

**Docket 07-0358
The Peoples Gas Light and Coke Company
Plan for Inside Safety Inspections**

I. Executive Summary

On June 6, 2007, the Illinois Commerce Commission (“Commission”) initiated this proceeding regarding The Peoples Gas Light and Coke Company (“Peoples”). On July 17, 2007, the Commission Staff filed the testimony of Mr. Darin Burk. Mr. Burk testified that at the end of calendar year 2006, there remained 5,365 overdue Inside Safety Inspections (“ISIs”). He recommended, that due to Peoples’ good faith efforts to complete all ISIs as required, there be no civil penalty. However, he testified that Peoples should develop a written plan, including a public awareness plan, to ensure that all required ISIs are completed by their due date.

With respect to the 5,365 overdue ISIs at the end of calendar year 2006, referenced by Mr. Burk, those ISIs have all been completed (or the service to those accounts had been terminated due to the customers’ failure to provide access) as of October 1, 2007. Thus, the specific non-compliance issue cited by Mr. Burk has been resolved. However, ISIs are an ongoing requirement and Peoples’ ability to eliminate the non-compliance with respect to 2006 resolves only the immediate problem identified by Mr. Burk. With respect to the 106,333 inspections required to be performed during calendar year 2007, Peoples expects to have less than 2,000 of these ISIs remaining by the end of this year. Moreover, by the end of this year, these 2,000 customers will have received five pieces of correspondence, at least one

phone call, and at least one field visit and still have not allowed access. Every effort will be made to complete ISIs for these remaining customers as early as possible in calendar year 2008. If Peoples is still unable to complete these ISIs, these customers will be given the highest priority for disconnection.

Peoples understands this proceeding to be seeking a permanent solution to the problem of conducting ISIs. To that end, Peoples has prepared a permanent plan, which is attached as PG Exhibit 1.2. The plan would change the time frame for conducting inspections and change the frequency of some inspections. The proposed change in the frequency of inspections would, in turn, require waivers from the Commission and the United States Department of Transportation. Moreover, as part of the transition to the permanent plan, Peoples is willing to work with the Commission Staff to develop a public awareness campaign.

II. Background

On June 6, 2007, the Commission entered its order in this proceeding. The purpose of the proceeding is to determine whether Peoples should provide funding for, develop, and administer an enhanced public awareness campaign specifically targeted at increasing customer knowledge and understanding of the need to permit Peoples to perform its obligatory safety inspections. If the Commission determines such a campaign should be initiated, then the Commission would ascertain the appropriate amount of funding for such a program.

On July 17, 2007, the Commission Staff filed the Direct Testimony of Darin Burk, Pipeline Safety Program Manager of the Commission’s Energy Division. After explaining the requirements relating to leakage inspection surveys, he noted that while Peoples made substantial improvement in calendar year 2006 over its previous efforts, it had still not attained 100% compliance with the leakage survey requirements. Specifically, while Peoples had complied with all of the leakage survey requirements relating to the outside portion of service lines, it had not been able to complete all of the inside safety inspections (“ISIs”) required when meters are located inside customers’ premises.

Mr. Burk testified that at the end of calendar year 2006, there remained 5,365 overdue ISIs. Mr. Burk further testified that while he believed that Peoples had made a good faith effort to comply with the ISIs requirement, he recommended that in lieu of a civil penalty, Peoples be required to provide funding for and develop a written plan detailing processes and procedures it intends to take to ensure that all required leakage survey inspections are conducted within the required time constraints. In particular, Mr. Burk testified that the plan should include development and administration of an enhanced public awareness campaign specifically targeted at increasing the customer knowledge and understanding of the necessity to permit Peoples to perform the required ISIs. Finally, he testified that the financial commitment to this education initiative should be set at a minimum of \$500,000 annually.

III. Inspections due in calendar year 2006

With respect to the 5,365 overdue ISIs at the end of calendar year 2006, referenced by Mr. Burk, those ISIs have all been completed (or the service to those accounts had been terminated due to the customers' failure to provide access) as of October 1, 2007. The elimination of the overdue ISIs was the result of a concerted effort by Peoples, using the threat of disconnection and, ultimately, disconnection itself as a last resort. With respect to the 5,365 accounts, Peoples had to disconnect 667 customers. Of these, 125 have, subsequent to disconnection, allowed access to Peoples to conduct ISIs and have had their service restored.

IV. Inspections due in calendar year 2007

In addition to the 5,365 ISIs pending from calendar year 2006, 106,333 inspections were required to be performed during calendar year 2007. As of October 21, 2007, 101,453 of these ISIs have been completed. Therefore, as of that date, 4,880 remain to be completed. This work was accomplished by a concerted effort of Peoples' employees. 25 union employees, three administrative employees and four management employees were dedicated to the completion of ISIs.

With respect to public awareness, Peoples agrees that this is a key component of achieving compliance with the Commission's regulations. Moreover, Peoples has found that the most effective means of communication has been direct contact with targeted customers. In order to complete the more than 100,000 ISIs already performed in calendar year 2007, Peoples

spent approximately \$1.725 million. Of this amount, approximately \$225,000 was spent on communication materials—bill inserts, letters, articles in Energize (Peoples’ newsletter which goes to customers along with their bills), and a story aired on WGN News. The cost associated with personal visits to customer premises is approximately \$1.5 million. (In addition, during calendar year 2006, Peoples had invested more than \$350,000 in ITS systems in order to manage the ISI program through Peoples’ customer information system.)

At this juncture, it is clear that lack of communication is not the problem preventing completion of ISIs. By the time service would be disconnected for failure to allow access, the customer would have received from Peoples many communications in several different forms. However, Peoples has learned in discussions with customers that despite the fact that customers know that Peoples wants and needs access to their premises to complete inspections, many are still reluctant to allow such access. In some cases, customers simply don’t want people to enter their basements (e.g. because they are embarrassed by the condition of their basements). In other cases, notably among senior citizens, customers are wary about permitting anyone to enter their homes.

The number of ISIs to be completed in calendar year 2007 that may remain undone as of December 31, 2007, cannot be determined at this time. Peoples will continue to utilize its best efforts to complete all of these, or alternatively discontinue service, by December 31, 2007, but it is unlikely that

all will be completed by then. Peoples' best estimate is that less than 2,000 would remain as of December 31, 2007.

Every effort will be made to complete ISIs for these remaining customers as early as possible in calendar year 2008. If Peoples is still unable to complete these ISIs, these customers will be given the highest priority for disconnection.

V. Inspections due in calendar year 2008

In calendar year 2008, 125,500 inspections are required to be performed. Peoples' plan is to complete all of these inspections during calendar year 2008, while transitioning to the permanent plan outlined in Section VI below. Peoples expects to utilize basically the same number of personnel utilized in calendar 2007 at approximately the same cost, although, given the greater number of ISIs to be done in calendar 2008, the overall cost will likely be somewhat higher.

VI. Permanent Plan

Attached as PG Exhibit 1.2 is Peoples' Inside Safety Inspection Work Plan Proposal. Note initially that Peoples is not proposing any changes to its outside leakage surveys or its outside atmospheric corrosion monitoring. However, for inside piping, Peoples is proposing that all inside inspections (for ISIs and corrosion control) be performed on the same frequency; i.e. at least once every three calendar years, at intervals not exceeding 51 months. In addition, Peoples proposes to revise its inspection year from a calendar year basis to run from July 1 to June 30 of the following year. This schedule

will assist Peoples in obtaining 100% compliance by allowing for disconnection of service in the final three months of the inspection year to customers who have not permitted access to Peoples to perform the necessary inside inspections. Currently, Peoples is reluctant to terminate service in November and December to customers due to lack of access for purposes of performing inspections because of the hardship caused by disconnections during cold weather conditions. Because Peoples uses disconnection as a last resort, utilizing a July to June inspection year would allow Peoples to make every effort to complete inside inspections while providing for more time to discontinue service to non-complying customers before the heating season begins.

The complete rationale for putting ISIs and atmospheric corrosion control monitoring for inside piping on the same frequency is set forth in PG Exhibit 1.2. Statistical support for this proposal is set forth in Tables 1 and 2 of PG Exhibit 1.2.

Implementation of Peoples' Permanent Plan will require waivers from the Commission and the United States Department of Transportation. One waiver will be required in order to move all ISIs to a common frequency of three years, at intervals not exceeding 51 months, by removing the current shorter frequencies for business districts and cathodically unprotected service lines. Again, statistical support for eliminating a shorter frequency for these inspections is set forth in Table 1 of PG Exhibit 1.2. A second waiver will be required for changing the timing of atmospheric corrosion

control monitoring from a three year cycle, at intervals not exceeding 39 months, to a three year cycle, at intervals not exceeding 51 months. Again, statistical support for this longer frequency is set forth in Table 2 of PG Exhibit 1.2.

As part of the transition to the Permanent Plan, Peoples is willing to implement a public awareness campaign. Peoples would work with the Commission Staff to develop this campaign. Among other things, attention should be given to developing an approach that will work to gain access from customers who are reluctant to allow people into their basements, especially senior citizens.

VII. Conclusion

Peoples is aware of the gravity of this proceeding and that its remediation of the immediate problem referenced by Mr. Burk is not adequate to resolve this proceeding. Peoples believes that its permanent plan, with the support of the Commission Staff, will enable it to overcome the difficulties of obtaining ISIs and keep Peoples compliant with its inspection obligations.