Docket No. 05-0749
ICC Staff Exhibit 1.0

DIRECT TESTIMONY

of

Dianna Hathhorn
Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Reconciliation of Revenues Collected Under Gas Adjustment Charges
With Actual Costs Prudently Incurred

The Peoples Gas Light and Coke Company

Docket No. 05-0749

January 18, 2007

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SCHEDULES

Witness Identification

Q. Please state your name and business address.

A. My name is Dianna Hathhorn. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

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

A. I am an Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission ("Commission").

Q. What is the function of the Accounting Department of the Illinois Commerce Commission?

A. The Accounting Department's function is to monitor the financial condition of public utilities as part of the Commission's responsibilities under Article IV of the Public Utilities Act ("Act") and to provide accounting expertise on matters before the Commission.

Q. Please describe your background and professional affiliation.

A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting from Illinois State University in 1993. Prior to joining the Commission Staff ("Staff") in 1998, I worked as an internal auditor for another Illinois state agency for approximately 3.5 years. I also have 1.5 years experience in public accounting for a national firm.

Q. Have you previously testified before this Commission?

A. Yes, I have.

Purpose of Testimony

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

A. The purpose of my testimony is to report the results of my review of The Peoples Gas Light and Coke Company's ("Peoples", "Respondent" or "Company") Purchased Gas Adjustment Clause ("PGA") Reconciliation for the year ending September 30, 2005, as calculated by its witness James Orsi, on Revised Exhibit 1 attached to his direct testimony, and the underlying documents that support the calculations.

Q. Are you sponsoring any schedules as part of your direct testimony?

A. Yes. I prepared the following schedules for the Company that show data for the reconciliation year ending September 30, 2005:

Schedule 1.1	PGA Reconciliation Summary
Schedule 1.2	Reconciliation of Commodity Gas Charge
Schedule 1.3	Adjustments to Commodity Gas Charge
Schedule 1.4	Reconciliation of Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge
Schedule 1.5	Reconciliation of Transition Surcharge

Schedule 1.6	Banked Gas Reconciliation Adjustment
Schedule 1.7	Prior Period Adjustment

Staff Reconciliation Schedules

Q. Please describe Schedule 1.1, PGA Reconciliation Summary.

A. Peoples' PGA Charge consists of three individual gas charges: (1) the Commodity Gas Charge (CGC), (2) the Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge (NCGC, DGC, and ABGC), and (3) the Transition Surcharge (TS). Column (B) presents the Staff's Reconciliation of the Commodity Gas Charge. Column (C) is Staff's Reconciliation of the Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge. Column (D) is Staff's reconciliation of the Transition Surcharge. Column (E) is the sum of Columns (B), (C), and (D) and represents Staff's (total) PGA reconciliation. Line 14 reflects the net effect of all adjustments to each reconciliation and the resulting ordered reconciliation factor ("Factor O"). Staff is proposing refunds through Factor O of $22,233,098.76 for the Commodity Gas Charge (CGC). Staff is not proposing adjustments to the Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge (NCGC, DGC, and ABGC) nor to the Transition Surcharge (TS).

Q. Describe Schedule 1.2, Reconciliation of Commodity Gas Charge.

A. Schedule 1.2 presents Staff's reconciliation of the Commodity Gas Charge. Column (B) reflects the Company's CGC reconciliation as presented on the Company's Revised Exhibit 1. Column (C) summarizes Staff's adjustments to the Company's reconciliation. Column (D) is the net of columns (B) and (C) and represents Staff's reconciliation of the Commodity Gas Charge. Column (D) is carried forward to my Schedule 1.1, column (B).

Q. Describe Schedule 1.3, Adjustments to Commodity Gas Charge.

A. Schedule 1.3 identifies individual Staff adjustments to the various components of the Company's presentation of the Commodity Gas Charge Reconciliation. The source of each adjustment is shown in the heading of each column. The total of all Staff adjustments are shown in column (I) and is carried forward to Schedule 1.2, column (C).

Q. Please explain Schedule 1.4, Reconciliation of Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge, the second cost component of Peoples' PGA Charge.

A. Schedule 1.4 is Staff's reconciliation of the Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge. The presentation of this schedule is similar to my Schedule 1.2. Column (B) reflects the Company's reconciliation as presented on the Company's Revised Exhibit 1. Column (C) summarizes Staff's adjustments to the Company's reconciliation. Column (D) is the net of columns (B) and (C) and represents Staff's reconciliation of the Non-commodity Gas Charge, Demand Gas Charge, and Aggregation Balancing Gas Charge. Column (D) is carried forward to my Schedule 1.1, column (C).

Q. Please explain Schedule 1.5, Reconciliation of Transition Surcharge.

A. Schedule 1.5 presents Staff's reconciliation of the third cost component of Peoples' PGA Charge, the Transition Surcharge. The presentation of Schedule 1.5 is similar to Staff's two reconciliation schedules described previously, Schedule 1.2 and Schedule 1.4, except that Schedule 1.5 relates to the Transition Surcharge. Column (B) reflects the Company's reconciliation as presented on Company Exhibit 1. Column (C) summarizes Staff's adjustments to the Company's reconciliation. Column (D) is the net of columns (B) and (C) and represents Staff's reconciliation of the Transition Surcharge. Column (D) is carried forward to my Schedule 1.1, column (D).

<u>Banked Gas Reconciliation Adjustment</u>

Q. Please describe Schedule 1.6, Banked Gas Reconciliation Adjustment.

A. Schedule 1.6 presents my proposed disallowance of $8,633,110.50 for a reconciling adjustment for banked gas made by Peoples in May of 2005. I am proposing the disallowance because I am unable to verify if the adjustment is accurate, includes amounts for periods prior to the reconciliation year, and relies on questionable internal controls for banked gas. The Company's adjustment is described in Respondent's Exhibit C, Supplemental Testimony of Linda M. Kallas.

Q. Please explain what you mean by "banked gas."

A. In the Company's response to Staff data request DLH-12.02 b), the Company explained:

> Peoples Gas … large volume transportation customers can deliver gas to the company in excess of their current consumption requirements. Based on the provisions of the Company's Transportation Tariffs, the quantity of excess gas is reflected in the customer's Gas Bank Account ("GBA"). During the winter season, customers satisfy consumption requirements by supplementing winter gas deliveries with withdrawals from their GBA.

Q. How does banked gas affect the PGA?

A. The Company recognizes a liability for the redelivery of gas to the customer's GBA. The monthly change in the liability is recorded at the current last-in-first-out ("LIFO") price, and can be either an increase or a decrease to gas costs, depending upon consumption. For the year ended September 30, 2005, the liability for redelivery of customer-owned gas, i.e., banked gas, increased the PGA costs by $19,457,015.61. (Respondent's Exhibit A, Revised Exhibit 1, page 3 of 9, line 1.b.)

Q. Why did Peoples record the May 2005 adjustment to banked gas?

A. The Company discovered a difference in the volumes attributed to banked gas in its general ledger system versus the volumes attributed to banked gas in its customer billing systems. (Company response to Staff data request DLH-12.02 b) This difference of 1,290,450 dekatherms ("dth") is reflected on the Company's Schedule 1 to Respondent's Exhibit C and makes up 44 percent of the total liability for redelivery of banked gas for FY 2005 ($8,633,110.50 /$19,457,015.61).

Q. Did transportation customers receive gas, or owe Peoples more gas, as a result of the Company's banked gas liability adjustment?

A. No, the adjustment was strictly an accounting adjustment. (Company response to Staff data request DLH-18.03)

Q. Why are you not able to rely upon the internal controls of the banked gas process during FY 2005?

A. The Company reported in response to Staff data request DLH-9.01, that during 2005, the banked gas reconciliation process was considered a significant deficiency for Sarbanes-Oxley purposes. Sarbanes-Oxley refers to the Sarbanes-Oxley Act of 2002, which requires the evaluation of the effectiveness of an organization's internal controls over its financial reporting. This review found that the monthly reconciliation of the GBA balances between the general ledger and subsidiary customer ledgers was not being performed in fiscal 2005. This fact is undisputed by the Company. Respondent's Exhibit C states that "[t]he way in which large volume transportation customers are billed results in a timing difference <u>that needed to be,</u> **but was not being**, reconciled." (Page 9, lines 175-176, emphasis added)

Q. The Company states that it is not possible to identify how much of the volume difference occurred during FY 2005 (Respondent's Exhibit C, page 14, lines 286-290), but minimizes this important fact since pipeline refunds which occurred for activity in prior years flow through the PGA Gas Charge in later fiscal year filings. (Respondent's Exhibit C, pages 8-9, lines 170-172) Are these two items comparable?

A. No. The pipelines refunds to which the Company refers are flowed back in fiscal years subsequent to the year in which the activity occurred because there is no way for the Company to know the amount of refund at the time of occurrence. This is absolutely not the case for the banked gas adjustment. The only reason the Company did not make its adjustment in the proper time period is because it was not performing the necessary reconciliations to record the adjustment in the proper time period. These two scenarios are not comparable.

Q. What is the Company's basis for the allegation that the customer records were correct, rather than the general ledger?

A. The Company stated that prior to March 2005, one-sided GBA adjustments made in the customer billing systems were not reflected in the accounting records, causing the differences. (Company response to Staff data request DLH-14.01) The Company provided documentation from the customer billing system that supports how its reconciling adjustment was calculated, along with the statement that

> "Over the years, the calculations performed by these [customer] billing systems have received considerable scrutiny by utility staff familiar with the applicable tariff rules and by customers/gas suppliers who have a vested interest in ensuring that monthly GBA/storage statements accurately reflect gas deliveries, consumption and the corresponding [GBA] balance increase or decrease." (Company response to Staff data request DLH-15.02)

The provided documentation and Company explanation, though, does not aid in answering the fundamental question, that being, what is the correct

GBA balance? Is it the amount in the general ledger, the billing system, or something else all together? What portion of the Company's adjustment relates solely to the FY 2005 reconciliation period? The documentation provided by the Company does not answer these questions and it is unlikely the Company will be able to provide such documentation since it has been verified by the Sarbanes-Oxley audit team that the internal controls surrounding the GBA balances during the 2005 reconciliation period were deficient. (Company response to Staff data request DLH-9.01) The Company can document what it did but cannot prove what it did was correct.

Q. The Company states that customers have not been harmed as a result of the adjustment, and then presents four scenarios demonstrating this point. (Respondent's Exhibit C, pages 7-8) Do the four scenarios prove that customers were not harmed in FY2005?

A. Not at all. These scenarios assume no changes in customers for nine years. An error in year one results in the same gas costs to customers when corrected in year nine. (Respondent's Schedule 2) However, when you analyze the intermediary years individually, costs per year are different because of the accounting error.

Peoples' ratepayers in FY 2005 were charged $8,633,110.50 in extra gas costs for the Company's adjustment. This was charged to all PGA customers. According to the Company, this adjustment is an accumulation of not reconciling the customer and accounting records over a number of years. The Company states the cost is prudent, and is simply a "correction". (Respondent's Exhibit C, page 17, lines 354-356) But this "correction" has harmed ratepayers. A simple example is that any new customer in FY 2005 was never undercharged for this discrepancy sometime over the many years in the past, but is now being charged for the "correction." There can be no argument that this customer was harmed. Peoples' scenarios 1 through 4 simply do not reflect reality and form no basis to conclude customers were not harmed from its adjustment.

Q. The Company described the task force formed to reconcile the GBA volumes and the follow up analysis performed. (Respondent's Exhibit C, pages 9-10) How does the follow up analysis affect the 2005 adjustment?

A. It appears the Company is spending its efforts on creating a process that will automate some of the reconciliation process that did not occur in the past. I can understand why the Company is focused on the future.

However, these process improvements do nothing to validate the $8.3 million in gas costs which it seeks to recover from ratepayers.

Q. What is your opinion of the Company's $869,000 FY 2006 adjustment to the banked gas liability? (Respondent's Exhibit C, page 11, lines 224-225)

A. I have not yet analyzed the Company's FY 2006 costs, and therefore cannot recommend that the FY 2006 adjustment to the banked gas liability be approved or disapproved. This adjustment will be analyzed by Staff in Docket No. 06-0752, Peoples' 2006 PGA Reconciliation docket.

Q. What is your overall conclusion regarding the Company's adjustment?

A. I recommend the Commission disallow the substantial portion of the cost for the liability for the redelivery of customer-owned gas as imprudent because: (1) it was caused by a lack of internal controls by the Company, (2) it is unverifiable, and (3) an unknown, unquantifiable amount of it relates to time periods prior to FY 2005.

Prior Period Adjustment

Q. Please describe Schedule 1.7, Prior Period Adjustment.

A. Schedule 1.7 presents my proposed disallowance of $812,385.99 because the costs relate to FY 2004, which is a closed reconciliation year, as ordered in Docket No. 04-0683.

Q. What cost is the subject of the adjustment?

A. Again, the adjustment relates to banked gas. The September 2004 GBA volumes were not re-priced to the current month LIFO rate as they should have been. Therefore the costs at September 30, 3004 were understated. (Company responses to Staff data requests DLH-12.02 b and DLH-14.02)

Q. Why is it inappropriate to include the correction in this reconciliation docket?

A. Primarily, the adjustment is inappropriate since it crosses fiscal years, relates to 2004, and is already the subject of a Final Commission Order regarding the allowable costs and revenues for 2004. Further, the adjustment is born out of the banked gas procedures, which in FY 2005, as discussed above, were lacking at best. Therefore the adjustment is imprudent and should not be allowed by the Commission.

Lost Gas Revenue Policy

Q. Do you have any concerns related to the Company's policy for billing third parties for the cost of gas lost as a result of damage to gas lines by third parties?

A. Yes. The Company did not bill any third parties for such losses in FY 2005. (Company response to Staff data request DLH-19.01) This policy is deficient since ratepayers bear the burden of this gas cost through the PGA. (Company response to Staff data request GS-18). It is reasonable to expect the Company to bill third parties to try and recover costs which ratepayers otherwise will incur.

Q. What do you recommend?

A. I recommend the Company revise its process to consistently and routinely bill third parties for its estimated cost of gas lost as a result of damage to gas lines by third parties. Further, any revenues recovered through these third party billings should flow through the PGA.

Management Audit

Q. In the Final Order in Docket No. 01-0707, Peoples was ordered to engage outside consultants to perform a management audit of its gas purchasing practices, gas storage operations and storage activities.[1] What is the status and effect of this audit on the instant proceeding?

A. In Docket No. 06-0556, the selection process for the auditor was clarified. The auditor has been selected and the review is in its early stages. A report is not expected until approximately January 2008. Therefore, the audit may reveal issues and/or adjustments related to the FY 2005 reconciliation period, but this will not occur for some time.

Q. How do you recommend proceeding in this docket?

A. I recommend that parties move forward and that the Commission issue its Final Order in this proceeding. However, if the management audit uncovers any material issues or adjustments related to FY 2005, then this docket should be reopened.

Summary of Conclusions and Recommendations

Q. Please summarize your recommendations.

A. I recommend the following:

Recommendation 1:

I recommend that the Commission adopt Staff's proposed PGA reconciliation as reflected on ICC Staff Exhibit 1.0, Schedule 1.1. Staff's

[1] Order dated March 28, 2006, Finding (4) adopting the Settlement Agreement.

reconciliation shows that $22,233,098.76 is to be refunded to Peoples' PGA customers via the Commodity Gas Charge (CGC) through an Ordered Reconciliation Factor (Factor O) to be reflected in the Company's first monthly PGA filing submitted after the date a final order is entered in this proceeding;

<u>Recommendation 2:</u>

I recommend that the Company revise its process to consistently and routinely bill third parties for its estimated cost of gas lost as a result of damage to gas lines by third parties, and that any such revenues collected be flowed through the PGA ; and

<u>Recommendation 3:</u>

I recommend that the Commission's Final Order in this docket contain finding and ordering paragraphs which provide that this proceeding is subject to being reopened pending the outcome of the Company's management audit, Docket No. 06-0556.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.

Docket No. 05-0749
ICC Staff Exhibit 1.0
Schedule 1.1

The Peoples Gas Light and Coke Company
PGA Reconciliation Summary
for the Year Ended September 30, 2005

Line No.	Description	Commodity Gas Charge (CGC)	Non-Commodity Gas Charge, Demand Gas Charge & Aggreg. Balancing GC (NCGC, DGC and ABGC)	Transition Surcharge (TS)	Total Company (B+C+D)
	(A)	(B)	(C)	(D)	(E)
	FISCAL 2004				
1.	Unamortized Balance at September 30, 2004 (Refund) / Recovery	$ 8,645,698.30	$ 4,422,192.83	$ (24,669.95)	$ 13,043,221.18
2.	Factor A Adjustments Amortized to Schedule I at September 30, 2004	4,201,077.14	697,233.47	(4,379.24)	4,893,931.37
3.	Factor O (Refunded) / Recovered	-	-	-	-
4.	Balance (Refundable) / Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	$ 12,846,775.44	$ 5,119,426.30	$ (29,049.19)	$ 17,937,152.55
	Fiscal 2005				
5.	Costs Recoverable through the Gas Charge	$ 773,639,412.31	$ 41,609,827.53	$ -	$ 815,249,239.84
6.	Revenues Arising through Application of the Gas Charge	806,693,640.77	41,831,811.88	(31.86)	848,525,420.79
7.	Separately Reported Pipeline Refunds or Surcharges	-	(47,283.62)	-	(47,283.62)
8.	Separately Reported Other Adjustments	-	-	-	
9.	Interest	21,242.64	634.00	(603.31)	21,273.33
10.	(Over) / Under Recovery for Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	$ (33,032,985.82)	$ (268,633.97)	$ (571.45)	(33,302,191.24)
		-	-	-	
11.	(Over) / Under Recovery Balance at September 30, 2005 (Line 4 + Line 10)	(20,186,210.38)	4,850,792.33	(29,620.64)	(15,365,038.69)
12.	Factor A Adjustments Amortized to Schedule I at September 30, 2005	2,046,888.38	702,911.11	(4,223.70)	2,745,575.79
13.	Unamortized Balance at September 30, 2005 (Refund) / Recovery	-	4,147,881.22	(25,396.94)	4,122,484.28
14.	Requested Factor O (Line 11 - Line 12 - Line 13) (Refund) / Recovery	$ (22,233,098.76)	$ -	$ -	$ (22,233,098.76)

<u>Sources:</u>
Column (B): ICC Staff Ex. 1.0, Schedule 1.2, Column (D)
Column (C): ICC Staff Ex. 1.0, Schedule 1.4, Column (D)
Column (D): ICC Staff Ex. 1.0, Schedule 1.5, Column (D)

Docket No. 05-0749
ICC Staff Exhibit 1.0
Schedule 1.2

The Peoples Gas Light and Coke Company
Reconciliation of Commodity Gas Charge (CGC)
For the Year Ended September 30, 2005

Line No.	Description	Commodity Gas Charge (CGC) As Filed	Staff Adjustments	Staff Revised (B+C)
	(A)	(B)	(C)	(D)
	FISCAL 2004			
1.	Unamortized Balance at September 30, 2004 (Refund) / Recovery	$ 8,645,698.30	$ -	$ 8,645,698.30
2.	Factor A Adjustments Amortized to Schedule I at September 30, 2004	4,201,077.14	-	4,201,077.14
3.	Factor O (Refunded) / Recovered	-	-	-
4.	Balance (Refundable) / Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	$ 12,846,775.44	$ -	$ 12,846,775.44
	Fiscal 2005			
5.	Costs Recoverable through the Gas Charge	$ 785,210,242.80	$ (11,570,830.49)	$ 773,639,412.31
6.	Revenues Arising through Application of the Gas Charge	806,693,640.77	-	806,693,640.77
7.	Separately Reported Pipeline Refunds or Surcharges	-		-
8.	Separately Reported Other Adjustments	-		-
9.	Interest	21,242.64	-	21,242.64
10.	(Over) / Under Recovery for Reconciliation Year (Line 5 - Line 6 + Line 7+ line 8 + Line 9)	$ (21,462,155.33)	$ (11,570,830.49)	$ (33,032,985.82)
11.	(Over) / Under Recovery Balance at September 30, 2005 (Line 4 + Line 10)	(8,615,379.89)	(11,570,830.49)	(20,186,210.38)
12.	Factor A Adjustments Amortized to Schedule I at September 30, 2001	2,046,888.38	-	2,046,888.38
13.	Unamortized Balance at September 30, 2005 (Refund) / Recovery	-	-	-
14.	Requested Factor O (Line 11 - Line 12 - Line 13) (Refund) / Recovery	$ (10,662,268.27)	$ (11,570,830.49)	$ (22,233,098.76)

Source:
Column (B): Company Revised Exhibit 1
Column (C): ICC Staff Exhibit 1.0, Schedule 1.3, Col. J

Docket No. 05-0749
ICC Staff Exhibit 1.0
Schedule 1.3

The Peoples Gas Light and Coke Company
Adjustments to Commodity Gas Charge
For the Year Ended September 30, 2005

Line No.	Description (A)	Banked Gas Reconciliation Schedule 1.6 (B)	Prior Period Adjustment Schedule 1.7 (C)	GPAA ICC Staff Ex. 3.0 (D)	(E)	(F)	(G)	(H)	(I)	Total Commodity Gas Adjustments (J)
	FISCAL 2004									
1.	Unamortized Balance at September 30, 2004	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2.	Factor A Adjustments Amortized to Schedule I at 9-30-04	-	-	-	-	-	-	-	-	-
3.	Factor O (Refunded) / Recovered	-	-	-	-	-	-	-	-	-
4.	Balance (Refundable) / Recoverable from Prior Periods	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	Fiscal 2005									
5.	Costs Recoverable through the Gas Charge	$ (8,633,110.50)	$ (812,385.99)	(2,125,334.00)	$ -	$ -	$ -	$ -	$ -	$ (11,570,830.49)
6.	Revenues Arising through Application of the Gas Charge									
7.	Separately Reported Pipeline Refunds or Surcharges									
8.	Separately Reported Other Adjustments									
9.	Interest	-	-	-	-	-	-	-	-	-
10.	(Over) / Under Recovery for Reconciliation Year	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11.	(Over) / Under Recovery Balance at 9-30-05 (Line 4 + Line 10)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
12.	Factor A Adjustments Amortized to Schedule I at 9-30-05	-	-	-	-	-	-	-	-	-
13.	Unamortized Balance at September 30, 2005	-	-	-	-	-	-	-	-	-
14.	Requested Factor O (Line 11 - Line 12 - Line 13)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The Peoples Gas Light and Coke Company
Reconciliation of Non-Commodity Gas Charge, Demand Gas Charge & Aggregation Balancing Gas Charge
For the Year Ended September 30, 2005

Line No.	Description	Non-Commodity Gas Charge, Demand Gas Charge & Aggreg. Balancing GC (NCGC, DGC and ABGC) As Filed	Staff Adjustments	Staff Revised (B+C)
	(A)	(B)	(C)	(D)
	FISCAL 2004			
1.	Unamortized Balance at September 30, 2004 (Refund) / Recovery	$ 4,422,192.83		$ 4,422,192.83
2.	Factor A Adjustments Amortized to Schedule I at September 30, 2004	697,233.47		697,233.47
3.	Factor O (Refunded) / Recovered	-		-
4.	Balance (Refundable) / Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	$ 5,119,426.30		$ 5,119,426.30
	Fiscal 2005			
5.	Costs Recoverable through the Gas Charge	$ 41,609,827.53		$ 41,609,827.53
6.	Revenues Arising through Application of the Gas Charge	41,831,811.88		41,831,811.88
7.	Separately Reported Pipeline Refunds or Surcharges	(47,283.62)		(47,283.62)
8.	Separately Reported Other Adjustments			-
9.	Interest	634.00		634.00
10.	(Over) / Under Recovery for Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	$ (268,633.97)	$ -	$ (268,633.97)
11.	(Over) / Under Recovery Balance at September 30, 2005 (Line 4 + Line 10)	4,850,792.33	-	4,850,792.33
12.	Factor A Adjustments Amortized to Schedule I at September 30, 2005	702,911.11		702,911.11
13.	Unamortized Balance at September 30, 2005 (Refund) / Recovery	4,147,881.22	-	4,147,881.22
14.	Requested Factor O (Line 11 - Line 12 - Line 13) (Refund) / Recovery	$ -	$ -	$ -

<u>Source:</u>
Column (B): Company Revised Exhibit 1

The Peoples Gas Light and Coke Company
Reconciliation of Transition Surcharge
For the Year Ended September 30, 2005

Line No.	Description	Transition Surcharge (TS) As Filed	Staff Adjustments	Staff Revised (B+C)
	(A)	(B)	(C)	(D)
	FISCAL 2004			
1.	Unamortized Balance at September 30, 2004 (Refund) / Recovery	$ (24,669.95)	$ -	$ (24,669.95)
2.	Factor A Adjustments Amortized to Schedule I at September 30, 2004	(4,379.24)	-	(4,379.24)
3.	Factor O (Refunded) / Recovered	-	-	-
4.	Balance (Refundable) / Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	$ (29,049.19)	$ -	$ (29,049.19)
	Fiscal 2005			
5.	Costs Recoverable through the Gas Charge	$ -	$ -	$ -
6.	Revenues Arising through Application of the Gas Charge	(31.86)	-	(31.86)
7.	Separately Reported Pipeline Refunds or Surcharges	-	-	-
8.	Separately Reported Other Adjustments	-		-
9.	Interest	(603.31)	-	(603.31)
10.	(Over) / Under Recovery for Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	$ (571.45)	$ -	$ (571.45)
11.	(Over) / Under Recovery Balance at September 30, 2005 (Line 4 + Line 10)	(29,620.64)	-	(29,620.64)
12.	Factor A Adjustments Amortized to Schedule I at September 30, 2005	(4,223.70)	-	(4,223.70)
13.	Unamortized Balance at September 30, 2005 (Refund) / Recovery	(25,396.94)	-	(25,396.94)
14.	Requested Factor O (Line 11 - Line 12 - Line 13) (Refund) / Recovery	$ -	$ -	$ -

<u>Source:</u>
Column (B): Company Revised Exhibit 1

Docket No. 05-0749
ICC Staff Exhibit 1.0
Schedule 1.6

The Peoples Gas Light and Coke Company
Banked Gas Reconciliation Adjustment
For the Year Ended September 30, 2005

Line No.	Description	Amount	Source
	(A)	(B)	(C)
1.	Banked Gas Reconciliation Adjustment per Staff	$ -	Staff Testimony
2.	Banked Gas Reconciliation Adjustment per Company	8,633,110.50	Company Response to DLH-12.02 b
3.	Staff Proposed Adjustment	$ (8,633,110.50)	Line 1 - line 2

The Peoples Gas Light and Coke Company
Prior Period Adjustment
For the Year Ended September 30, 2005

Line No.	Description	Amount	Source
	(A)	(B)	(C)
1.	Prior Period Adjustment per Staff	$ -	Staff Testimony
2.	Prior Period Adjustment per Company	812,385.99	Company Response to DLH-12.02 b
3.	Staff Proposed Adjustment	$ (812,385.99)	Line 1 - line 2