

REBUTTAL TESTIMONY  
OF  
ERIC LOUNSBERRY

Engineering Department  
Energy Division  
Illinois Commerce Commission

Proposed General Increase in Rates

North Shore Gas Company  
Peoples Gas Light and Coke Company

Docket Nos. 07-0241 and 07-0242 (Consolidated)

August 21, 2007

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1 Q. Please state your name and business address.

2 A. My name is Eric Lounsberry and my business address is: Illinois Commerce  
3 Commission (“Commission”), 527 East Capitol Avenue, Springfield, Illinois  
4 62701.

5 Q. Are you the same Eric Lounsberry that previously provided testimony in this  
6 proceeding?

7 A. Yes. I previously presented Direct Testimony in this proceeding, ICC Staff  
8 Exhibit 11.0.

9 Q. What is the purpose of your rebuttal testimony?

10 A. My rebuttal testimony responds to the rebuttal testimony of Peoples Gas Light  
11 and Coke Company (“Peoples Gas”) and North Shore Gas Company (“North  
12 Shore”) (individually, the “Company” and collectively, the “Companies”) witnesses  
13 Edward Doerk, Thomas E. Zack, and Salvatore Fiorella. I also respond to the  
14 direct testimony of David J. Effron that was presented on behalf of the People of  
15 the State of Illinois, the City of Chicago, and the Citizens Utility Board  
16 (collectively “Governmental and Consumer Intervenors” or “GCI”).

17 Q. What recommendations did you make in your direct testimony?

18 A. I recommended that the Commission reduce the requested working capital  
19 allowance associated with the value of natural gas in storage by \$8,209,000 for

20 Peoples Gas and \$1,481,000 for North Shore. Further, I recommended that the  
21 Commission reduce the operation and maintenance (“O&M”) expense amounts  
22 for Peoples Gas by \$546,000.

23 I also recommended that the Companies address various areas of concern  
24 regarding data inconsistencies with their gas in storage volumes. In addition, I  
25 requested that Peoples Gas address its current meter reading practices including  
26 its procedures when it is unable to obtain an automatic meter reading.

27 Q. Did the Companies agree with any of the recommendations you made in your  
28 direct testimony?

29 A. No. However, Peoples Gas did agree to an adjustment recommended by the  
30 Governmental and Consumer Intervenors (“GCI”) witness David J. Effron (GCI  
31 Exhibit 1.0, pages 32-33) that was similar to my recommended O&M expense  
32 adjustment. Peoples Gas agreed to reduce its O&M expense by \$410,000,  
33 which was \$136,000 less than the adjustment that I recommended.

34 Q. What recommendations are you making in your rebuttal testimony?

35 A. I recommend that the Commission reduce the requested working capital  
36 allowance associated with the value of natural gas in storage by \$13,549,797 for  
37 Peoples Gas and \$1,422,772 for North Shore. Further, I recommend that the  
38 Commission reduce the operation and maintenance expense amounts for

39 Peoples Gas by an additional \$136,000 (i.e. to reflect my full adjustment made in  
40 direct testimony).

41 Finally, I recommend Peoples Gas provide quarterly updates on its number of  
42 consecutively unread meters as well as the repair status of meters equipped with  
43 an electronic receiver and transmitter device (“ert”) to the Commission Staff. As  
44 set forth in my direct testimony an ert refers to one type of device that is attached  
45 to a meter to allow for remote reading (aka automatic meter reading (“AMR”)) of  
46 a meter’s measured usage.

47 Q. Do you have any schedules attached to your rebuttal testimony?

48 A. Yes. I have the following schedules attached to my rebuttal testimony:

49	Schedule 22.1P	Peoples Gas Storage Working Capital Adjustment
50	Schedule 22.2P	Peoples Gas Planned 2006 Inventory Levels
51	Schedule 22.1N	North Shore Storage Working Capital Adjustment
52	Schedule 22.2N	North Shore Planned 2006 Inventory Levels

### 53 **Working Capital Allowance for Gas in Storage**

54 Q. What did you recommend in your direct testimony regarding the Companies’  
55 requested level of working capital allowance associated with their working gas, or  
56 top gas, contained in their natural gas storage fields?

57 A. I recommended that Peoples Gas reduce its requested amount by \$8,209,000  
58 and that North Shore reduce its requested amount by \$1,481,000. I also listed  
59 several areas of concern for each utility regarding its storage levels and activity.

60 For Peoples Gas, I discussed six areas of concern. First, the volume of gas  
61 associated with Peoples Gas' request exceeds the gas volumes historically  
62 carried by Peoples Gas. Second, the workpapers Peoples Gas provided to  
63 support its requested allowance do not show how Peoples Gas determined the  
64 indicated volume of gas had a value of \$86,667,000. Third, these same  
65 workpapers from a volumetric perspective do not tie into other information  
66 provided by Peoples Gas regarding the same gas storage volumes. Fourth,  
67 information provided about inventory volumes Peoples Gas maintained are  
68 inconsistent with the capacities listed for certain storage fields and services.  
69 Fifth, I am concerned with the overall level of storage since several of the storage  
70 services appear to have limited use during the year. Finally, I am concerned with  
71 the changes that Peoples Gas has made regarding the allocation of Manlove  
72 storage capacity between the entities that make use of that capacity.

73 For North Shore, I discussed four areas of concern. First, the volume of gas  
74 associated with North Shore's request exceeds the gas volumes historically  
75 carried by North Shore. Second, the workpapers North Shore provided to  
76 support its requested amount did not show how it determined that the volume of  
77 gas indicated had a value of \$10,507,000. Third, these same workpapers from a  
78 volumetric perspective do not tie into other information provided by North Shore  
79 regarding the same gas storage volumes. Finally, information provided about  
80 inventory volumes North Shore maintained at Manlove are inconsistent with the  
81 capacity listed for that service.

82 Q. Did the Companies offer testimony on each areas of concern that you raised.

83 A. Yes. Company witness Thomas E. Zack, North Shore/Peoples Gas Ex. TZ-2.0,  
84 testified regarding each of the areas of concern mentioned above.

85 Q. Do you still have any areas of concern after reviewing Mr. Zack's rebuttal  
86 testimony?

87 A. Yes. I still have three concerns for Peoples Gas and one remaining area of  
88 concern for North Shore. For Peoples Gas, I am still concerned that the  
89 requested volume of gas exceeds the historical levels maintained by Peoples  
90 Gas. I am also concerned that Peoples Gas did not adequately explain why its  
91 inventory at Manlove exceeded its allocated capacity. Finally, Peoples Gas did  
92 not provide adequate explanation for how it allocates Manlove capacity between  
93 itself and the Hub.

94 For North Shore, my remaining concern is that the requested volume of gas  
95 exceeds the historical levels maintained by North Shore.

96 Q. What is your current recommendation regarding your remaining concerns?

97 A. I recommend a reduction to the working capital allowance for gas in storage of  
98 \$13,549,797 for Peoples Gas and \$1,422,772 for North Shore. I am also  
99 recommending that Peoples Gas provide details regarding why it obtained and  
100 how it addressed the almost 5 Bcf of inventory by which it exceeded its Manlove  
101 allocated capacity. Finally, I recommend that Peoples Gas develop procedures

102 that detail how it allocates Manlove capacity between itself and the Hub.

103 **Peoples Gas Working Capital Request**

104 Q. Did Peoples Gas make any alterations to its requested working capital allowance  
105 associated with its gas in storage in its rebuttal testimony?

106 A. No. Peoples Gas is still requesting a working capital allowance of \$86,667,000  
107 associated with its gas in storage.

108 Q. What concerns do you have regarding this amount?

109 A. I have three concerns. First, I continue to assert that the volume of gas  
110 associated with Peoples Gas request exceeds the historical volumes that  
111 Peoples Gas has maintained at its owned and leased storage services. Second  
112 Peoples Gas has not explained why it exceeded its allocated Manlove capacity or  
113 how it accounted for the volume of gas by which it exceeded its allowed total.  
114 Finally, Peoples Gas has not adequately explained how it allocates Manlove  
115 capacity between itself and the Hub.

116 **Peoples Gas Historical Storage Volumes**

117 Q. What adjustment did you recommend in your direct testimony regarding the  
118 variance between Peoples Gas requested gas volume and the historical volume  
119 of gas maintained by Peoples Gas at its owned and leased storage fields and  
120 services?

121 A. I recommended that the Commission reduce the volume of gas for which  
122 Peoples Gas has requested a working capital allowance by 4,178,501 Mcf. This  
123 gas volume has a value of \$8,209,000.

124 Q. Do you still recommend that the Commission reduce the volume of gas for which  
125 Peoples Gas has requested a working capital allowance?

126 A. Yes. However, I am amending my calculation and am now recommending that  
127 the Commission reduce Peoples Gas requested working capital allowance for its  
128 gas in storage by 6,896,183 Mcf, which has a value of \$13,549,797. These  
129 calculations are shown on ICC Staff Exhibit 23.0, Schedule 23.1P.

130 Q. How did you calculate your original adjustment?

131 A. My original adjustment was based simply upon the difference between the  
132 historical 13 month-average of the storage gas volume maintained by Peoples  
133 Gas for the two fiscal years that preceded the test year versus the test year  
134 volume. This calculation showed the test year volume was over 4 Bcf higher  
135 than the two-year historical average. I then took that volume difference and  
136 multiplied it by the average price of gas associated with Peoples Gas requested  
137 amount.

138 Q. Why did Peoples Gas have over 4 Bcf more storage gas in the test year then it  
139 had maintained in prior periods?

140 A. Companies' witness Thomas E. Zack indicated in his rebuttal testimony, page 74  
141 lines 1640-1642, that the winter of 2006 was the fifth warmest on record and that  
142 January 2006 was the warmest January on record since O'Hare Field became  
143 the official weather station in 1959. He also indicated that at least 2.6 Bcf of the  
144 4 Bcf is attributable to January storage banking activity by large volume  
145 transportation customers. (Id. at lines 1646-1647)

146 Q. Do you disagree with Mr. Zack regarding the reasons why Peoples Gas carried 4  
147 Bcf more storage gas than it had historically maintained?

148 A. No. However, his information does support my recommendation to reduce  
149 Peoples Gas' storage levels because it indicates that the storage gas volumes  
150 that Peoples Gas maintained during the test year were higher than normal and  
151 should be reduced to represent normal conditions.

152 Q. Why do you believe that Mr. Zack's information supports your recommendation to  
153 reduce Peoples Gas' storage levels?

154 A. The revenue requirement determined in the instant proceeding should be based  
155 upon normal conditions. Mr. Zack has indicated that the warmer than normal  
156 conditions contributed to the larger than normal volume of storage gas  
157 maintained by Peoples Gas. Therefore, Peoples Gas' requested storage volume  
158 exceeds the volume that Peoples Gas would maintain at its storage fields had  
159 normal conditions existed during the test year.

160 Q. Why did you amend your calculation on the volume of gas that Peoples Gas  
161 should include as part of its working capital request for its gas in storage?

162 A. The Companies' response to Staff data request ENG 7.05, Attachment, shows a  
163 comparison of the number of degree days that they assumed occurred in the test  
164 year versus the actual degree days that occurred for fiscal years 2002 through  
165 2006. This response shows that none of the historical periods, including the test  
166 year, matched the normalized test year that Peoples Gas based its requested  
167 rate increase upon.

168 Further, the Companies' response to Staff data request ENG 7.10, Attachment,  
169 provided the storage volumes that it assumed would occur had a normal year  
170 occurred in the test year. After reviewing the responses to these data requests, I  
171 determined the most appropriate volume of gas was represented by the  
172 information provided in the Companies' response to Staff data request ENG 7.10.

173 This calculation contains information that has been designated confidential and  
174 is shown on ICC Staff Exhibit 23.0, Schedule 23.2P, in both a redacted and  
175 unredacted format. The storage volumes reported in the Companies' response to  
176 Staff data request ENG 7.10 are 6,896,183 Mcf less than the test year storage  
177 volumes reflected in Peoples Gas' filing.

178 Q. What is your current recommendation regarding this topic?

179 A. I am recommending that the Commission reduce Peoples Gas' requested  
180 working capital allowance for its gas in storage by 6,896,183 Mcf, which has a  
181 value of \$13,549,797.

182 **Peoples Gas Storage Volumes Exceed Total Allotment**

183 Q. What was your recommendation regarding the volume of gas that Peoples Gas  
184 maintained in its storage fields versus those fields' assigned capacities?

185 A. I recommended that Peoples Gas provide rebuttal testimony that explains why in  
186 certain months its Manlove storage field as well as its ANR storage service had  
187 more gas shown on its books at those fields than the amount of capacity that  
188 Peoples Gas maintained at those fields.

189 Q. Did Peoples Gas provide rebuttal testimony on this topic?

190 A. Yes. Mr. Zack provided the rebuttal testimony on this topic. Mr. Zack indicated  
191 on pages 78-79 of his rebuttal testimony that the variances with the Peoples Gas  
192 amounts associated with the Manlove Field were due to the field being an aquifer  
193 storage field and as such the total capacity of the field is not known. Further, Mr.  
194 Zack indicated that the volume that I relied upon from Peoples Gas response to  
195 CUB-City data request 1.11 represented cycling capacity, which is currently 24.8  
196 Bcf for Peoples Gas (had recently been 25.5 Bcf).

197 Mr. Zack also indicated that the variance associated with the ANR leased storage  
198 service was due to an error in Peoples Gas' response to the data request that I

199 relied upon. Once that error was corrected, the volume shown no longer  
200 exceeded the contractual amounts allowed.

201 Q. Did Mr. Zack's rebuttal testimony alleviate your concerns?

202 A. Yes and no. I no longer have any concerns regarding the data associated with  
203 Peoples Gas' ANR leased storage service. However, Mr. Zack's comments did  
204 not alleviate my concerns regarding its Manlove storage field.

205 Q. What concerns do you have regarding the Manlove field?

206 A. While I understand Mr. Zack's comments regarding the Manlove storage field, his  
207 comments do not alleviate my concerns. Mr. Zack indicates that Peoples Gas  
208 does not know the seasonal volume that it will withdraw from the Manlove  
209 storage field until the injection season ends. However, this is contrary to my  
210 experience with the other aquifer storage fields operated by other Illinois gas  
211 utilities, who normally have very rigid amounts that are injected and withdrawn  
212 from their fields every year, unless something extraordinary occurs.

213 Second, Mr. Zack failed to explain how Peoples Gas injected a volume of gas  
214 into the Manlove field that exceeded its prior seasonal volume assumptions by  
215 almost 4 Bcf (and exceeded its current seasonal volume expectations by almost  
216 5 Bcf).

217 Finally, Mr. Zack failed to explain what Peoples Gas did with the almost 5 Bcf of  
218 gas that Peoples Gas showed it placed into its Manlove inventory, but that

219 exceeded its planned withdrawals from Manlove for the following winter season.  
220 Currently, it is not clear if the extra gas was considered base gas or if Peoples  
221 Gas made some other use of this gas.

222 Q. What do you recommend regarding this issue?

223 A. Peoples Gas needs to explain in its surrebuttal testimony why it must wait until  
224 the end of the injection season to determine the Manlove volume allocations as  
225 well as what information Peoples Gas considers in making this allocation.  
226 Peoples Gas must explain why it injected such a large volume of gas at Manlove;  
227 a volume that exceeded its prior Manlove allocation by almost 4 Bcf and its  
228 current allocation by almost 5 Bcf. Finally, Peoples Gas should provide a  
229 complete accounting of the almost 5 Bcf of gas including any accounting entries,  
230 by ICC account number, to document how this overage was corrected and if the  
231 gas was sold to another entity, who purchased this inventory.

232 **Peoples Gas Storage Allocation**

233 Q. What concerns did you have in your direct testimony regarding Peoples Gas'  
234 storage allocation methodology?

235 A. My direct testimony indicated that Peoples Gas needed to provide rebuttal  
236 testimony that explains why and how it reached the decision to increase its  
237 leased storage levels while at the same time reducing its Manlove storage field  
238 allocation. My direct testimony also recommended that Peoples Gas explain how

239 it determines the amount of Manlove capacity it allocates between itself and  
240 other parties and why the reduction in Manlove storage field allocation to Peoples  
241 Gas and the corresponding allocation increase to the Hub did not involve  
242 additional costs being allocated to the Hub.

243 Q. Did Peoples Gas respond to your testimony?

244 A. Yes. Mr. Zack provided Peoples Gas' response to my concerns.

245 Q. Did Mr. Zack agree with you that Peoples Gas had altered the allocation to  
246 Manlove to Peoples Gas?

247 A. No. Mr. Zack's rebuttal testimony, pages 80-81, indicated that Manlove's  
248 capacity is not specifically quantifiable. Mr. Zack indicated that the amount of  
249 capacity listed within the data request that I relied upon represented the planned  
250 cycling capacity and reflects an allocation used for planning purposes and not a  
251 reduction of top gas.

252 Mr. Zack also indicated that the North Shore capacity allocation to Manlove is  
253 made via a Commission-approved storage service agreement. Peoples Gas  
254 determines the volume allocated to Hub services after considering Manlove's  
255 total capacity and Peoples Gas' as well as North Shore's requirements.

256 Q. Does Mr. Zack's response make sense?

257 A. No. While I do understand the discussion about North Shore's amounts, the  
258 determination of the remaining capacity between Peoples Gas and its Hub is  
259 vague and lacks detail.

260 Q. Does Mr. Zack's explanation concern you?

261 A. Yes. In my direct testimony, I indicated that I was unable to determine a  
262 legitimate reason for Peoples Gas to increase its leased storage capacity  
263 volumes while at the same time reducing its own allocation of Manlove storage  
264 capacity in favor of the Hub. Mr. Zack's response has not provided any detail  
265 that would alleviate my concerns.

266 Q. What recommendation do you have on this topic?

267 A. I believe Peoples Gas must develop procedures to document how this allocation  
268 process takes place and how it ensures that rate payers are not harmed by its  
269 decisions. Given the remaining time left in this case, it does not seem  
270 appropriate for Peoples Gas to develop these procedures for its surrebuttal  
271 testimony. Instead, I recommend that the Commission direct Peoples Gas to  
272 provide this information to the Director of the Energy Division within 60 days of  
273 the Commission's Final Order in this proceeding. If Staff has concerns with the  
274 procedures developed by Peoples Gas, Staff can work with the Company or, if  
275 necessary, bring any issues to the Commission's attention via a Staff report and  
276 a recommendation for further action.

277 **North Shore Working Capital Request**

278 Q. What did North Shore request for a working capital allowance associated with its  
279 gas in storage?

280 A. As indicated on Schedule 285.2005, Schedule B-1, line 6, column F, North Shore  
281 requested a working capital allowance of \$10,507,000 associated with its gas in  
282 storage.

283 Q. What concerns do you have regarding North Shore's working capital request  
284 associated with gas in storage?

285 A. I am concerned that the volume of gas associated with North Shore's request  
286 exceeds the gas volumes historically carried by North Shore.

287 **North Shore Historical Storage Volumes**

288 Q. What adjustment did you recommend in your direct testimony regarding the  
289 variance between North Shore's requested gas volume and the historical volume  
290 of gas maintained by North Shore at its leased storage fields and services?

291 A. I recommended that the Commission reduce the volume of gas for which North  
292 Shore has requested a working capital allowance by 902,271 Mcf. This gas  
293 volume has a value of \$1,481,000. These calculations were shown on ICC  
294 Staff Exhibit 11.0, Schedule 11.1N.

295 Q. Do you still recommend that the Commission reduce volume of gas for which  
296 North Shore has requested a working capital allowance?

297 A. Yes. However, I am amending my calculation and am now recommending that  
298 the Commission reduce North Shore's gas requested working capital allowance  
299 for its gas in storage by 866,543 Mcf, which has a value of \$1,422,772. These  
300 calculations are shown on ICC Staff Exhibit 23.0, Schedule 23.1N.

301 Q. How did you calculate your original adjustment?

302 A. My original adjustment was based simply upon the difference between the  
303 historical 13-average of the storage gas volume maintained by North Shore for  
304 the four fiscal years that preceded the test year versus the test year volume.  
305 This calculation showed the test year volume was over 900,000 Mcf higher than  
306 the four-year historical average. I then took that volume difference and multiplied  
307 it by the average price of gas associated with North Shore's requested amount.

308 Q. Why did North Shore have over 900,000 Mcf more storage gas in the test year  
309 then it had maintained in prior periods?

310 A. Companies' witness Thomas E. Zack indicated in his rebuttal testimony, page 75,  
311 that the winter of 2006 was the fifth warmest on record and that January 2006  
312 was the warmest January on record since O'Hare Field became the official  
313 weather station in 1959. He also indicated that at least 312,000 Mcf of the

314 900,000 Mcf is attributable to January storage banking activity by large volume  
315 transportation customers.

316 Q. Do you disagree with Mr. Zack regarding the reasons why North Shore carried  
317 900,000 Mcf more storage gas than it had historically maintained?

318 A. No. However, his information does support my recommendation to reduce North  
319 Shore's requested storage levels because it indicates that the storage gas  
320 volumes that North Shore maintained during the test year were higher than  
321 normal and should be reduced to represent normal conditions.

322 Q. Why do you believe that Mr. Zack's information supports your recommendation to  
323 reduce North Shore's storage levels?

324 A. The revenue requirement determined in the instant proceeding should be based  
325 upon normal conditions. Mr. Zack has indicated that the warmer than normal  
326 conditions contributed to the larger than normal volume of storage gas  
327 maintained by North Shore. Therefore, North Shore's requested storage volume  
328 exceeds the volume that North Shore would maintain at its storage fields had  
329 normal conditions existed during the test year.

330 Q. Why did you amend your calculation on the volume of gas that North Shore  
331 should include as part of its working capital request for its gas in storage?

332 A. The Companies' response to Staff data request ENG 7.05, Attachment, shows a  
333 comparison of the number of degree days that North Shore assumed occurred in

334 the test year versus the actual degree days that occurred for fiscal years 2002  
335 through 2006. This response shows that none of the historical periods, including  
336 the test year matched the normalized test year that North Shore based its  
337 requested rate increase upon.

338 Further, the Companies' response to Staff data request ENG 7.10, Attachment,  
339 provided the storage volumes that it assumed would occur had a normal year  
340 occurred. After reviewing the responses to these data requests, I determined the  
341 most appropriate volume of gas was represented by the information provided in  
342 the Companies' response to Staff data request ENG 7.10. This calculation  
343 contains information that has been designated confidential and is shown on ICC  
344 Staff Exhibit 23.0, Schedule 23.2N, in both a redacted and unredacted format.  
345 The storage volumes reported in the Companies' response to Staff data request  
346 ENG 7.10 are 866,543 Mcf less than the test year storage volumes reflected in  
347 North Shore's filing.

348 Q. What is your current recommendation regarding this topic?

349 A. I am recommending that the Commission reduce North Shore's requested  
350 working capital allowance for its gas in storage by 866,543 Mcf, which has a  
351 value of \$1,422,772.

352 **Operation and Maintenance Issue for Peoples Gas**

353 Q. What recommendation did you make in your direct testimony regarding Peoples  
354 Gas' O&M expense levels?

355 A. I determined that Peoples Gas' repair of its large natural gas compressor was a  
356 non-recurring expense and recommended the removal of the \$546,000 cost  
357 associated with compressor repair from Peoples Gas' requested increase.

358 Q. How did Peoples Gas respond to your recommendation?

359 A. Companies' witness Salvatore Fiorella indicates that while Peoples Gas agrees  
360 this might be a single "non-recurring" event, one should consider the scope of  
361 Peoples Gas distribution operations. Given the span of operations, it is likely to  
362 experience different non-recurring events each year. (North Shore/Peoples Gas  
363 Ex. SF-2.0, p. 12)

364 Next, Mr. Fiorella indicates that GCI witness Effron addressed the same issue,  
365 but that Mr. Effron proposed to amortize this non-recurring expense over four  
366 years, rather than to eliminate the expense entirely. Mr. Fiorella indicated this  
367 was a more reasonable alternative and that Peoples Gas was willing to accept  
368 GCI's position on the issue (Id.).

369 Q. Does GCI agree or disagree with your conclusion that the repair of the  
370 compressor should be considered a non-recurring event?

371 A. GCI's response to Staff data request ENG 8.02 indicated that Mr. Effron does  
372 agree with my conclusion. Namely that the costs associated with the compressor  
373 repair should be considered as a non-recurring event.

374 Q. Does Peoples Gas agree with your assessment that the repair of the compressor  
375 was a non-recurring event?

376 A. Yes.

377 Q. What is your current recommendation?

378 A. I continue to support my original recommendation, however, since Peoples Gas  
379 already agreed to reduce its O&M associated with this topic by \$410,000, my  
380 adjustment is now \$136,000 (\$546,000 – \$410,000).

## 381 **Peoples Gas Metering Issues**

382 Q. What concerns did you raise in your direct testimony regarding Peoples Gas'  
383 metering activities?

384 A. I noted that Peoples Gas had a significant number of long-term consecutively  
385 unread meters as well as a significant number of automatic meter reading units  
386 that are not operational.

387 Q. Did Peoples Gas' rebuttal testimony address your concerns on these topics?

388 A. No.

389 **Meter Readings**

390 Q. What recommendations did you make in your direct testimony regarding Peoples  
391 Gas' meter reading activity?

392 A. I noted an overall concern that I did not consider Peoples Gas' meter reading  
393 program to be effective due to the number of unread meters including a meter  
394 that had gone unread for over 11 years.

395 I also recommended that Peoples Gas' rebuttal testimony provide the most up-to-  
396 date summary of consecutively unread meters (erted and unerted) as well as a  
397 discussion about when it began its four phase letter campaign to solicit customer  
398 appointments for service on meters that cannot be read and how this campaign  
399 will resolve the issue of the unread meters.

400 I asked Peoples Gas to explain if it had been using its right to discontinue service  
401 in an attempt to gain access to read its meters. Finally, I asked Peoples Gas to  
402 provide (i) a list of reasons/causes for meters not being read for six months or  
403 longer, (ii) the relative number or percentage of the 8,500 unread meters falling  
404 under each reason/cause, and (iii) the actions being taken to address each  
405 reason/cause.

406 Q. Did Peoples Gas' rebuttal testimony address these topics?

407 A. For the most part, yes. Mr. Edward Doerk's rebuttal testimony, North  
408 Shore/Peoples Gas Ex. ED-2.0, presents Peoples Gas' reply to my direct

409 testimony. The only topic not addressed was my request for details regarding  
410 why each meter could not be read, how many meters fit under each category,  
411 and what Peoples Gas was doing to address each specific area.

412 Q. Did Mr. Doerk's rebuttal testimony alleviate your concerns regarding Peoples  
413 Gas' meter reading program?

414 A. No. While Peoples Gas has made improvements to reduce the overall number of  
415 consecutively unread meters, I continue to believe additional work is necessary.

416 Q. Did Mr. Doerk provide an up-to-date summary of consecutively estimated meters  
417 in his rebuttal testimony?

418 A. Yes. Mr. Doerk provided North Shore/Peoples Gas Ex. ED Ex. 2.2P, that  
419 indicated that as of July 22, 2007, Peoples Gas had 7,446 meters that it had not  
420 obtained a reading for more than six consecutive months. Mr. Doerk indicated  
421 that the July 22 data showed an overall reduction in the number of consecutively  
422 unread meters by over 1,000 and that the number of consecutively estimated  
423 meters has declined by more than 43% since September 30, 2006.

424 Q. Did Mr. Doerk indicate any reasons for why the number of consecutively unread  
425 meters has not been reduced even further?

426 A. Yes. Mr. Doerk's rebuttal testimony, page 10, indicated that the most significant  
427 impediment to reducing the number of consecutively unread meters is based on  
428 the fact that Peoples Gas serves many multi-dwelling accounts that are often the

429 most difficult to access. Since many accounts in multi-dwelling buildings are in  
430 good standing, Peoples Gas can not simply discontinue service to the entire  
431 building due to one account.

432 Q. What is your current recommendation on this topic?

433 A. I recommend that Peoples Gas provide quarterly updates to the Director of the  
434 Energy Division and the Director of Consumer Services Division that summarizes  
435 the number of consecutively unread meters (erted and unerted) without a reading  
436 for more than six months (report format similar to what Mr. Doerk provided in his  
437 rebuttal testimony) with the first report showing the meter reading status as of  
438 March 30, 2008 and that this reporting requirement continue for a minimum  
439 period of two years. The reports should be provided 30 days after the end of  
440 each quarter. Peoples Gas' updates should also include, if applicable, an  
441 explanation of any reason why the number of consecutively unread meters  
442 increases during that time period and what Peoples Gas is doing to further  
443 reduce those values.

444 **ERT Devices**

445 Q. What was your recommendation regarding Peoples Gas ert devices in your direct  
446 testimony?

447 A. I recommended that Peoples Gas' rebuttal testimony should explain why it  
448 cannot shorten the amount of time it needs to wait prior to addressing potential

449 ert device problems. In particular, I indicated that I did not see why a period of 2  
450 or 3 months versus Peoples Gas' 6 month waiting time was not sufficient to  
451 determine whether or not Peoples Gas could obtain a reading from an ert device.

452 Q. What was Peoples Gas response to your request?

453 A. Mr. Doerk's rebuttal testimony provided Peoples Gas' response to my concern.

454 Mr. Doerk indicated that he had examined the number of erted accounts since

455 March of 2006. This review found that a total of 9,783 erted accounts were

456 consecutively estimated for 3 months. However, 22% of those accounts were

457 read in the 4<sup>th</sup> month, 36% by the 5<sup>th</sup> months, and 44% were read by the 6<sup>th</sup>

458 month, such that the total number of the those accounts not consecutively read

459 after six months was only 5,511. (North Shore/Peoples Gas Ex. ED-2.0, p. 13)

460 Mr. Doerk also indicated that if Peoples Gas were to begin soliciting customers

461 for ert maintenance service appointments after 3 months, it would be targeting

462 about 78% more erts for replacement, of which about 44% may not require

463 replacement. (*Id.*)

464 Finally, he indicated that less than 3,000 ert equipped accounts have

465 consecutively estimated reads for 6 months or more, which represents 0.375% of

466 Peoples Gas entire installed ert population. He also indicated that Peoples Gas'

467 ert vendor had indicated that Peoples Gas' program was surpassing the

468 effectiveness of most of their other mobile AMR installations. He also indicated

469 the vendor warranty on new erts was to operate with a failure rate not to exceed  
470 0.5%. (Id., p. 12)

471 Q. Do Mr. Doerk's comments alleviate your concerns regarding Peoples Gas' timing  
472 for the repair of its ert devices?

473 A. No. Mr. Doerk's comments do not completely alleviate my concerns with the  
474 timing of the ert repairs. I have some concerns regarding the large reduction in  
475 the number of erts not read for three consecutive months versus six months. For  
476 example, in response to Staff data request ENG 7.04, Peoples Gas indicated that  
477 it continually investigates reasons why a relatively small number of erts are not  
478 read for consecutive months.

479 Peoples Gas also noted in the response to Staff data request ENG 7.04 that it  
480 had found trends that helped identify erts in buildings that could not be read by  
481 traditional methods. Next, Peoples Gas stated that some drivers of the vehicles  
482 equipped with the mobile data collectors are marginally more effective in getting  
483 hard to get ert reads. My review of this information causes a concern that some  
484 of the reasons for the failure to obtain an ert reading is beyond the device itself.

485 Q. What do you recommend Peoples Gas provide to address your concerns on this  
486 issue?

487 A. At this time, instead of altering the timing for scheduling ert repairs, I would  
488 recommend that Peoples Gas provide quarterly updates to the Director of the

489 Energy Division and the Director of Consumers Services Division that  
490 summarizes the number of consecutively unread erted meters that have not  
491 obtained a reading for 3 months with the first report showing the meter reading  
492 status as of March 30, 2008 and that this reporting requirement continue for a  
493 minimum period of two years. The update should be provided 30 days after the  
494 end of each quarter. Peoples Gas' updates should also include an explanation of  
495 any reasons it has discovered for unread meters that need correcting to obtain a  
496 higher percentage of reads, as well as an explanation, if applicable, of any  
497 instances where the number of consecutively unread erted meters increases  
498 during the reporting period and what Peoples Gas is doing to further reduce  
499 those values.

500 Q. Does this conclude your rebuttal testimony?

501 A. Yes.