

DIRECT TESTIMONY

OF

DANIEL G. KAHLE

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Reconciliation of Revenues Collected Under Coal Tar
Riders with Prudent Costs Associated with Coal Tar
Clean Up Expenditures

The Peoples Gas Light and Coke Company

Docket No. 06-0212

August 7, 2007

1 **Witness Identification**

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

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

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

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

18 **Q. Have you previously testified before any regulatory bodies?**

19 A. Yes, I have testified before the Commission on several occasions.

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

21 A. The purpose of my testimony is to present my position on The Peoples Gas
22 Light and Coke Company's ("Respondent", "Peoples" or "Company")
23 September 2005 Rider 11 report to the Commission, which describes the
24 costs and revenues attributable to the Company's environmental activities for
25 the year ended September 30, 2005. Specifically, my testimony addresses
26 the incremental costs incurred and the recoveries collected by Peoples under
27 its Rider 11, "Adjustment for Incremental Costs of Environmental Activities".

28 **Scope of the Review**

29 **Q. Did you review information provided by Peoples to arrive at your**
30 **position?**

31 A. Yes. I reviewed the direct testimony and exhibits of Mr. Steven J. Matuszak,
32 Manager of Environmental Affairs Department for the Company; the
33 Company's responses to generic data requests; the Company's responses to
34 an additional data request which included supporting documentation for a
35 sample of costs recorded by the Company for fiscal year 2005; and the order
36 from the previous proceeding (Docket No. 05-0110).

37 **Q. In a previous proceeding, Docket No. 04-0112, the Commission ordered**
38 **the Company to report in its direct testimony the status of all properties**

39 **for which purchase costs were previously recovered through Rider 11.**

40 **Did the Company include this status in its testimony?**

41 A. No. The Company's testimony for this proceeding was filed prior to the
42 Commission's Order being issued; however, the Company did provide the
43 status of properties in a response to Staff Data Request DGK 1.01.

44 **Q. What do you recommend regarding this information the Company has**
45 **provided pursuant to the Commission's Order in Docket No. 04-0112?**

46 A. As part of its rebuttal testimony in this case, Peoples should enter its
47 response to Staff Data Request DGK 1.01 into the evidentiary record by filing
48 the responses as an exhibit, with an affidavit, on the Commission's e-Docket
49 system. This would enable the Company to report in its testimony the status
50 of all properties for which purchase costs were previously recovered through
51 Rider 11 as required by the Commission's Order in Docket No. 04-0112,
52 which was entered after the Company filed its direct testimony in the case.

53 **Q. Are you sponsoring and schedules as part of your direct testimony?**

54 A. No.

55 **Incremental Costs**

56 **Q. Did you review the incremental costs incurred by Peoples under its**
57 **Rider 11?**

58 A. Yes. I reviewed incremental costs for the year ended September 30, 2005.

59 **Q. According to Peoples, what was the total of the incremental costs**
60 **incurred for the year ended September 30, 2005?**

61 A. Respondent's Exhibit 1, page 8 at line 4, column (C) shows total incremental
62 costs of \$28,604,857.52 for the year ended September 30, 2005.

63 **Q. Has the Company also included costs for carrying charges in the 2005**
64 **reconciliation period?**

65 A. Yes. The above total of incremental costs includes \$1,785,652.09 in carrying
66 charges, as reflected in Respondent's Exhibit 1, page 10, line 35 of column
67 (D).

68 **Prudence Review**

69 **Q. Did you review the prudence of the incremental costs incurred by**
70 **Peoples during the year ended September 30, 2005?**

71 A. Yes. In the Order on Rehearing for Docket No. 90-0127, the Commission
72 adopted four standards to review the prudence of expenditures for
73 environmental activities (Central Illinois Light Company, Docket No. 90-0127,
74 Order on Rehearing, dated August 2, 1991, pp. 25-26). The Commission
75 affirmed the same four standards in the Order for Docket Nos. 91-0080
76 through 91-0095 (Cons.); (Central Illinois Light Company et al., Docket Nos.

77 91-0080 – 91-0095 (Cons.), Order, dated September 30, 1992, pp. 78-81). I
78 based my evaluation of the Company's deferred incremental costs for
79 environmental activities on these four standards:
80 (1) reasonable and appropriate business standards,
81 (2) the requirements of other relevant state and/or federal authorities,
82 (3) minimization of costs to ratepayers, consistent with safety, reliability,
83 and quality assurance, and
84 (4) facts and knowledge the Company knew or reasonably should have
85 known at the time the expenditures were made.

86 **Recoveries**

87 **Q. During the year ended September 30, 2005, what was the total amount**
88 **of the recoveries that Peoples collected through its Riders?**

89 A. Peoples had \$28,573,823.06 of recoveries through its Riders during the year
90 ended September 30, 2005 (Respondent's Exhibit 2).

91 **Q. Did Peoples receive any recoveries from Potentially Responsible**
92 **Parties ("PRP")?**

93 A. No.

94 **Q. Did Peoples receive any recoveries from insurance carriers?**

95 A. No.

96 **Q. What is the total amount of revenue recoveries collected by Peoples**
97 **since the inception of its Rider 11?**

98 A. Peoples has collected a total of \$87,640,515.52 (Respondent's Exhibit 2).

99 **Results of the Review**

100 **Q. As a result of your review, did you discover any incremental costs that**
101 **were incurred by Peoples during the year ended September 30, 2005**
102 **that did not meet the previously listed standards of prudence?**

103 A. No. Nothing has come to my attention to indicate that any incremental costs
104 incurred by Peoples during the year ended September 30, 2005 do not meet
105 the four previously listed standards of prudence.

106 **Q. Has Peoples prepared any additional information pertaining to the**
107 **prudence of its Environmental Activities?**

108 A. Yes. In response to Staff Data Requests SDR-001 through SDR-022,
109 Peoples provided additional information on prudence. As part of its rebuttal
110 testimony in this case, Peoples should enter its responses to SDR-001
111 through SDR-022 into the evidentiary record by filing the responses as an
112 exhibit, with an affidavit, on the Commission's e-Docket system.

113 **Q. Did Peoples collect its recoveries in accordance with the terms of its**
114 **Riders?**

115 A. Yes.

116 **Q. Are you proposing any adjustments to the Company's Rider 11 Report**
117 **to the Commission for fiscal year 2005?**

118 A. No.

119 **Conclusion**

120 **Q. In conclusion, what is your recommendation?**

121 A. I recommend that the Commission adopt the Company's reconciliation
122 reflecting total under-recoveries at September 30, 2005, to be
123 \$30,909,428.50, as reflected on Respondent's Exhibit 1, page 8, line 12 of
124 column (C).

125 **Q. Does this conclude your prepared direct testimony?**

126 A. Yes.

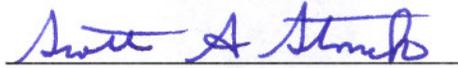
STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION	:	
On Its Own Motion	:	
-vs-	:	06-0212
THE PEOPLES GAS LIGHT AND COKE COMPANY	:	
	:	
Reconciliation of revenues collected under Coal	:	
Tar riders with prudent costs associated with coal	:	
tar clean up expenditures.	:	

NOTICE OF FILING

TO ATTACHED SERVICE LIST:

YOU ARE HEREBY NOTIFIED that we have, on this 7th day August 2007 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
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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, electronics mail, facsimile and/or first-class mail, proper postage prepaid from Springfield, Illinois, on this 7th day of August 2007.



Scott A. Struck
Supervisor
Accounting Department

THE PEOPLES GAS LIGHT AND COKE COMPANY

Docket No. 06-0212

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ILLINOIS COMMERCE COMMISSION

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