

DIRECT TESTIMONY

of

DANIEL KAHLE

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Petition Seeking Authority to Enter
Into an Agreement for Employment of
An Engineering Company in which
An Affiliated Interest Exists

Consumers Gas Company

Docket No. 06-0306

May 10, 2006

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Daniel Kahle. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am currently employed as an Accountant in the Accounting Department of the
7 Financial Analysis Division of the Illinois Commerce Commission ("ICC" or
8 "Commission").

9 **Q. Please describe your professional background and affiliations.**

10 A. I have a Bachelor of Science degree in Accountancy from the University of Illinois.
11 I am a Certified Public Accountant, licensed to practice in the State of Illinois. My
12 prior accounting experience includes seventeen years as an internal auditor for the
13 State of Illinois, including four years as Chief Auditor at the Department on
14 Commerce and Economic Opportunity ("DCEO"), five years as an Accounting
15 Office Manager at DCEO, as well as a period of time employed as an Assurance
16 Services Manager in a Public accounting firm. I joined the Staff of the Illinois
17 Commerce Commission ("Staff") in April 2006.

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

19 A. The purpose of my testimony is to report the results of my review of Consumers
20 Gas Company's ("Consumers" or "Company") Petition for the approval of an
21 agreement for employment of an engineering company with an affiliated interest

22 (“Proposed Agreement”) and to make a recommendation to the Commission
23 regarding the Proposed Agreement.

24 **Attachments**

25 **Q. Have you included any attachments as part of your direct testimony?**

26 A. Yes, I have included the following attachments which present information provided
27 by the Company:

28 Attachment 1 Company Response to Staff Data Request DGK-002

29 Attachment 2 Company Response to Staff Data Request DGK-003

30 **The Proposed Agreement**

31 **Q. What steps did you take in your review?**

32 A. I reviewed the Company’s filing and compared the Proposed Agreement with the
33 engineering services agreement currently in effect that was approved by the
34 Commission in Docket Nos. 00-0575 and 00-0618 (Consolidated). The Proposed
35 Agreement includes a list of hourly rates in Schedule 1, which are increased over
36 the existing agreement as noted in Attachment 2 to my testimony. In all other
37 aspects, the two agreements are identical.

38 **Q. Has the Company explained the basis for this increase in hourly rates?**

39 A. In response to Staff Data Request DGK-002 (Attachment 1), the Company
40 provided an explanation, which justifies the increase in hourly rates based on
41 commonly accepted industry practices.

42 **Q. How do the hourly rate presented on Schedule 1 compare with the current**
43 **market for similar services in the Evansville, IN area?**

44 A. As Consumers explains in response to Staff Data Request DGK-002 (Attachment
45 1), the hourly rates in the Proposed Agreement compare favorably with hourly rates
46 for similar services in the area, which are set forth in the Company's response to
47 Staff Data Request DGK-003 (Attachment 2).

48 **Recommendation**

49 **Q. What is your recommendation regarding Consumers petition?**

50 A. I find no reason to object to the Proposed Agreement and recommend the
51 Commission grant Consumers' petition requesting authority to execute the
52 Proposed Agreement.

53 **Conclusion**

54 **Q. Does this question end your prepared direct testimony?**

55 A. Yes.

Insert Attachments

CONSUMERS GAS COMPANY

Docket No. 06-0306

C. A. Robinson, President

Constance D. Warren, Acct.

812/477-9030

consumersgasco@yahoo.com

DGK-002 All hourly rates noted in the Consulting Fee Schedule (Schedule 1) are increased from the previous schedule. Explain how each of the new hourly rates was determined.

Robinson Engineering is a company operating oil and gas entities plus overseeing the operations of several gas storage fields. Due to the increased costs of doing business they would on a regular basis review their schedule of engineering fees. As the engineering industry dictates, the fees quoted are in line with prevailing rates in this area.

CONSUMERS GAS COMPANY

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DGK-003 For the services listed in the Consulting Fee Schedule (Schedule 1), provide support for hourly rates for similar services in the Evansville, IN area.

Attached is the Consulting Fee Schedule from USDI located in Olney and Barger Engineering in Evansville, IN. These firms are directly involved in gas and oil engineering. Also, a spread sheet outlining the percentage increases of Robinson Engineering and USDI between the 2000 rate schedule and the new rates as of 2006.

New rates effective January 1, 2006

USDI NON RETAINER CLIENT RATES

Personnel	Rate Per Hour
Principal	\$ 106.00 per hour
Engineering Personnel	\$ 92.00 per hour
Technical Personnel (Field-Office)	\$ 70.00 per hour
Drafting & Semi-Technical	\$ 70.00 per hour
Clerical & Non-Technical	\$ 55.00 per hour
Transportation - Auto	\$.48 per mile
Transportation - Construction	\$.68 per mile
Communication	At Cost
Subsistence	At Cost
Reproduction & Miscellaneous	At Cost
Court Or Other Testimony As Expert Witness	\$2,500.00 per day
Leak Survey	\$ 550.00 per day (8 hours) Plus Expenses
Cathodic Survey	\$ 720.00 per day (8 hours) Plus Expenses \$ 820.00 per day (8 hours) 2 Man Rate

BARGER ENGINEERING, INC.
Petroleum Consultants
P. O. Box 2507
EVANSVILLE, INDIANA 47728-0507

OFFICE LOCATION:
2116 LINCOLN AVENUE

E-MAIL: ocarengin@evansville.net

PHONE: 812-476-3077
FAX: 812-476-2622

January 26, 2006

Barger Engineering, Inc. Services and Fees

Overhead & Supervision

First Well on a Lease	\$ 250.00 per month
Additional Active Wells	\$ 200.00 per month
Inactive Wells	\$ 25.00 per month

Engineering Services

Mr. H. S. Barger	\$ 150.00 per hour
V. P. of Engineering	\$ 100.00 per hour
Geologist/Engineer	\$ 50.00 per hour
Expert testimony	\$ 200.00 per hour
Bookkeeper	\$ 35.00 per hour
Clerk	\$ 25.00 per hour
Drilling Engineering & Design	\$2,000.00 per well
Completion & Workover	
Engineering & Design	\$1,500.00 per well + \$500.00 per zone
Drilling, Completion, & Workover	
Rig Supervision	\$ 50.00 per hour (\$500.00 per day max.)
Echometer	\$ 25.00 per well + Time and Materials

Operation and Construction Services

Field Forman	\$ 35.00 per hour
Roustabout	\$ 25.00 per hour
Pick-up Truck	\$ 5.00 per hour
Tank Truck & Operator	\$ 50.00 per hour
Winch Truck & Operator	\$ 50.00 per hour

All prices subject to change without notice

ENGINEERING FEE COMPARSION

ROBINSON ENGINEERING

	<u>YEAR 2000</u> <u>PER/HR</u>	<u>YEAR 2006</u> <u>PER/HR.</u>	<u>% CHANGE</u>
Professional Petroleum Engineer	\$85.00	\$125.00	47%
Senior Petroleum Engineer	\$75.00	\$85.00	13%
Geologist	\$60.00	\$75.00	25%
Gas Technician	\$45.00	\$50.00	11%
Draftsman	\$30.00	\$35.00	17%
Clerical	\$25.00	\$30.00	20%

USDI

Principal Engineer	\$90.00	\$106.00	18%
Professional Engineer	\$83.00	\$92.00	11%
Technical Field	\$70.00	\$70.00	0%
Drafting & Simi-Technical	\$60.00	\$70.00	17%
Clerical & Non-Technical	\$42.00	\$55.00	31%

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

CONSUMERS GAS COMPANY

Petition pursuant to § 7-101 of the Public Utilities
Act seeking authority to enter an agreement for
Employment of an engineering company in which
An affiliated interest exists.

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06-0306

NOTICE OF FILING

TO ATTCHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 10th day of May 2006 forwarded to the Chief Clerk of the Illinois Commerce Commission for filing in the above-captioned docket, the Direct Testimony of Daniel Kahle of the Financial Analysis Division, Accounting Department, a copy of which is hereby served upon you.



Scott A. Struck
Supervisor
Accounting Department
527 East Capitol Avenue
Springfield, IL 62701

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT copies of the foregoing Notice, together with the documents referred to therein, were served upon the parties on the attached Service List, by messenger, electronic mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 10th day of May 2006.



Scott A. Struck
Supervisor
Accounting Department

CONSUMERS GAS COMPANY
Docket No. 06-0306
Service List

Stanley L. Morris
Atty. for Consumers Gas Company
Quinn, Johnston, Henderson & Pretorius, Chartered
205 South Fifth Street, Suite 900
Springfield, IL 62701

Charles A. Robinson
Consumers Gas Company
1410 N. Cullen Avenue
PO Box 5269
Evansville, IN 47715

Dawn R. Williams
Consumers Gas Company
328 Industrial Avenue
PO Box 486
Carmi, IL 62821

ILLINOIS COMMERCE COMMISSION

David Gilbert, Administrative Law Judge
Dan Kahle, Case Manager, Accounting Department
Theresa Ebrey, Accounting Department
Scott Struck, Accounting Department