

DIRECT TESTIMONY

of

**Cheri L. Harden
Rate Analyst**

**Rates Department
Financial Analysis Division
Illinois Commerce Commission**

**North Shore Gas Company and
The Peoples Gas Light and Coke Company**

Proposed General Increase in Natural Gas Rates

Docket Nos. 07-0241 and 07-0242 Consolidated

June 29, 2007

1 **Q. Would you please state your name and business address?**

2 A. My name is Cheri L. Harden. My business address is 527 East Capitol Avenue,
3 Springfield, Illinois 62701.

4

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

6 A. I am employed by the Illinois Commerce Commission (“Commission”) as a Rate
7 Analyst in the Rates Department of the Financial Analysis Division. My
8 responsibilities include rate design and cost-of-service analyses for electric, gas
9 and water utilities and the preparation of testimony on rates and rate-related
10 matters.

11

12 **Q. How long have you been employed by the Illinois Commerce Commission?**

13 A. I have been employed by the Commission since September, 2000.

14

15 **Q. Will you please briefly state your qualifications?**

16 A. I graduated from the University of Maryland in 1993, with a Bachelor of Science
17 degree in Management Studies.

18

19 Previously, I worked for the Wyoming Public Service Commission for almost
20 seven years. The last two positions I held were as the Consumer Services
21 Coordinator and a Rate Analyst. I analyzed telecommunications, electric
22 (investor-owned and cooperative), gas, water and pipeline company filings. I

23 reviewed a variety of cases including mergers, tariff revisions, fuel adjustments,
24 certificate applications, complaints, contracts, interconnection agreements and
25 rate cases. I also worked on special projects such as the Universal Service
26 Fund, Annual Reports and Year 2000 Preparedness.

27

28 **Q. Have you testified in other Commission proceedings?**

29 A. Yes, I have testified on many occasions before the Illinois Commerce
30 Commission and the Wyoming Public Service Commission.

31

32 **Q. Which witness testimony will you address?**

33 A. I will be addressing the testimony of North Shore Gas Company (“North Shore”)
34 and The Peoples Gas Light and Coke Company (“Peoples Gas”) (individually, the
35 “Company” and collectively, the “Companies”) witness Valerie H. Grace, North
36 Shore Ex. VG-1.0 and Peoples Gas Ex. VG-1.0, and the attachments to those
37 testimonies.

38

39 **Q. What is the purpose of your testimony?**

40 A. Each Company has submitted an entirely new tariff book (North Shore Schedule
41 E-1 and Peoples Gas Schedule E-1) which I have reviewed. My testimony
42 examines the new tariff pages submitted by each Company in relation to the
43 current tariff book that was approved in 1995 and modified in succeeding dockets

44 before the Commission. I will discuss the changes to various charges and
45 modifications to clarify the tariff language, as well as changes to remove
46 redundancies and to discard obsolete or inactive tariff provisions. I will also
47 discuss several new tariffs the Companies have proposed and the changes to
48 the titles of some current tariffs that the Companies are proposing.

49

50 **Q. In particular, what issues will you address?**

51 A. First, I will address two Service Classifications:

52 Contract Service to Prevent Bypass Both Companies

53 Contract Service for Electric Generation Both Companies

54

55 Secondly, I will address the Terms and Conditions of Service:

56 Service Activation Charges Both Companies

57 Service Reconnection Charges Both Companies

58 Dishonored Checks and/or Incomplete Electronic Withdrawal
59 Both Companies

60 Second Pulse Data Capability Both Companies

62 Company's Property and Protection Thereof Both Companies

63

64 Lastly, I will address several riders that are being modified or eliminated.

65 Rider 1 - Additional Charges for Taxes and Customer Charge Adjustments
66 Both Companies

67	Rider 2 – Gas Charge	Both Companies
68	Rider 3 – Budget Plan of Payment	Both Companies
69	Rider 4 – Extension of Mains	Both Companies
70	Rider 5 – Gas Service Pipe	Both Companies
71	Rider 8 – Heating Value of Gas Supplied	Both Companies
72	Rider 9 – Unauthorized Use of Gas Service	Both Companies
73	Rider 10 – Controlled Attachment Plan	Both Companies
74	Rider 11 – Adjustment for Incremental Costs of Environmental Activities	Both Companies
75		Both Companies
76	Rider 13 – Remote or Radio Transmitted Meter Readings	Peoples Gas
77	Rider 14 – Taxes on Use of Compressed Natural Gas	North Shore
78	Rider 15 – Taxes on Use of Compressed Natural Gas	Peoples Gas
79	Rider CCA – Customer Charge Adjustments	Both Companies
80	Rider LCP – Low Income Customer Assistance Program	Peoples Gas
81	Rider SBO – Supplier Billing Option	Both Companies

82

83 **Q. Please summarize your recommendations.**

84 A. With respect to the tariffs I reviewed, I recommend that the Commission approve
85 many of the Companies' proposed tariff language changes that I indicate in my
86 testimony to be acceptable or appropriate. However, I have some questions
87 regarding some proposed changes to the tariffs, which I identify and, as a result,

88 I recommend that the Companies provide additional support and/or explanation
89 in their rebuttal testimony for these proposed changes.

90

91 Service Classifications

92 **Q. What is Contract Service?**

93 A. Contract Service is listed as Service Classification No. 4 for North Shore and
94 Service Classification No. 7 for Peoples Gas. Contract Service is available to
95 any customer for whom bypass of the Companies' gas distribution system is, in
96 the judgment of the Companies, economically feasible and practical. (North
97 Shore Ex. VG-1.0, p. 23 and Peoples Gas Ex. VG-1.0, p. 27)

98

99 **Q. What changes are the Companies proposing for Contract Service?**

100 A. The Companies are changing the title of this service from "Contract Service" to
101 "Contract Service to Prevent Bypass" to be more descriptive. Further, in
102 response to customer requests, the Companies are proposing to allow a contract
103 to extend longer than the current maximum of five years. The Companies
104 propose a maximum of up to ten years. The Companies are also proposing
105 minor editorial changes. (North Shore Ex. VG-1.0, p. 23 and Peoples Gas Ex.
106 VG-1.0, p. 27)

107

108 **Q. Do you agree with these changes?**

109 A. Yes, the changes are very minor with the exception of the change from a 5-year
110 contract to a 10-year contract. The increase in the length of the contracts would
111 allow any costs that might be associated with the contracts to be spread out over
112 a longer period of time. A longer contract also saves the cost of the time it takes
113 to negotiate a new contract between the parties. Therefore, the changes to
114 Contract Service to Prevent Bypass are acceptable.

115

116 **Q. Are the Companies proposing to amend Contract Service for Electric**
117 **Generation (Service Classification No. 6 for North Shore and Service**
118 **Classification No. 5 for Peoples Gas)?**

119 A. Yes. The Companies are proposing minor editorial changes. (North Shore Ex.
120 VG-1.0, p. 24 and Peoples Gas Ex. VG-1.0, p. 26) The Companies have
121 proposed one meaningful change – the contract must be in writing.

122

123 **Q. Do you agree with all the changes to Contract Service for Electric**
124 **Generation?**

125 A. Yes. These changes are reasonable and are therefore acceptable.

126

127 Terms and Conditions of Service

128 **Q. What Miscellaneous Charges will you discuss?**

129 A. Miscellaneous charges, which are included in Terms and Conditions of Service,

130 contain the Service Activation Charges, Service Reconnection Charges, the
131 charge for Dishonored Checks and/or Incomplete Electronic Withdrawal, and a
132 charge for Second Pulse Data Capability. (Peoples Gas Ex. VG-1.0, p. 29 and
133 North Shore Ex. VG-1.0, p. 25)

134

135 **Q. What changes are the Companies proposing for Service Activation**
136 **Charges?**

137 A. With respect to Service Activation Charges, the Companies are proposing to
138 increase the charges for both of the following: 1) a succession turn-on which
139 occurs when customers moving in and out of the same premises call to change
140 service about the same time and just a meter reading is necessary and 2) for a
141 straight turn-on which occurs when appliances have to be relit and the gas has
142 been turned off. The Companies are proposing to restructure the current charge
143 to include activating up to four appliances for a straight turn-on and assess an
144 additional charge for each extra appliance that needs to be activated. Each
145 Company performed a study on this charge with the results shown in North
146 Shore Gas Ex. VG-1.9 and Peoples Gas Ex. VG-1.10. Both studies show the
147 cost is higher than the respective Companies' proposed charge in this docket.
148 North Shore proposes charging \$18.00 for a succession turn-on, \$28.00 for a
149 straight turn-on (up to four appliances) and \$5.00 for each additional appliance to
150 be activated. (North Shore Ex. VG-1.0, p. 26) Peoples Gas proposes charging

151 \$12.00 for a succession turn-on, \$20.00 for a straight turn-on (up to four
152 appliances) and \$5.00 for each additional appliance to be activated. (Peoples
153 Gas Ex. VG-1.0, p. 29)

154

155 **Q. Do you agree with the Companies proposed changes for Service Activation**
156 **Charges?**

157 A. Yes, I do agree with the changes as I've previously described. The additional \$5
158 fee will typically be charged when the Companies are activating (or reconnecting)
159 a master metered building when the number of appliances would be significantly
160 higher. An average residential customer does not have more than four
161 appliances within their residence. Normal examples of residential appliances
162 are: central heating system, clothes dryer, water heater and range. (Peoples
163 Gas and North Shore Responses to Staff data request CLH 1.01) I agree with
164 the Companies that the restructuring of the Service Activation Charge more
165 precisely assigns cost responsibility. I have reviewed the supporting
166 documentation that the Companies have provided and find it an acceptable basis
167 for the charges.

168

169 **Q. How do the Companies define Service Reconnection Charges?**

170 A. A Service Reconnection Charge is a charge assessed to a customer when the
171 gas has been turned off for any number of reasons such as non-payment of bills

172 or customer request. Each customer is granted a waiver of one reconnection
173 charge each year, except in the situation where the customer voluntarily
174 disconnects and then requests reconnection within twelve months or in the
175 situation in which service is disconnected at the main. (North Shore Ex. VG-1.0,
176 p. 27 and Peoples Gas Ex. VG-1.0, pp. 30 - 31)

177

178 **Q. How do the Companies propose restructuring this charge?**

179 A. As with the Service Activation Charge, the Companies propose to restructure the
180 Service Reconnection Charge to include a basic charge that includes the
181 relighting of up to four appliances and assess a charge for each additional
182 appliance. The Companies are proposing a slight increase to the charges for all
183 three types of reconnection: 1) basic reconnections which only require a meter
184 turn-on; 2) reconnections which require the Company to set a meter and 3)
185 reconnections that involve excavating at the main. (North Shore Ex. VG-1.0, p.
186 27 and Peoples Gas Ex. VG-1.0, p. 31)

187

188 North Shore proposes charging \$50.00 (currently \$45.00) for a basic
189 reconnection, \$90.00 (currently \$75.00) if the meter has to be reset and \$275.00
190 (currently \$225) if service has to be reconnected at the main. (North Shore Ex.
191 VG-1.0, p. 27)

192

193 Peoples Gas proposes charging \$50.00 (currently \$45.00) for a basic
194 reconnection, \$100.00 (currently \$90.00) for a reconnection when the meter has
195 to be reset and \$275.00 (currently \$225) when service has to be reconnected at
196 the main. (Peoples Gas Ex. VG-1.0, p. 31)

197
198 The Companies provide the results of a study on these charges in North Shore
199 Gas Ex. VG-1.9 and Peoples Gas Ex. VG-1.10. Both studies show the cost is
200 higher than the charge the Companies are proposing in this docket.

201
202 **Q. Do you agree with the Companies proposed changes for Service**
203 **Reconnection Charges?**

204 A. Yes, I do agree with the Companies proposed changes. I have reviewed the
205 supporting documentation the Companies have provided and I find it an
206 acceptable basis for the charges. I agree with the Companies that the
207 restructuring of the Service Reconnection Charge more specifically assigns cost
208 responsibility.

209
210 **Q. What other changes are the Companies proposing to Miscellaneous**
211 **Charges?**

212 A. The Companies are proposing to increase the fee for Dishonored Checks and
213 Incomplete Electronic Withdrawal from \$10.00 to \$25.00. The Companies cite

214 Docket No. 99-0534, MidAmerican Energy Company (MEC), in which the fee
215 was raised to \$25.00. The Companies state this change better reflects prevailing
216 rates for such checks and transactions and discourages customers from making
217 deficient payments to the Companies. Proposed revenue from this fee offsets
218 the increase in base rates in this proceeding. (North Shore Ex. VG-1.0, pp. 28 -
219 29 and Peoples Gas Ex. VG-1.0, pp. 32 - 33)

220

221 **Q. Do you agree with the Companies increase to this charge?**

222 A. Yes, I do agree with the Companies' proposed increase. As discussed by the
223 Companies, the same fee was proposed in the MidAmerican Energy Company
224 rate case, Docket 99-0534. The final Order in Docket 99-0534, at page 40,
225 states "...the increase was reasonable and would serve to discourage payment
226 with checks that are not valid..." Based on that same reasoning, I agree with
227 the Companies that \$25 is an appropriate charge.

228

229 **Q. Please describe Second Pulse Data Capability.**

230 A. Certain meters, meter correctors and daily demand measurement devices are
231 capable of delivering a "second pulse" signal to specialized devices that can
232 capture and transmit metering data. Second Pulse Data Capability can provide
233 this signal and make real-time usage readings to customers. The Companies do
234 not require this capability but a few large volume customers have requested to

235 tap into the second pulse output to help manage their gas usage. (North Shore
236 Ex. VG-1.0, p. 29 and Peoples Gas Ex. VG-1.0, p. 33)

237

238 **Q. What do the Companies propose to charge for this capability?**

239 A. The Companies propose a monthly charge of \$14.00. The derivation of the cost
240 for this service is shown in North Shore Ex. VG-1.10 and Peoples Gas Ex. VG-
241 1.11. (North Shore Ex. VG-1.0, p. 30 and Peoples Gas Ex. VG-1.0, pp. 33 - 34)

242

243 **Q. Do you agree with the proposed monthly charge for Second Pulse Data
244 Capability?**

245 A. Yes, I agree with the monthly charge for Second Pulse Data Capability. The
246 Companies provided supporting documentation that I find to be acceptable.

247

248 **Q. Do you have concerns about other changes in the proposed Terms and
249 Conditions of Service submitted by the Companies?**

250 A. Yes. There are two areas of concern that I recommend the Companies address
251 by providing additional support and/or further explanation in their rebuttal
252 testimony.

253

254 **Q. Please describe your first area of concern as it pertains to the Terms and
255 Conditions of Service?**

256 A. The first area of concern pertains to proposed language that appears under the
257 title "Company's Property and Protection Thereof". The proposed language can
258 be found on Schedule E-2 of the Companies Section 285.5015 filing in Volume
259 III, page 38 of 261 of the North Shore filing and page 49 of 371 of the Peoples
260 Gas filing:

261 Unless otherwise provided by contract between the Company and
262 the customer, all meters and other appliances and equipment
263 furnished by and at the expense of the Company that may at any
264 time be upon the customer's premises shall be and remain ~~the~~
265 Company property of ~~the Company~~, and no one other than an
266 Company's agent of the Company shall be permitted is authorized
267 to remove or disturb such property.

268
269 The Company will charge a person for damages to the Company's
270 property, including, without limitation, pipes, meters and regulators,
271 an amount that allows the Company to recover the actual costs
272 determined by the time, material and overhead associated with
273 making any and all repairs, including replacement, in whole or in
274 part, and with responding to related service interruptions, including
275 relighting appliances, and for recouping lost margin. In determining
276 labor costs, the time of all personnel, including supervisory
277 personnel, shall be included.
278

279 The proposed language is very broad and does not appear to have a limit that is
280 defined in dollars. Further, the language raises several questions: (1) Who will
281 the Companies charge - the customer or the person responsible for damaging
282 the equipment (such as a contractor)? (2) How would responsibility for payment
283 be determined? (3) How would the lost margin be determined? The Companies
284 need to provide additional support and/or explanation in their rebuttal testimony
285 for these proposed changes.

286

287 **Q. Please describe your second area of concern as it pertains to the Terms**
288 **and Conditions of Service?**

289 A. The second area of concern pertains to proposed language under the title
290 “Equipment Furnished and Maintained by Customer”. The proposed language
291 can be found on Schedule E-2 of the Companies Section 285.5015 filing in
292 Volume III, page 38 of 261 of the North Shore filing and page 49-50 of 371 of the
293 Peoples Gas filing.

294 All gas equipment furnished or used by the customer, including
295 appliances, piping and venting equipment, shall be installed,
296 operated and maintained by the customer at all times in conformity
297 with accepted practice as determined by rules of public health and
298 safety, law, local ordinance or rules of any properly constituted
299 authorities.

300

301 The Company ~~will~~ shall assume no obligation or responsibility for
302 any claims, loss, liability or damage whatsoever resulting from or in
303 connection with the construction, use, maintenance or operation of
304 ~~the gas piping or~~ any such equipment installed or used by the
305 customer for or in connection with the purchase of gas and service
306 hereunder. The Company may use bill inserts to provide general
307 notice to customers of safety matters, including, without limitation,
308 safety matters related to the use of uncoated brass flexible
309 connectors. The customer is responsible for addressing such
310 matters, including inspecting the customer’s premises for,
311 identifying and remedying any such matters. The Company shall
312 have no responsibility to inspect for, identify or remedy any such
313 matters and shall have no liability or responsibility for any claims,
314 loss, injury or damages whatsoever resulting from or in connection
315 with matters described in such bill inserts. The envelope with such
316 bill inserts need not be marked in any way, and sending such bill
317 inserts shall constitute the use of reasonable care to provide notice.

318

319 The proposed language discusses, among other things, sending bill inserts to
320 notify customers of safety matters. Although use of bill inserts to provide safety
321 notices is acceptable, I have serious reservations regarding the use of bill inserts
322 as a means to limit liability via tariff. As a policy matter, I believe a tariff based
323 limitation of liability should be clearly stated and identified in the tariff. There
324 appear to be no limits or guidelines whatsoever on what may be included in the
325 bill inserts, and the Companies' language appears to be too open ended and
326 broad. In short, this language appears to allow the Companies to limit liability for
327 whatever currently unspecified safety issue they choose to identify in the future.
328 Finally, the Companies' language purports to exempt them from liability even
329 where they have been negligent. They have offered no support for their request
330 to be excused from liability for their own negligence with respect to safety
331 matters, and I question whether such an exemption is appropriate or desirable.

332
333 A related issue involves the attempt to broaden the description of equipment
334 covered by this language. The current language refers to equipment "furnished"
335 by the customer, whereas the new language adds "or used" by the customer.
336 There is no new limiting language to accompany the "or used" language, and as
337 a result this language addition appears to make this section applicable to all
338 Company furnished equipment – such as a meters, service pipes, etc. – since
339 such equipment is "used" by customers. This proposed language needs to be

340 clarified or eliminated. Of particular concern is the impact of the proposed “or
341 used” language with the “bill insert” limitation of liability language. For example,
342 the Companies could send a “safety related” bill insert indicating snow should not
343 be allowed to accumulate on a pressure regulator or meter. According to the
344 proposed new language, the Companies’ would “have no liability or responsibility
345 for any claims, loss, injury or damages whatsoever resulting from or in
346 connection with matters described in such [a] bill insert[] . . .” The Companies
347 should not be allowed to limit their liability with respect to equipment they are
348 responsible for installing and maintaining.

349

350 **Q. Do you agree with the new proposed language?**

351 A. Although I have serious concerns as outlined above, I am taking no position at
352 this point in time. The Companies need to provide additional support and/or
353 explanation in their rebuttal testimony for these proposed changes so that I might
354 further understand their perspective on this issue. I reserve the right in rebuttal
355 testimony to make a recommendation on these changes.

356

357 Riders - Elimination

358 **Q. Do the Companies propose to eliminate any Riders?**

359 A. Yes. I will address North Shore’s proposed elimination of Rider 14 – Taxes on
360 Use of Compressed Natural Gas and Rider CCA – Customer Charge

361 Adjustments. In addition, Companies' witness Mr. Thomas E. Zack, North Shore
362 TZ Ex.-1.0 discusses the proposal of eliminating Riders FST, LST and TB.
363 (North Shore Ex. VG-1.0, p. 35; North Shore Ex. TZ-1.0) My testimony does not
364 address these latter riders.

365
366 I will also address Peoples Gas' proposed elimination of Rider 13 - Remote
367 Meter Reading Devices; Rider 15 - Taxes on Use of Compressed Natural Gas;
368 Rider LCP – Low Income Customer Assistance Program and Rider CCA –
369 Customer Charge Adjustments. In addition, Companies' witness Mr. Thomas E.
370 Zack, Peoples Gas TZ Ex.-1.0 discusses the proposal of eliminating Riders FST
371 and LST. (Peoples Gas Ex. VG-1.0, p. 39) My testimony does not address
372 these latter riders.

373
374 **Q. Please discuss the first rider that North Shore proposes to eliminate.**

375 A. North Shore proposes to eliminate Rider 14 – Taxes on Use of Compressed
376 Natural Gas. The Company is proposing in this docket to incorporate the
377 language from Rider 14 into the language of Rider 1. (North Shore Ex. VG-1.0,
378 p. 35)

379
380 North Shore's Rider 14 states:

381 A customer receiving gas for compression and use as compressed
382 natural gas shall reimburse the Company for all taxes payable by

383 the Company to any governmental body on the delivery of gas used
384 as compressed natural gas.

385
386 North Shore's Rider 1 - Additional Charges for State and Municipal Utility Taxes -
387 already provides for various other taxes to be recovered by the Company, thus,
388 the language in Rider 14 is being proposed by the Company to be included as a
389 tax to be recovered under Rider 1.

390

391 **Q. Do you agree with the proposed elimination of North Shore's Rider 14?**

392 A. Yes. Combining the language in Rider 14 into Rider 1 is appropriate because it
393 would maintain similar types of taxes and charges in one location of the
394 Company's tariff book. Thus, a customer would not need to look through many
395 different riders to find needed information, which can be confusing to customers.
396 I believe that this proposal will simplify the tariff book and provide benefits to
397 customers. Therefore, I agree with the elimination of Rider 14 – Taxes on Use of
398 Compressed Natural Gas.

399

400 **Q. Please discuss the second rider that North Shore proposes to eliminate.**

401 A. Rider CCA – Customer Charge Adjustments provides for charges arising from
402 the Energy Assistance Act of 1989 and the Renewable Energy, Energy Efficiency
403 and Coal Resources Development Law of 1997. The charges in Rider CCA are
404 described in the tariff and are included in the customer charges on customer bills.
405 North Shore proposes to incorporate the language currently in Rider CCA into

406 Rider 1. (North Shore Ex. VG-1.0, p. 31)

407

408 **Q. Do you agree with the proposed elimination of North Shore's Rider CCA?**

409 A. Yes. Combining the language in Rider CCA into Rider 1 is appropriate because
410 it would maintain similar types of taxes and charges in one location of the
411 Company's tariff book. Thus, a customer would not need to look through many
412 different riders to find needed information, which can be confusing to customers.
413 I believe that this proposal will simplify the tariff book and provide benefits to
414 customers. Therefore, I agree with the elimination of Rider CCA – Customer
415 Charge Adjustments.

416

417 **Q. Please discuss the first rider that Peoples Gas proposes to eliminate.**

418 A. Peoples Gas proposes to eliminate Rider 13 – Remote or Radio Transmitted
419 Meter Reading. Peoples Gas contends that this rider is no longer necessary as it
420 no longer installs remote meter reading devices and the costs of radio
421 transmitted devices are recovered through base rates. (Peoples Gas Ex. VG-
422 1.0, p. 38)

423

424 **Q. Do you agree with the proposed elimination of Rider 13?**

425 A. Yes, I agree that Rider 13 is no longer necessary as it pertains to remote or radio
426 transmitted meter readings for the reasons given by Peoples Gas. Therefore, the

427 elimination of Rider 13 is appropriate.

428

429 **Q. Please discuss the second rider that Peoples Gas proposes to eliminate.**

430 A. Peoples Gas proposes to eliminate Rider 15 – Taxes on Use of Compressed
431 Natural Gas. The Company proposes to include the language from Rider 15 into
432 the language of Rider 1. (Peoples Gas Ex. VG-1.0, p. 38)

433

434 Peoples Gas Rider 15 states:

435 A customer receiving gas for compression and use as compressed
436 natural gas shall reimburse the Company for all taxes payable by
437 the Company to any governmental body on the delivery of gas used
438 as compressed natural gas.

439

440 Peoples Gas Rider 1 already provides for taxes to be recovered by Peoples Gas
441 and the proposed language modifies Rider 1 to apply to the taxes described in
442 Rider 15.

443

444 **Q. Do you agree with the proposed elimination of Rider 15?**

445 A. Yes. Combining the language in Rider 15 into Rider 1 is appropriate because it
446 would maintain similar types of taxes and charges in one location of the
447 Company's tariff book. Thus, a customer would not need to look through many
448 different riders to find needed information, which can be confusing to customers.
449 I believe that this proposal will simplify the tariff book and provide benefits to
450 customers. Therefore, I agree with the elimination of Rider 15 – Taxes on Use of

451 Compressed Natural Gas.

452

453 **Q. Please discuss the third rider that Peoples Gas proposes to eliminate.**

454 A. Peoples Gas proposes to eliminate Rider LCP – Low-Income Customer
455 Assistance Program. Peoples Gas contends that this program is no longer
456 operational. (Peoples Gas Ex. VG-1.0, p. 39) The tariff was available for a set
457 two-year period beginning August 1, 1996, through July 31, 1998. That period
458 has expired.

459

460 **Q. Do you agree with the elimination of Rider LCP?**

461 A. Yes, I agree with the elimination of Rider LCP – Low Income Customer
462 Assistance Program. The term for this Rider has expired and is no longer
463 applicable in the tariffs for Peoples Gas.

464

465 **Q. Please discuss the fourth rider that Peoples Gas proposes to eliminate.**

466 A. Rider CCA provides for charges arising from the Energy Assistance Act of 1989
467 and the Renewable Energy, Energy Efficiency and Coal Resources Development
468 Law of 1997. The charges in Rider CCA are described in the tariff and are
469 included in the customer charges on customer bills. North Shore also proposes
470 to eliminate Rider CCA and, as discussed previously for Rider 14, proposes to
471 incorporate the language currently in Rider CCA into Rider 1. (Peoples Gas Ex.

472 VG-1.0, p. 35)

473

474 **Q. Do you agree with the proposed elimination of Rider CCA?**

475 A. Yes. Combining the language in Rider CCA into Rider 1 is appropriate because it
476 would maintain similar types of taxes and charges in one location of the
477 Company's tariff book. Thus, a customer would not need to look through many
478 different riders to find needed information, which can be confusing to customers.
479 I believe that this proposal will simplify the tariff book and provide benefits to
480 customers. Therefore, I agree with the elimination of Rider CCA.

481

482 Riders – Changes

483 **Q. Please discuss the Companies proposed changes to Rider 1 - Additional**
484 **Charges for State and Municipal Utility Taxes**

485 A. The Companies propose to change the name of Rider 1 to Additional Charges for
486 Taxes and Customer Charge Adjustments. As discussed earlier, the Companies
487 also propose to incorporate into Rider 1 the language from the three riders, which
488 the Companies propose to eliminate in this case. The riders the Companies
489 propose to eliminate are: North Shore's Rider 14 and Peoples Gas' Rider 15
490 (both provide for taxes on the use of compressed natural gas) and Rider CCA
491 (provides for charges arising from the Energy Assistance Act of 1989 and the
492 Renewable Energy, Energy Efficiency and Coal Resources Development Law of

493 1997). (North Shore Ex. VG-1.0, p. 31 and Peoples Gas Ex. VG-1.0, p. 35)

494

495 **Q. Do you agree with the proposed changes in Rider 1?**

496 A. Yes. Combining the language from the three riders noted above into Rider 1
497 provides for one tariff in the Companies' tariff books to describe and list these
498 types of taxes and charges instead of in multiple places in the tariffs. This
499 simplifies the tariff books and provides benefits for customers. Therefore, if the
500 Commission approves the elimination of Rider CCA for both Companies and the
501 riders for Taxes on Use of Compressed Natural Gas for both Companies (Rider
502 14 for North Shore and Rider 15 for Peoples Gas), then the language from the
503 eliminated riders should be added to Rider 1. The minor word changes which
504 are proposed by the Companies are also appropriate in Rider 1.

505

506 **Q. Please discuss the Companies proposed changes for Rider 2 – Gas**
507 **Charge.**

508 A. The Companies make proposals for Rider 2 that I will address as three separate
509 proposals.

510 1) The Companies' proposed changes to Rider 2 reflect the applicability of the
511 rider based on their proposal in this proceeding to eliminate and rename
512 applicable transportation riders. (North Shore Ex. VG-1.0, p. 31 and Peoples Gas
513 Ex. VG-1.0, p. 35) The changes would only be applicable if the Commission

514 approves of the elimination and renaming of the transportation riders.

515

516 2) The Companies' propose to eliminate Factor TS – Transition Surcharge, and
517 refund or recover any dollars awaiting recovery or refund through Factor NCGC –
518 Non-Commodity Gas Charge. (North Shore Ex. VG-1.0, p. 31 and Peoples Gas
519 Ex. VG-1.0, p. 35) I reserve the right to further review these changes and to
520 make a recommendation on these changes until I see the testimony from other
521 parties in this docket about this issue.

522

523 3) Rider 2 also reflects minor editorial changes to clarify language and pursuant
524 to the Commission's Order in Docket No. 06-0540, reflects the change to a
525 calendar year for its fiscal year. (North Shore Ex. VG-1.0, pp. 31 – 32 and
526 Peoples Gas Ex. VG-1.0, pp. 35 - 36) In Docket No. 06-0540, the merger case
527 between Peoples Gas and North Shore, the Companies requested approval to
528 change reconciliation years in the Gas Companies' Riders 2 and 11 to calendar
529 year bases. The Commission approved the request at page 64 of its Final Order
530 in that docket.

531

532 **Q. Do you agree with the proposed changes in Rider 2?**

533 A. I agree with some of the changes and will review other aspects of the proposed
534 changes to Rider 2 as they may develop later in the case by other parties.

535

536 1) The proposed changes that refer to other riders which are applicable are
537 appropriate if the Commission approves the elimination and renaming of certain
538 transportation riders.

539

540 2) I will make a recommendation in rebuttal testimony, after I review other parties'
541 positions, on how the Companies' proposals to eliminate Factor TS – Transition
542 Surcharge and to refund or recover any dollars awaiting recovery or refund
543 through Factor NCGC – Non-Commodity Gas Charge should modify Rider 2.

544

545 3) The change from the fiscal year to the calendar year is appropriate in light of
546 the Commission's Order in Docket No. 06-0540. The minor grammatical
547 changes are also appropriate in Rider 2.

548

549 **Q. Please discuss the Companies proposed changes for Rider 3 – Budget Plan**
550 **of Payment.**

551 A. The Companies propose to revise Rider 3 to make it more consistent with their
552 current budget plan as discussed in the language of the tariff. (North Shore Ex.
553 VG-1.0, p. 32 and Peoples Gas Ex. VG-1.0, p. 36)

554

555 **Q. Do you agree with the proposed changes in Rider 3?**

556 A. Yes. The Companies' proposal makes it easier for a customer to begin the
557 budget plan payment schedule. Further, the other word changes they propose
558 are minor. Therefore, I find their proposed changes to be acceptable.

559

560 **Q. Please discuss the Companies proposed changes for Rider 4 – Extension**
561 **of Mains.**

562 A. The basic structure of Rider 4 is unchanged as it delineates the Companies and
563 customer responsibilities. The proposed language clarifies current practices and
564 customers preferences such as, if a customer wanted to install a main in a
565 different location than is required to provide service to the customer, the
566 customer would bear the costs to meet the customer's preference. (North Shore
567 Ex. VG-1.0, p. 32 and Peoples Gas Ex. VG-1.0, p. 36)

568

569 The Rider 4 proposed tariff language can be found in legislative format in
570 Schedule E-2 of the Companies Section 285.5015 filing in Volume III, page 78 of
571 261 of the North Shore filing and page 92 of 371 of the Peoples Gas filing. The
572 proposed language that concerns me is as follows:

573 If a customer requests the Company to install, relocate or replace a
574 gas main or mains in addition to or in a manner other than what is
575 required for the Company to provide service, including installations
576 on private property such as private drives, the customer shall pay
577 the Company's costs of installation, relocation or replacement.
578 Such costs include, but are not limited to, labor costs, material
579 costs, transportation costs, overheads and return. For the
580 purposes of this rider, "return" is defined to mean the pre-tax rate of

581 return approved by the Commission in the Company's most recent
582 rate case proceeding.
583

584 **Q. Do you agree with the proposed changes in Rider 4?**

585 A. The proposed language is very broad and refers to charging customers, with no
586 limit, for labor costs, material costs, transportation costs, overheads and return.
587 The Companies need to provide additional support and/or explanation in rebuttal
588 testimony for the "return" being charged to a customer when a "return" is typically
589 applied to rate base items, as well as justification for the broad and limitless
590 charges that the proposed language would allow the Companies to charge a
591 customer.

592
593 **Q. Please discuss the Companies proposed changes for Rider 5 – Gas Pipe**
594 **Service.**

595 A. The Companies propose to change Rider 5 based on the Commission's final
596 Order in Docket No. 03-0767. An agreement by the Parties in that case was that
597 the amount of free gas service pipe would be 60 feet. The free footage has been
598 reduced for both Peoples Gas and North Shore Gas from 100 feet currently to 60
599 feet as agreed by the Parties in Docket No. 03-0767. The Companies also
600 specify assessed charges for disconnecting and relocating service pipe. The
601 basic structure of the rider remains unchanged. (North Shore Ex. VG-1.0, p. 33
602 and Peoples Gas Ex. VG-1.0, p. 37)

603

604 The Commission's Order on Rehearing in Docket No. 03-0767 dated April 5,
605 2006, no longer adopts, as its own, the agreement by the parties in the docket,
606 therefore the Commission did not adopt the agreement between the parties in
607 relation to free gas service pipe. However, the Commission's Order on
608 Rehearing at page 2 states "...the length of the free gas main extensions shall
609 remain as currently provided in 83 Ill. Adm. Code 500.310 *et seq.*." Section
610 500.310 of Part 500 (83 Ill. Adm. Code 500.310) states: "...provided the [free]
611 extension does not exceed 100 feet..." Therefore, Part 500 does not specify an
612 amount of free length of service connection. The Commission's Order on
613 Rehearing does recognize that the parties jointly submitted the agreements
614 reached as a joint position statement in response to the issues set forth by the
615 Commission in Docket No. 03-0767. While Part 500 does not address gas
616 service installations, the Companies' proposed language to Rider 5, resulting in a
617 reduction of free service installation from 100 to 60 feet, does provide for free
618 service installation that is consistent with the parties agreement in Docket No. 03-
619 0767, and, therefore, I find the change acceptable.

620

621 Additionally, the Rider 5 proposed language in which the Companies assessed
622 charges for disconnecting and relocating service pipe can be found in legislative
623 format in Schedule E-2 of the Companies Section 285.5015 filing in Volume III,

624 page 79 of 261 of the North Shore filing and page 94 of 371 of the Peoples Gas
625 filing. As discussed previously regarding Rider 4, the Companies proposed tariff
626 language lists the “Company’s cost” including, but not limited to, labor costs,
627 materials costs, transportation costs, overheads and return with “return” being
628 defined to mean the pre-tax rate of return approved by the Commission in the
629 Company’s most recent rate proceeding.

630
631 The Companies also propose to insert into Rider 5 additional tariff language in
632 Schedule E-2 of the Companies Section 285.5015 filing in Volume III, page 81 of
633 261 of the North Shore filing and page 96 of 371 of the Peoples Gas filing. This
634 proposed language numbered 8 on the page discusses disconnection and
635 reconnection charges within 2 years when a building is torn down.

636 When a customer requests that a service pipe be disconnected for
637 building teardown, the customer shall pay the Company’s costs
638 associated with such disconnection. If such customer, within two
639 years of disconnection, requests service at the same location and
640 the disconnected service pipe can be used to serve the new
641 account, the customer shall pay the Company’s costs associated
642 with the required reconnection. If the disconnected service pipe
643 cannot be used or if the customer requests that such service pipe
644 be relocated or modified in accordance with the customer’s
645 preferred design, the customer shall pay the Company’s cost of
646 relocation or modification.

647
648 **Q. Do you agree with the proposed changes in Rider 5?**
649 A. I am unable to make a recommendation at this time. The Companies need to
650 provide additional support and/or explanation in rebuttal testimony for: 1) the

651 “return” being charged to a customer when a “return” is typically applied to rate
652 base items such as the gas service pipe; and 2) the 2-year timeframe for
653 disconnection/reconnection charges as discussed above.

654

655 **Q. Please discuss the Companies proposed changes for Rider 8 – Heating**
656 **Value of Gas Supplied.**

657 A. Rider 8 changes reflect the applicability of the rider based on the proposed
658 elimination and renaming of applicable transportation riders and a correction to
659 minor grammatical errors. (North Shore Ex. VG-1.0, p. 33 and Peoples Gas Ex.
660 VG-1.0, p. 37)

661

662 **Q. Do you agree with the proposed changes in Rider 8?**

663 A. If the Commission approves the elimination and renaming of the transportation
664 riders then I agree to the proposed changes that refer to which service
665 classifications Rider 8 is applicable. The minor wording changes are acceptable
666 in Rider 8 as they do not change anything specific in relation to the Rider; rather
667 they rearrange how items are stated in the Rider.

668

669 **Q. Please discuss the Companies proposed changes for Rider 9 –**
670 **Unauthorized Use of Gas Service.**

671 A. The Companies’ changes to Rider 9 reflect the applicability of the rider based on

672 the proposed elimination and renaming of applicable transportation riders and
673 corrections to minor grammatical errors. The charges are unchanged. (North
674 Shore Ex. VG-1.0, p. 34 and Peoples Gas Ex. VG-1.0, p. 37)

675

676 **Q. Do you agree with the proposed changes in Rider 9?**

677 A. Yes, the changes that reference the applicable service classifications are
678 appropriate if the Commission approves the elimination and renaming of certain
679 transportation riders. The minor grammatical changes are appropriate in Rider 9
680 since they present no significant changes in the Rider but rewording and
681 clarification changes.

682

683 **Q. Please discuss the Companies proposed changes for Rider 10 – Controlled**
684 **Attachment Plan.**

685 A. The Rider 10 changes reflect the applicability of the rider based on the
686 elimination and renaming of applicable transportation riders. Further, the
687 Companies amend the language in order to make Rider 10 more
688 understandable. (North Shore Ex. VG-1.0, p. 34 and Peoples Gas Ex. VG-1.0, p.
689 38)

690

691 **Q. Do you agree with the proposed changes in Rider 10?**

692 A. Yes, the service classification changes are appropriate if the Commission

693 approves the elimination and renaming of certain transportation riders. The
694 language changes are acceptable in Rider 10 as they reword and clarify existing
695 items in the Rider.

696

697 **Q. Please discuss the Companies proposed change for Rider 11 – Adjustment**
698 **for Incremental Costs of Environmental Activities.**

699 A. The Companies state they propose one minor editorial change to Rider 11 and a
700 change to a calendar year from its fiscal year as a result of the Commission's
701 Order in Docket No. 06-0540. (North Shore Ex. VG-1.0, p. 34 and Peoples Gas
702 Ex. VG-1.0, p. 38) However, I note many other proposed language changes to
703 Rider 11 which are similar in respect to other proposed language in other Riders
704 in this case – to clarify existing language in the Riders. Of those changes, the
705 most significant is the use of a formula to replace language to calculate the
706 carrying charge. The formula accurately computes what used to be expressed
707 only in language, and the formula is consistent with the tariff language.

708

709 **Q. Do you agree with the proposed changes in Rider 11?**

710 A. Yes. The Company has changed the tariff language into a formula for the
711 carrying charge. The formula corresponds accurately to the current language in
712 the tariff. Further, the change from the fiscal year to the calendar year is
713 appropriate in light of the Commission's Order in Docket No. 06-0540 as

714 discussed previously in Rider 2. The other editorial changes in the rider are
715 acceptable.

716

717 **Q. Do the Companies propose any changes to Rider SBO?**

718 A. Yes. The Companies' propose editorial changes to Rider SBO – Supplier Billing
719 Option Service. These changes replace the reference from SVT (Small Volume
720 Transportation Services) to CFY (Choices For You) which corresponds to the
721 name change the Companies are proposing to a transportation rider.

722

723 **Q. Do you agree with the Rider SBO proposed changes?**

724 A. Yes, the change noted above is appropriate if the Commission approves the
725 renaming of this transportation rider.

726

727 Riders - Additions

728 **Q. Do the Companies propose to add any riders to the tariffs?**

729 A. Yes. With respect to North Shore, it is proposing three new riders: Rider EEP –
730 Enhanced Efficiency Program; Rider UBA – Uncollectible Balancing Adjustment
731 and Rider VBA – Volume Balancing Adjustment. (North Shore Ex. VG-1.0, p. 35)
732 These riders are discussed by Staff witness Dianna Hathhorn in ICC Staff
733 Exhibit 1.0 and Staff witness Peter Lazare in ICC Staff Exhibit 8.0.

734

735 With respect to Peoples Gas, it is proposing four new riders: Rider EEP –
736 Enhanced Efficiency Program; Rider UBA – Uncollectible Balancing Adjustment;
737 Rider VBA – Volume Balancing Adjustment and Rider ICR – Infrastructure Cost
738 Recovery. (Peoples Gas Ex. VG-1.0, p. 39) These riders are discussed by Staff
739 witness Dianna Hathhorn in ICC Staff Exhibit 1.0 and Staff witness Peter Lazare
740 in ICC Staff Exhibit 8.0.

741

742 Miscellaneous

743 **Q. Have you seen any typographical errors in your review of the proposed**
744 **tariffs?**

745 A. Yes. There is one typographical error in North Shore's proposed Rider 5 at the
746 second to the last paragraph which is numbered 5. The language currently
747 reads:

748 "The customer shall pay f the Company's cost or any change in the
749 Company-specified..."

750
751 Unless the Companies intended otherwise, I believe that sentence should be
752 revised as follows:

753 "The customer shall pay the Company's cost for any change in the
754 Company-specified..."

755

756

757 **Q. Does this conclude your prepared direct testimony in this proceeding?**

758 A. Yes.