparent than the Company study. The Staff study is fully functional with all cells and formulas directly accessible to the Commission and all parties. No confidentiality statements need to be signed to receive access to the study. Thus, the Staff study facilitates a more open and thorough regulatory process. Because of these significant advantages, I recommend that the Commission adopt the Staff study for ratemaking in this proceeding.

Q. What is your long-term recommendation with respect to IP's cost study?

A. I recommend that the Commission order IP to present a non-copyright-protected cost-of-service study in future gas cases.

This should not be unduly burdensome for IP considering that other gas utilities in Illinois including AmerenCIPS and AmerenUE are able to develop class cost studies in-house without having to rely on restrictive products offered by third party vendors. In Staff's estimation, IP ratepayers should not be asked in the

future to bear the cost of a study that undermines the exchange of information that is vital to an effective regulatory process. Furthermore, developing an in-house study should not be too burdensome for IP considering that it should be able to share knowledge and resources with Ameren companies now that the Ameren-IP reorganization is finalized.

Class Revenue Allocations

Q. How does the Company propose to allocate the revenue requirement among rate classes in this proceeding?

A. The Company proposes that revenues be allocated to ensure that all rate classes fully recover their respective costs of service based upon the Company's proposed cost study results. This means that proposed class revenues for each class produce a system average rate of return under the Company's proposed cost study.

Q. What is your opinion of the Company's proposed allocation?

A. I agree with the Company that class revenue allocations should fully reflect the cost of service. However, IP's proposed allocation presents problems because of the deficient cost allocations in its supporting cost of service study that were identified in the previous section of this testimony.

Q. What do you therefore propose for allocating revenues among IP ratepayers?

A. I propose that revenues be allocated among rate classes based on the results of Staff's proposed cost of service study. The Staff cost study provide the most appropriate foundation for allocating the revenue requirement in this proceeding for the reasons previously discussed. The resulting rates recover Staff's proposed revenue requirement for the class and they are designed to reflect the cost classifications developed under the Staff approach.

Q. What specific allocation of the revenue requirement do you propose in this case?

A. I propose the set of class revenue allocations presented in Schedule 6.0. These proposed revenue allocations, which are fully cost-based, will ensure that IP customers only pay those rates they cause IP to incur.

Rate Design

Q. What is the Company's general approach to rate design?

A. The Company bases its proposed rates on its class cost of service study. The revenue requirements calculated for each rate class are divided into customer, demand and energy components. The customer component, consisting of costs associated with meters, services, regulators and associated administrative costs, is used to set monthly Facilities charges. Remaining costs are used to develop

per-therm delivery charges for customers with simple usage meters and demand charges for larger demand-metered customers. IP Ex. 7.10, p. 8.

Q. What is your opinion of the Company's proposed approach?

A. I agree with the Company that rates should be based on costs. However, I disagree about what set of cost classifications should be used. I advocate using Staff's cost study for the reasons previously stated in my testimony. The Staff study produces a set of cost classifications summarized in Schedule 7.0 which I believe provide a more reasonable foundation for developing IP's retail rates.

Residential Rates

Q. What specific proposals does the Company make for residential customers?

A. The Company proposals include a significant increase in residential facilities charges, from $9.95 to $13.90 per month for standard service and from $25.00 to $35.00 per month for higher pressure service. IP Ex. 7.10, p. 9. The standard charge is fully cost-based while the higher pressure facilities charge increase was capped at 1.5 times the overall class increase because of customer impact concerns. Id.

With regard to delivery charges, the Company proposes to replace the current declining block with a flat rate structure. This change is based on IP's proposal to make the facilities charge fully cost-based, which obviates the need for a higher

initial usage block to capture unrecovered customer costs. . IP Ex. 7.10, p. 10. However, the Company does state that if the Commission decides to keep IP's proposed facilities charge below cost, it would advocate that the current declining block structure be maintained. Id.

Q. What is your opinion of the Company's proposals for residential rates?

A. The proposed rates are deficient because they reflect a flawed cost allocation methodology.

Q. What alternative approach should the Company take for residential rates?

A. The Commission should adopt the alternative set of residential rates presented in the attached Schedule 8.0. Those rates incorporate a significantly lower standard facilities charge than the Company proposes due to the alternative cost study results relied on by Staff. They also incorporate a flat delivery charge as IP proposes, based, however, on Staff's alternative cost foundation.

Non-Residential Rates

Q. What does the Company propose for smaller non-residential customers in the SC 63 class and for Intermediate Customers in SC 64?

A. As with residential customers, IP proposes a two-part rate for both classes, consisting of a facilities and delivery charge. For SC 63, the Company also incorporates separate facilities charges for standard and higher pressure

customers. While the standard facilities charge is raised to full cost, the nonstandard charge is capped at 1.5 times the class increase due to customer impact concerns. IP Ex. 7.10, P. 12. The proposal for fully cost-based facilities charges leads IP to propose replacing the current declining block rate with a flat rate structure. IP Ex. 7.10, P. 12.

For SC 64, the Company proposes a single facilities charge for the class which consists mainly of higher pressure customers as well as a single block delivery charge.

Q. What is your response to the Company's proposals?

A. Again, my concern lies with the cost allocation approach that underlies IP's proposed rate design. I have developed a set of rates for both SC63 and SC 64 in Schedule 8.0, which are based on Staff's alternative cost foundation. Staff's proposed rates should be accepted by the Commission because they rest on a more reasonable cost foundation.

Q. Please discuss the Company's rate schedules, SC 65 and SC 76.

A. Rate SC 65 is large volume firm gas service which allows customers to transport their own gas and receive firm service directly as a backup. SC 76 is strictly transportation service in which the Company provides backup gas on a "best efforts" basis only. A key difference between the two is that SC 65 customers are allocated storage costs which SC 76 customers are not.

These classes feature more complicated tariffs than other classes. SC 65 includes a facilities charge, electronic metering fee, a delivery charge, and a demand charge. IP Ex. 7.10, p. 14. SC 76 contains a facilities charge, an electronic metering fee, a delivery capacity reservation charge and a delivery charge. IP Ex. 7.10, Pp. 19 and 21. The delivery capacity reservation charge reflects the maximum daily quantity (MDQ) of gas the customer chooses to transport on the IP system. It should be noted that the rate features a number of different facilities charges because the class is diverse in size.

Q. How do you propose to set rates for these customers?

A. Again, the key change I propose is to set rates that reflect the results of my proposed cost of service study, rather than the study sponsored by IP. The resulting rates are developed in Schedule 8.0.

Q. Please describe the service currently provided under SC 67 and 68.

A. These are seasonal rates for specific kinds of end users. Rate SC 67 applies to grain dryers and SC 68 to asphalt customers. Customers in both classes use gas primarily during off-peak periods; grain dryers primarily during the Fall and asphalt suppliers around the Summer months. Neither SC 67 nor SC 68 customers pay demand charges.

Q. What proposal does the Company make for these classes?

A. IP proposes that SC 67 and 68 be consolidated into a single rate class, SC 66. Furthermore, the Company proposes that these customers continue to not be assessed a demand charge as long as they limit their consumption to days when average temperatures are forecast on a day-ahead basis to be 32 degrees Fahrenheit or higher (IP Ex. 7.10, p. 16). If they consume gas on a day when the average temperature is expected to fall below 32 degrees, they will be assessed an additional demand charge. The purpose of the demand charge is to provide an incentive not to consume gas on these colder days.

Q. What is your opinion of the proposed SC 66 rate?

A. I find the Company's proposal to provide a ratemaking incentive to keep these customers from consuming during colder days when demand peaks to be reasonable. While the 32 degree average temperature is an arbitrary cutoff, the freezing temperature is a generally accepted standard for defining colder weather. If the temperature equals or exceeds this level regardless of the day of the year, heating-related demand will not be peaking which will mitigate the impact of consumption by SC 66 customers on system costs.

The potential drawback to the rate is that consumption under this rate will be subject to the vagaries of the weather. It will be difficult to plan too far ahead for gas usage because the weather forecast a week ahead can vary considerably from the day-ahead forecast. Furthermore, a potential problem can arise if the day-ahead forecast proves to be inaccurate. Nevertheless, it may be useful to

find out whether the Company's approach proves beneficial to both customers and IP and that can be best determined through actual experience.

Q. Have you also developed a set of rates based upon Staff's proposed revenue requirement for this case?

A. Yes, those rates are presented in Schedule 9.0. They were developed as follows. I began with my proposed rates under the Company's proposed revenue requirement. I then adjusted each of the rate elements downwards on an equal percentage basis to reflect Staff proposed reduction in IP's revenue requirement.

Q. Does this conclude your direct testimony?

A. Yes.

ILLINOIS POWER COMPANY

2003 Gas Embedded Cost of Service Study
Development of Transmission and Distribution Average and Peak Allocation Factors

TRANSMISSION

Weather Normalized

Rate	Annual Use	Average Demand	Peak Demand	Average Factor	Peak Factor	Total A & P Factor
51	342,072,874	937,186	4,215,748	0.1399	0.3821	0.5219
63	101,509,991	278,110	1,239,055	0.0415	0.1123	0.1538
64	37,379,639	102,410	352,255	0.0153	0.0319	0.0472
65	45,090,274	123,535	272,530	0.0184	0.0247	0.0431
67	5,266,296	86,333	10,649	0.0129	0.0010	0.0138
68	1,469,420	7,986	1,480	0.0012	0.0001	0.0013
76	172,851,439	473,566	999,140	0.0707	0.0906	0.1612
90	78,155,853	214,126	282,080	0.0320	0.0256	0.0575
	783,795,786	2,223,250	7,372,937	0.3318	0.6682	1.0000

Transmission System Load Factor Calculation

SC 67 based on 2 months historical usage/SC 68 based on 6 months historical usage.

Annual Therms	783,795,786	
Coincident Peak	6,472,210	January 2003 peak
Load Factor	33.18%	

DISTRIBUTION

Weather Normalized

Rate	Annual Use	Average Demand	Peak Demand	Average Factor	Peak Factor	Total A & P Factor
51	334,259,754	915,780	4,119,458	0.1488	0.5126	0.6615
63	94,115,469	257,851	1,148,796	0.0419	0.1430	0.1849
64	32,853,750	90,010	309,604	0.0146	0.0385	0.0532
65	25,246,300	69,168	152,591	0.0112	0.0190	0.0302
67	1,620,937	26,573	3,278	0.0043	0.0004	0.0047
68	620,184	3,371	625	0.0005	0.0001	0.0006
76	54,931,338	150,497	317,522	0.0245	0.0395	0.0640
90	989,497	2,711	4,087	0.0004	0.0005	0.0009
	544,637,229	1,515,960	6,055,961	0.2464	0.7536	1.0000

Distribution System Load Factor Calculation

Annual Therms	544,637,229
Coincident Peak	6,055,961
Load Factor	24.64%

Source: Company Response to Staff Data Request PL 2.04.

Docket No. 04-0476
Staff Ex. 6.0
Schedule 6.02

Comparison of Unit Costs
For Steel and Plastic Service Pipe

Diameter (Inches)	Steel	Plastic	Ratio Steel / Plastic
<1.00	$ 11.80	$ 2.26	5.22
1.00	$ 15.75	$ 2.56	6.15
1.25	$ 18.42	$ 3.42	5.39
2.00	$ 19.30	$ 3.74	5.16
3.00	$ 32.63	$ 11.45	2.85
4.00	$ 48.93	$ 25.65	1.91
6.00	$ 58.23	$ 35.46	1.64
8.00	$ 59.45	-	-

Source: IP Workpapers WPE-6.331-6.334

Comparative Costs for Steel and Plastic Distribution Pipe

Material	Diameter	Linear feet	Gross Plant Balance	Unit Cost	Weighted Length* Diamter
Plastic	0.625	19,113	$ 751,832	$ 39.34	11,946
	1.125	44,662	$ 459,171	$ 10.28	50,245
	1.25	5,893,276	$ 33,352,723	$ 5.66	7,366,595
	2	8,113,779	$ 68,420,680	$ 8.43	16,227,558
Subtotal	<=2	14,070,830	$ 102,984,407	$ 7.32	23,656,343
Ave Diameter <=2		1.68			
	3	281,398	$ 2,985,952	$ 10.61	844,194
	4	1,205,037	$ 22,071,881	$ 18.32	4,820,148
	6	71,388	$ 2,141,974	$ 30.00	428,328
	8	4,417	$ 429,890	$ 97.33	35,336
Subtotal	>2	1,562,240	$ 27,629,697	$ 17.69	6,128,006
Total	All Plastic	15,633,070	$ 130,614,104	$ 8.35	29,784,349
Ave Diameter Total		1.91			
Steel	0.75	39,063	$ 1,090,052	$ 27.90	29,297
	1	1,070	$ 405,942	$ 379.39	1,070
	1.25	7,165,729	$ 18,022,970	$ 2.52	8,957,161
	1.5	1,118	$ 396,988	$ 355.09	1,677
	2	6,546,849	$ 30,509,476	$ 4.66	13,093,698
Subtotal	<=2	13,753,829	$ 50,425,428	$ 3.67	22,082,904
Ave Diameter <=2		1.61			
	3	664,281	$ 4,371,662	$ 6.58	1,992,843
	4	2,271,953	$ 30,142,672	$ 13.27	9,087,812
	6	921,240	$ 22,278,632	$ 24.18	5,527,440
	8	264,727	$ 8,130,024	$ 30.71	2,117,816
	10	17,219	$ 1,597,235	$ 92.76	172,190
	12	17,339	$ 1,168,910	$ 67.42	208,068
Subtotal	>2	4,156,759	$ 67,689,134	$ 16.28	19,106,169
Total	All Steel	17,910,588	$ 118,114,562	$ 6.59	41,189,073
Ave Diameter Total		2.30			

Source: Company Response to IIEC 1-33.

Development of Staff's Services Allocator

IP Services Data

Steel	**SC 51**	**SC 63**	**SC 64**	**SC 65**	**SC 67**	**SC 68**	**SC 76**	**SC 90**	**Total**
<1.00	9,183	1,634	25	2	2	-	1	-	10,847
1.00	213	26	2	-	-	-	-	-	241
1.25	949	690	32	5	2	-	7	-	1,685
2.00	61	244	55	6	19	-	18	1	404
3.00	10	6	4	2	1	-	1	-	24
4.00	3	34	6	16	1	2	7	-	69
6.00	-	-	-	-	-	-	-	-	-
8.00	-	-	-	-	-	-	1	-	1
Subtotal	10,419	2,634	124	31	25	2	35	1	13,271
Plastic									
<1.00	152	10	-	-	-	-	-	-	162
1.00	15	4	-	-	-	-	-	-	19
1.25	691	1,308	115	2	1	-	21	-	2,138
2.00	99	352	144	11	8	-	24	-	638
3.00	1	16	4	1	-	-	1	-	23
4.00	1	5	6	3	3	-	3	-	21
6.00	-	-	-	-	-	-	1	-	1
Subtotal	959	1,695	269	17	12	-	50	-	3,002
Combined Steel & Plastic									
	SC 51	SC 63	SC 64	SC 65	SC 67	SC 68	SC 76	SC 90	
<1.00	9,335	1,644	25	2	2	-	1	-	11,009
1.00	228	30	2	-	-	-	-	-	260
1.25	1,640	1,998	147	7	3	-	28	-	3,823
2.00	160	596	199	17	27	-	42	1	1,042
3.00	11	22	8	3	1	-	2	-	47
4.00	4	39	12	19	4	2	10	-	90
6.00	-	-	-	-	-	-	1	-	1
8.00	-	-	-	-	-	-	1	-	1
Total Steel and Plastic	11,378	4,329	393	48	37	2	85	1	16,273

Source: IP Workpapers WPE-6.331-6.334.

Services Allocator
Weighted by Number of Customers

	SC 51	SC 63	SC 64	SC 65	SC 67	SC 68	SC 76	SC 90	Total
No. Custs	378,243	34,232	725	83	79	6	191	1	413,560
<1.00	310,327	13,000	46	3	4	-	2	-	323,383
1.00	7,579	237	4	-	-	-	-	-	7,820
1.25	54,519	15,799	271	12	6	-	63	-	70,671
2.00	5,319	4,713	367	29	58	-	94	1	10,581
3.00	366	174	15	5	2	-	4	-	566
4.00	133	308	22	33	9	6	22	-	533
6.00	-	-	-	-	-	-	2	-	2
8.00	-	-	-	-	-	-	2	-	2
Total	378,243	34,232	725	83	79	6	191	1	413,560

Development of
Size / Cost Weighting

Diameter	Unit Cost Steel	Unit Cost Plastic	Average	Size Cost Wtg.
<1.00	$ 11.80	$ 2.26	$ 7.03	1.00
1.00	$ 15.75	$ 2.56	$ 9.16	1.30
1.25	$ 18.42	$ 3.42	$ 10.92	1.55
2.00	$ 19.30	$ 3.74	$ 11.52	1.64
3.00	$ 32.63	$ 11.45	$ 22.04	3.14
4.00	$ 48.93	$ 25.65	$ 37.29	5.30
6.00	$ 58.23	$ 35.46	$ 46.85	6.66
8.00	$ 59.45		$ 59.45	8.46

Services Allocation
Adjusted for Cost by Pipe Diameter

Diameter	Size/Cost Wtg.	SC 51	SC 63	SC 64	SC 65	SC 67	SC 68	SC 76	SC 90	Totals
<1.00	1.00	310,327	13,000	46	3	4	-	2	-	323,383
1.00	1.30	9,871	309	5	-	-	-	-	-	10,184
1.25	1.55	84,687	24,542	421	19	10	-	98	-	109,776
2.00	1.64	8,716	7,723	602	48	94	-	155	2	17,340
3.00	3.14	1,146	545	46	16	7	-	14	-	1,775
4.00	5.30	705	1,636	117	174	45	32	119	-	2,829
6.00	6.66	-	-	-	-	-	-	15	-	15
8.00	8.46	-	-	-	-	-	-	19	-	19
Subtotal		415,452	47,755	1,237	261	161	32	422	2	465,322

Adjusted for Ave Length by Class

Ave Length		79	119	228	170	263	146	183	38	
Length Wtg.		1.00	1.51	2.89	2.15	3.33	1.85	2.32	0.48	
Class Totals		32,820,721	5,682,869	282,137	44,364	42,260	4,647	77,206	62	38,954,266
Staff Services Allocato		**0.8425**	**0.1459**	**0.0072**	**0.0011**	**0.0011**	**0.0001**	**0.0020**	**0.0000**	**1.0000**

GasWorks 1.0
by
Harvill, Elliott & Lazare

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Illinois Commerce Commission

Description	AF / OUT	AF / IN	TOTAL	RESIDENTIAL RATE 51 STANDARD	SMALL VOLUME RATE 63 STANDARD	INTERMEDIATE VOLUME RATE 64	SEASON GAS USE RATE 66	LARGE VOLUME FIRM GAS RATE 65	TRANSPORT RATE 76	SPECIAL CONTRACT
SUMMARY OF COST ALLOCATION										
DEVELOPMENT OF RATE BASE										
Natural Gas Plant in Service			864,574	573,932	164,560	36,847	6,951	22,565	50,673	9,045
Less: Reserve for Depreciation			408,400	271,162	77,802	17,460	3,338	10,464	24,254	3,919
Net - Plant in Service			456,174	302,770	86,758	19,386	3,613	12,101	26,420	5,126
Rate Base Additions			96,352	65,624	19,240	4,929	404	3,592	2,174	388
Rate Base Deductions			69,566	46,335	13,276	2,953	555	1,782	3,994	670
TOTAL - RATE BASE			482,960	322,059	92,722	21,362	3,461	13,911	24,600	4,844
DEVELOPMENT OF RETURN										
OPERATING REVENUES			162,030	112,240	30,361	6,320	1,099	3,748	7,021	1,241
OPERATING EXPENSES										
Operation and Maintenance Expense			66,362	48,274	11,995	2,151	391	1,097	2,211	243
Depreciation and Amortization Expense			25,923	17,375	4,974	1,107	226	646	1,407	186
Taxes Other Than Income Tax			6,120	4,197	1,182	236	44	133	282	46
Other Ratemaking Expense			0	0	0	0	0	0	0	0
TOTAL - OPERATING EXPENSES			98,405	69,847	18,151	3,493	661	1,877	3,900	475
PRE-TAX OPERATING INCOME			63,625	42,394	12,210	2,827	438	1,871	3,121	766
PRE-TAX RATE OF RETURN			13.17%	13.16%	13.17%	13.23%	12.64%	13.45%	12.69%	15.81%
PRE-TAX INDEXED RATE OF RETURN			1.00	1.00	1.00	1.00	0.96	1.02	0.96	1.20
Income Tax Expense										
Income Taxes			16,571	11,066	3,191	748	101	516	733	215
Deferred Income Taxes			0	0	0	0	0	0	0	0
Investment Tax Credit Deferred - Net			(662)	(439)	(126)	(28)	(5)	(17)	(39)	(7)
TOTAL - INCOME TAX EXPENSE			15,909	10,626	3,065	720	96	499	694	208
NET OPERATING INCOME			47,716	31,767	9,145	2,107	341	1,372	2,427	557
AFTER-TAX RATE OF RETURN			9.88%	9.86%	9.86%	9.86%	9.86%	9.86%	9.86%	11.51%
AFTER-TAX INDEXED RATE OF RETURN			1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.16

Staff-Proposed
Class Revenue Allocations

	Current	Staff Proposed	Increase	Percent Increase
SC 51	89,094	109,577	20,483	22.99%
SC 63	20,009	29,988	9,979	49.87%
SC 64	4,203	6,312	2,109	50.18%
SC 65	2,441	3,727	1,286	52.68%
SC 66	605	1,096	491	81.16%
SC 76	5,570	6,972	1,402	25.17%
SC 90	1,241	1,241	0	0.00%
	123,163	158,913	35,750	29.03%

Comparison of Company and Staff-Proposed Class Revenue Allocations

	Company Proposed	Staff Proposed	Difference	Percent Difference
SC 51	113,210	109,577	(3,633)	-3.21%
SC 63	26,947	29,988	3,041	11.29%
SC 64	6,611	6,312	(299)	-4.52%
SC 65	3,144	3,727	583	18.54%
SC 66	1,237	1,096	(141)	-11.40%
SC 76	6,523	6,972	449	6.88%
SC 90	1,241	1,241	0	0.00%
	158,913	158,913	0	0.00%

Classification of Costs According to Staff Cost Study
($000s)

	SC 51	SC 63	SC 64	SC 66	SC 65	SC 76
Demand-Related	$53,444	$14,947	$4,331	$518	$3,056	$5,459
Customer-Related	$56,133	$15,041	$1,981	$578	$671	$1,513
Total	$109,577	$29,988	$6,312	$1,096	$3,727	$6,972

Staff Proposed Rates
Based on IP's Proposed Revenue Requirement

	Billing Determinants	Cost Classification Total	Unit Costs	Proposed Charges	Revenues
SC 51					
Facilities Charges					
Standard	4,534,937	56,006,472	12.35	12.35	56,006,472
Non-Standard	3,978	123,438	31.03	34.85	138,633
Total Customer-Related	4,538,915	56,129,910			56,145,105
Delivery Charges-Demand	342,072,874	53,444,084	0.1562	0.1562	53,431,783
Total		109,573,993			109,576,888
SC 63					
Facilities Charges					
Standard	399,069	13,979,387	35.03	35.03	13,979,387
Non-Standard	11,709	1,053,810	90.00	90.25	1,056,737
	410,778				15,036,124
Rider OT					
Administrative Charge					
Single Meter	130	2,600	20.00	20.00	2,600
Additional meter	121	1,029	8.50	8.50	1,029
Electronic Meter Equip Fee	251	4,644	18.50	18.50	4,644
Total Customer-Related		15,041,469			15,044,396
Delivery Charges	101,509,991	14,945,433	0.1472	0.1472	14,942,271
Excess MDQ Charge					
<=60 PSIG	675	1,192	1.7655	1.7655	1,192
>60 PSIG			0.6843	0.8955	
Total Demand-Related		14,946,625			14,943,462
Total		29,988,094			29,987,859
SC 64					
Facilities Charge	8,699	1,981,174	227.75	227.75	1,981,197
Rider OT					
Administrative Charge					
Single Meter	186	3,720	20.00	20.00	3,720
Additional meter	144	1,224	8.50	8.50	1,224
	330				
Electronic Meter Eq. Fee	330	6,105	18.50	18.50	6,105
Total Customer-Related					1,992,246
Delivery Charge	37,379,639	4,313,610	0.1154	0.1154	4,313,610
Excess MDQ Charge					
<=60 PSIG	3,907	6,898	1.7655	1.7655	6,898
>60 PSIG			0.6843	0.8955	
Total Demand-Related		4,320,508			4,320,508
Total Revenues					6,312,754

Staff Proposed Rates
Based on IP's Proposed Revenue Requirement

SC 65					
Facilities Charge	997	641,480	643.41	643.41	641,480
Rider OT					
Administrative Charge					
Single Meter	550	11,000	20.00	20.00	11,000
Additional meter	47	400	8.50	8.50	400
	597				
Electronic Meter Equipmer	1,000	18,500	18.50	18.50	18,500
Total Customer-Related		671,379			671,379
Delivery Charge	45,090,274	1,519,542	0.0337	0.0337	1,519,542
Demand Charge					
<=60 PSIG	1,482,582	834,599	0.5629	0.5629	834,545
>60 PSIG	1,260,419	359,976	0.2856	0.2856	359,976
	2,743,001				
Excess MDQ Charge					
<=60 PSIG	42,672	75,337	1.7655	1.7655	75,337
>60 PSIG	51,968	46,537	0.8955	0.8955	46,537
	94,640				
Excess MDQ Charge					
<=60 PSIG	76,839	135,659	1.7655	1.7655	135,659
>60 PSIG	93,577	83,798	0.8955	0.8955	83,798
	170,416				
Total Demand-Related		3,055,449			3,055,396
Total Revenues		3,726,829			3,726,775

Staff Proposed Rates
Based on IP's Proposed Revenue Requirement

SC 67 & 68 / 66					
Facilities Charge					
<=1000	372	120,528	324.00	324.00	120,528
>1000	576	405,907	704.70	704.70	405,907
	948				
SC 68					
Facilities Charge					
<=1000	16	5,184	324.00	324.00	5,184
>1000	49	34,530	704.70	704.70	34,530
	65				
Rider OT SC 67					
Administrative Charge					
Single Meter	276	5,520	20.00	20.00	5,520
Additional Meters	96	816	8.50	8.50	816
	372				
Electronic Meter Equipmer	96	1,776	18.50	18.50	1,776
Rider OT SC 68					
Administrative Charge					
Single Meter	60	1,200	20.00	20.00	1,200
Additional Meters	17	145	8.50	8.50	145
	77				
Electronic Meter Equipmer	96	1,776	18.50	18.50	1,776
Total Customer-Related		577,382			577,382
Delivery Charge SC 67	5,266,296	392,866	0.0746	0.0746	392,866
Delivery Charge SC 68	1,469,420	109,619	0.0746	0.0746	109,619
Non-Asphalt Season Char	1,537	1,537	1.00	1.00	1,537
Excess MDQ Charge SC 67					
<=60 PSIG	7,829	13,822	1.7655	1.7655	13,822
>60 PSIG			0.8955	0.8955	
Total Demand-Related		517,844			517,844
Total		1,095,226			1,095,226

Staff Proposed Rates
Based on IP's Proposed Revenue Requirement

SC 76					
Facilities Charge					
<200 therms/day Std.	196	4,575	23.34	23.34	4,575
<200 therms/day Non-Std.	212	16,048	75.70	75.70	16,048
200 to <1000	699	132,281	189.24	189.24	132,279
1000 to <10,000	984	1,055,220	1,072.38	1,072.38	1,055,222
>=10,000	201	215,548	1,072.38	1,072.38	215,548
	2,292				
Electronic Meter Equipmer	2,327	43,050	18.50	18.50	43,050
Administrative Charge	2,292	45,840	20.00	20.00	45,840
Total Customer-Related		1,512,561			1,512,562
Delivery Charge	172,851,439	-	0.0000	0.0000	-
Delivery Capacity Reservation Charge					
<=60 PSIG	3,888,363	1,956,235	0.5031	0.5031	1,956,235
>60 PSIG	20,721,530	3,273,595	0.1580	0.1580	3,274,002
	24,609,893				
Excess MDQ Charge					
<=60 PSIG	133,002	181,348	1.364	1.364	181,348
>60 PSIG	123,330	48,210	0.391	0.391	48,210
	256,332				
Total Demand-Related		5,459,388			5,459,795
Total		6,971,950			6,972,357
SC 90					
Delivery Capacity Reserva	12		50,000.00	50,000.00	600,000
Delivery Charge	78,155,853		0.0082	0.0082	640,878
		1,240,878			1,240,878
Total					158,912,736

Staff Proposed Rates
Based on Staff's Proposed Revenue Requirement

	Prop. Charges IP Rev Req	Prop. Charges Staff Rev Req	Difference	Percent Difference
SC 51				
Facilities Charges				
Standard	12.35	10.87	(1.48)	-11.98%
Non-Standard	34.85	30.69	(4.16)	-11.94%
Delivery Charges	0.1562	0.1375	(0.02)	-11.97%
SC 63				
Facilities Charges				
Standard	35.03	30.85	(4.18)	-11.93%
Non-Standard	90.25	79.47	(10.78)	-11.94%
Rider OT Admin Charge				
Single Meter	20.00	17.61	(2.39)	-11.95%
Additional meter	8.50	7.48	(1.02)	-12.00%
Electronic Meter Equip Fee	18.50	16.29	(2.21)	-11.95%
Excess MDQ Charge				
<=60 PSIG	1.7655	1.5546	(0.21)	-11.95%
>60 PSIG	0.8955	0.7885	(0.11)	-11.95%
SC 64				
Facilities Charge	227.75	200.54	(27.21)	-11.95%
Rider OT Admin Charge				
Single Meter	20.00	17.61	(2.39)	-11.95%
Additional meter	8.50	7.48	(1.02)	-12.00%
Electronic Meter Eq. Fee	18.50	16.29	(2.21)	-11.95%
Total Customer-Related				
Delivery Charge	0.1154	0.1016	(0.01)	-11.96%
Excess MDQ Charge				
<=60 PSIG	1.7655	1.5546	(0.21)	-11.95%
>60 PSIG	0.8955	0.7885	(0.11)	-11.95%

Staff Proposed Rates
Based on Staff's Proposed Revenue Requirement

	Prop. Charges IP Rev Req	Prop. Charges Staff Rev Req	Difference	Percent Difference
SC 65				
Facilities Charge	643.41	566.55	(76.86)	-11.95%
Rider OT Admin Charge				
Single Meter	20.00	17.61	(2.39)	-11.95%
Additional meter	8.50	7.48	(1.02)	-12.00%
Electronic Meter Equipmer	18.50	16.29	(2.21)	-11.95%
Delivery Charge	0.0337	0.0297	(0.00)	-11.87%
Demand Charge				
<=60 PSIG	0.5629	0.4957	(0.07)	-11.94%
>60 PSIG	0.2856	0.2515	(0.03)	-11.94%
Excess MDQ Charge				
<=60 PSIG	1.7655	1.5546	(0.21)	-11.95%
>60 PSIG	0.8955	0.7885	(0.11)	-11.95%
Excess MDQ Charge				
<=60 PSIG	1.7655	1.5546	(0.21)	-11.95%
>60 PSIG	0.8955	0.7885	(0.11)	-11.95%
SC 66				
Facilities Charge				
<=1000	324.00	285.2940	(38.71)	-11.95%
>1000	704.70	620.5144	(84.19)	-11.95%
Rider OT Admin Charge				
Single Meter	20.00	17.61	(2.39)	-11.95%
Additional Meters	8.50	7.48	(1.02)	-12.00%
Electronic Meter Equipmer	18.50	16.29	(2.21)	-11.95%
Delivery Charge	0.0746	0.0657	(0.01)	-11.93%
Non-Asphalt Season Char	1.00	0.88	(0.12)	-12.00%
Excess MDQ Charge SC 67				
<=60 PSIG	1.7655	1.5546	(0.21)	-11.95%
>60 PSIG	0.8955	0.7885	(0.11)	-11.95%

Staff Proposed Rates
Based on Staff's Proposed Revenue Requirement

	Prop. Charges IP Rev Req	Prop. Charges Staff Rev Req	Difference	Percent Difference
SC 76				
Facilities Charge				
<200 therms/day Std.	23.34	20.55	(2.79)	-11.95%
<200 therms/day Non-Std.	75.70	66.66	(9.04)	-11.94%
200 to <1000	189.24	166.63	(22.61)	-11.95%
1000 to <10,000	1,072.38	944.27	(128.11)	-11.95%
>=10,000	1,072.38	944.27	(128.11)	-11.95%
Electronic Meter Equipmer	18.50	16.29	(2.21)	-11.95%
Administrative Charge	20.00	17.61	(2.39)	-11.95%
Total Customer-Related				
Delivery Capacity Reservation Charge				
<=60 PSIG	0.5031	0.4430	(0.06)	-11.95%
>60 PSIG	0.1580	0.1391	(0.02)	-11.96%
Excess MDQ Charge				
<=60 PSIG	1.364	1.2006	(0.16)	-11.95%
>60 PSIG	0.391	0.3442	(0.05)	-11.95%
SC 90				
Delivery Capacity Reserva	50,000.00	50,000.00	50,000.00	50,000.00
Delivery Charge	0.0082	0.0082	0.0082	0.0082

Company Proposed Revenue Requirement Retail Rates	158,913,000	
Less SC 90 Revenues	1,240,878	157,672,122
Staff-Proposed Revenue Requirement Retail Rates	140,077,000	
Less SC 90 Revenues	1,240,878	138,836,122
Percent Change		-11.95%