

DIRECT TESTIMONY

of

**Richard W. Bridal II
Accountant**

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

Proposed General Increase in Gas Rates

North Shore Gas Company

The Peoples Gas Light and Coke Company

Docket Nos. 09-0166 and 09-0167 Consolidated

June 10, 2009

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SCHEDULES

Schedules 5.1 P and N -	Adjustment to Real Estate Taxes
Schedules 5.2 P and N -	Adjustment to Uncollectibles Expense

ATTACHMENTS

Attachment A -	Company Response NS RWB 4.06 Attach 05 (PUBLIC)
Attachment B -	Company Response PGL RWB 4.06 Attach 06 (PUBLIC)
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Attachment D -	Company Response PGL RWB 3.08 Attach 01 (PUBLIC)
Attachment E -	Company Response NS RWB 3.03 Attach 01 (CONFIDENTIAL)
Attachment F -	Company Response PGL RWB 3.03 Attach 01 (CONFIDENTIAL)

1 Witness Identification

2 Q. Please state your name and business address.

3 A. My name is Richard W. Bridal II. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

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

7 A. I am an Accountant in the Accounting Department of the Financial
8 Analysis Division of the Illinois Commerce Commission (“Commission”).

9
10 Q. What is the function of the Accounting Department of the Illinois
11 Commerce Commission?

12 A. The Accounting Department’s function is to monitor the financial condition
13 of public utilities as part of the Commission’s responsibilities under Article
14 IV of the Public Utilities Act (“Act”) and to provide accounting expertise on
15 matters before the Commission.

16
17 Q. Please describe your background and professional affiliation.

18 A. I am a Certified Public Accountant with a Bachelor of Business in
19 Accountancy from Western Illinois University. Prior to joining the
20 Commission Staff (“Staff”) in October 2008, I was employed for 8 years as
21 an auditor by the Medicare Part A Fiscal Intermediary for Illinois.

22

23 Q. Have you previously testified before this Commission?

24 A. Yes, I have. Also, as a Medicare auditor my work papers were entered
25 into evidence in support of direct testimony to Medicare regulatory bodies.

26

27 Q. What are your responsibilities in this case?

28 A. I have been assigned to this case by the Manager of the Accounting
29 Department of the Commission. I am to review The Peoples Gas Light
30 and Coke Company (“Peoples Gas”) and North Shore Gas Company
31 (“North Shore”) (individually, the “Company” and collectively, the
32 “Companies”) filings in this proceeding, analyze the underlying data and
33 propose adjustments when appropriate.

34

35 Purpose of Testimony

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

37 A. The purpose of my testimony is as follows:

- 38 1. to propose adjustments to the Companies’ real estate taxes;
39 2. to propose adjustments to the Companies’ uncollectibles
40 expense;
41 3. to propose an Original Cost Determination for each of the
42 Companies; and

43 4. to propose revisions to the Companies' riders UEA as discussed
44 below.

45

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

47 A. Yes. I prepared (or supervised the preparation of) the following schedules
48 for the Companies, which show data as of, or for the test year ending,
49 December 31, 2010:

50

51 Adjustment Schedules

52 Schedules 5.1 P and N - Adjustment to Real Estate Taxes

53 Schedules 5.2 P and N - Adjustment to Uncollectibles Expense

54

55 Q. Please explain the P and N suffixes that appear with your schedule
56 numbers.

57 A. These suffixes indicate the Company to which a particular schedule
58 applies. The P suffix identifies a schedule that applies to Peoples Gas,
59 and the N suffix identifies a schedule that applies to North Shore.

60

61 Q. Have you included any attachments as part of your direct testimony?

62 A. Yes, I have included the following attachments:

63 Attachments

64 Attachment A - Company Response NS RWB 4.06 Attach 05 (PUBLIC)

65 Attachment B - Company Response PGL RWB 4.06 Attach 06 (PUBLIC)

66 Attachment C - Company Response NS RWB 3.08 Attach 01 (PUBLIC)

67 Attachment D – Company Response PGL RWB 3.08 Attach 01 (PUBLIC)
68 Attachment E – Company Response NS RWB 3.03 Attach 01 (CONFIDENTIAL)
69 Attachment F – Company Response PGL RWB 3.03 Attach 01 (CONFIDENTIAL)
70

71 Adjustment to Real Estate Taxes

72 Q. Please describe ICC Staff Exhibit 5.0, Schedules 5.1 P and N, Adjustment
73 to Real Estate Taxes.

74 A. Schedules 5.1 P and N present my proposed adjustments to decrease
75 real estate taxes. My proposed adjustments are based on actual 2008 real
76 estate taxes, as submitted by the Companies in responses NS RWB 4.06
77 Attach 05 and PGL RWB 4.06 Attach 06, and the use of the 2009-2013
78 CPI inflation percentage of 2.2%¹ as an escalation factor to those 2008
79 amounts.

80

81 Q. Please provide the rationale for your recommended Adjustment to Real
82 Estate Taxes, as reflected on Schedule 5.1 P and N, page 1.

83 A. In determining the recommended adjustment, I reviewed the Companies'
84 real estate taxes expense data as submitted in their respective Schedules
85 C-18, C-19, and G-12, and noted the Companies "assumed an increase in
86 the effective tax rate of 5.0%" for the forecasted periods 2008, 2009, and
87 2010 (Schedules G-12, Line 1, Column F). In responses NS RWB 4.32

¹ The 2009 – 2013 CPI inflation, 2.2%, was obtained from the *Survey of Professional Forecasters, Second Quarter 2009*, produced by the Research Department of the Federal Reserve Bank of Philadelphia (accessed at www.philadelphiafed.org on May 15, 2009).

88 Attach 01 and PGL RWB 4.32 Attach 01, the Companies indicated “The
89 Integrys forecast process is to inflate the latest property tax bills by 5% per
90 year.” In addition, the Companies’ responses presented revised estimates
91 using 2.5% inflation factors, which were described as the “historical”
92 NS/PGL assumptions. However, no support for the use of either the 5%
93 or the 2.5% inflation factors was presented. Additional review of the
94 Companies’ real estate taxes for the years 2003 through 2008 (as
95 presented in Schedules C-18 and C-19 in both the current Dockets and
96 the last rate case Dockets No. 07-0241/07-0242 Consolidated) revealed
97 no clear trends or associations among the data from year to year. North
98 Shore year-to-year variances for the period 2003 through 2008 ranged
99 from a high of 4783% for 2006-2007, to a low of -97.12% for 2005-2006.
100 Peoples Gas year-to-year variances for the period 2003 through 2008
101 ranged from a high of 99.79% for 2004-2005, to a low of -52.69% for
102 2003-2004. In addition, the Companies’ responses NS RWB-4.27 Attach
103 01 and PGL RWB-4.27 Attach 01 revealed large variances between actual
104 and budget real estate taxes. While the Companies offer explanations for
105 the variances, there appears to be no assurance the variances noted will
106 not occur again. Further, there is no trend of actual real estate tax
107 expense being either over or under budgeted real estate tax expense
108 amounts. Rather, actual results have alternated between over/under
109 budget for the years 2006-2008. These findings indicate: (1) no

110 acceptable explanation of the inflation factors used by the Companies in
111 forecasting 2010 real estate taxes has been presented, (2) past years'
112 trending in this case is not useful in determining the Companies' 2010 real
113 estate taxes as the years examined show no evidence of trends, and (3)
114 large variances exist between the Companies' actual and budget real
115 estate taxes for 2006 through 2008. As such, these three measures
116 should not be used in determining reliable estimates of the Companies'
117 test year 2010 real estate taxes.

118

119 In the absence of other reliable figures, I use the 2009 – 2013 Consumer
120 Price Index (CPI) inflation percentage of 2.2% (as referenced on page 4,
121 line 78 of this testimony) as an escalation factor to 2008 actual real estate
122 taxes. This factor allows for the increase of real estate taxes between
123 2008 and 2010 and is similar in amount to the 2.5% inflation factor
124 suggested by the Companies in the revised estimates presented in their
125 responses to Staff Data Request RWB-4.32.

126

127 Adjustment to Uncollectibles Expense

128 Q. Please describe ICC Staff Exhibit 5.0, Schedules 5.2 P and N, Adjustment
129 to Uncollectibles Expense.

130 A. Schedules 5.2 P and N reflect my proposed adjustments to Uncollectibles
131 Expense. My proposed adjustments reduce uncollectibles expense to

132 amounts submitted by the Companies in response to Staff Data Request
133 RWB-3.08. Peoples Gas response PGL RWB 3.08 Attach 01, which is
134 based on the Company's March 2009 reforecast, identifies 2010
135 Uncollectibles Expense as \$27,494,000 (a 34% reduction from the as filed
136 \$41,604,000 amount). North Shore response NS RWB 3.08 Attach 01,
137 which is also based on the Company's March 2009 reforecast, identifies
138 2010 Uncollectibles Expense as \$1,531,000 (a 35% reduction from the as
139 filed \$2,372,000 amount).

140

141 Q. Please provide the rationale for your proposed Adjustment to
142 Uncollectibles Expense, as reflected on Schedule 5.2 P and N, page 1.

143 A. In determining my proposed adjustment, I reviewed the past four historical
144 years' net write-offs as a percentage of revenues ("Uncollectibles Expense
145 Percentage"), as presented in the Companies' responses to Staff Data
146 Request RWB-5.01. "Revenues" consist of Total Sales to Ultimate
147 Customers (Accounts 480, 481, & 482) plus Revenue from Transportation
148 of Gas of Others Through Distribution Facilities (Account 489.3). Through
149 this review, I note the test year 2010 Uncollectibles Expense Percentages
150 identified by the Companies on their respective Schedules C-16 (2.54%
151 for Peoples Gas, and 0.70% for North Shore) are indeed comparable to
152 the percentages for the last four historical years 2005 through 2008. I also
153 note the test year 2010 Uncollectibles Expense Percentages requested by

154 the Companies in this Docket are identical to the percentages granted the
155 Companies in their previous rate case (07-0241/07-242 Cons., Final Order
156 at Appendix A, page 8, line 2, and Appendix B, page 7, line 2). As such, I
157 believe the test year 2010 Uncollectibles Expense Percentages utilized by
158 the Companies in their Schedules C-16 and in their responses to Staff
159 Data Request RWB-3.08 to be reasonable. In the Companies' responses
160 to Staff Data Request RWB-3.08, the Companies apply their test year
161 2010 Uncollectibles Expense Percentages to their March 2009 Reforecast
162 revenues, resulting in the reduced Uncollectibles Expense amounts.
163 These recalculations form the bases for my proposed adjustments to
164 Uncollectibles Expense.

165 Original Cost Determination

166 Q. Why is an Original Cost Determination finding necessary?

167 A. Requirements for preservation of records are associated with an original
168 cost determination. Appendix A to 83 Ill. Adm. Code 510, The
169 Preservation of Records of Gas Utilities, contains requirements for the
170 preservation of specific records. For example, journal vouchers and
171 journal entries which support plant accounts are to be maintained "7 years
172 prior to date as of which original cost of plant has been unconditionally
173 determined or approved by the Commission in" an original cost
174 determination proceeding or a rate case.

175

176 Q. What is your recommendation regarding Original Cost Determination?

177 A. Having reviewed plant additions since the last rate case and having found
178 no material errors, I recommend the Commission order state:

179 It is further ordered that the \$2,525,147,000 original cost of plant for
180 Peoples Gas at December 31, 2007, as reflected on the Company's
181 Schedule B-5, Page 1 of 2, Line 14, Column F; and the \$ 398,983,000
182 original cost of plant for North Shore at December 31, 2007, as reflected
183 on the Company's Schedule B-5, Page 1 of 2, Line 12, Column F, are
184 unconditionally approved as the original costs of plant.

185

186 Staff Recommendations Regarding the North Shore and Peoples Gas
187 Uncollectible Expense Adjustment Riders

188 Q. Do you have a recommendation with respect to the Companies' proposed
189 Uncollectible Expense Adjustment ("UEA") Rider?

190 A. Yes. For various reasons explained by Staff witness Lazare (Staff Ex.
191 9.0), Staff does not recommend that this rider be approved by the
192 Commission. However, if the Commission determines it is appropriate for
193 the Companies to recover the cost of its commodity related uncollectibles
194 expenses through a rider, I recommend the following language be adopted
195 in order to clarify the Company's position that the uncollectible factors may
196 only be changed in a general rate case proceeding: (Response to Staff
197 Data Request DLH-4.04)

198 **Uncollectible Expense Adjustment**

199 The Uncollectible Expense Adjustment billed to sales customers
200 shall be determined by multiplying the applicable Uncollectible
201 Factor times the charges billed under Rider 2, Gas Charge of this
202 rate schedule. The Uncollectible Factors shall be updated only in a
203 general rate case proceeding.

204

205 Q. Do you have any other comments with respect to the Companies'
206 proposed Uncollectible Expense Adjustment ("UEA") Rider?

207 A. Yes. As noted in the direct testimony of Company witness Valerie Grace
208 (Peoples Gas Ex. VG-1.0, page 34-35, lines 760-765 and North Shore Ex.
209 VG-1.0, page 31, lines 673-678), if the Commission determines it is
210 appropriate for the Companies to recover the cost of their respective
211 commodity related uncollectibles expenses through a rider, those
212 commodity related uncollectibles expenses would need to be removed
213 from the Companies' respective revenue requirements. However, rather
214 than removing the amounts suggested in Ms. Grace's direct testimony, the
215 amounts removed should be at the Companies' March 2009 reforecast
216 gas cost appearing on the Companies' responses to Staff Data Request
217 RWB-3.03. The commodity related uncollectibles expense to be removed
218 from the revenue requirement for North Shore are identified in the
219 Company's data request response NS RWB 3.03 Attach 01 Confidential,
220 page 1, line 6, column [E]. The commodity related uncollectibles expense
221 to be removed from the revenue requirement for Peoples Gas are

222 identified in the Company's data request response PGL RWB 3.03 Attach
223 01 Confidential, page 1, line 6, column [E].

224

225 Q: If the Commission determines it is appropriate for the Companies to
226 recover commodity related uncollectibles expense through a rider, should
227 the Uncollectible Factors identified in the Rider UEA Tariffs be adjusted in
228 any way?

229 A: Yes. The Uncollectible Factors identified on page 1 of the Rider UEA
230 Tariffs (Rider UEA, 3rd Revised Sheet No. 123 for North Shore; and Rider
231 UEA, 3rd Revised Sheet No. 137 for Peoples Gas) should be adjusted for
232 the effects of the Companies' March 2009 reforecast, as illustrated in
233 North Shore data request response NS RWB 3.03 Attach 01 Confidential,
234 page 1, column [C], and in Peoples Gas data request response PGL RWB
235 3.03 Attach 01 Confidential, page 1, column [C]. Alternatively, if the
236 Commission decides different Uncollectible Factors should be adopted,
237 those Factors should be reflected in the Rider UEA Tariffs.

238

239 Conclusion

240 Q. Does this conclude your prepared direct testimony?

241 A. Yes, it does.

The Peoples Gas Light and Coke Company
Adjustment to Real Estate Taxes
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Real Estate Taxes per Staff	\$ 1,106	Schedule 5.1 P, Page 2, Line 7, Column (b)
2	Real Estate Taxes per Company	<u>1,313</u>	Company Schedule C-19, Line 2, Column [D]
3	Staff Proposed Adjustment	<u>\$ (207)</u>	Line 1 - line 2

The Peoples Gas Light and Coke Company
 Adjustment to Real Estate Taxes
 For the Test Year Ending December 31, 2010
 (In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	2008 Actual Real Estate Taxes - Operating Expense	\$ 1,059	Company Response PGL RWB 4.06 Attach 06 (Page 1 of 1), Line 2, Column [D]
2	Staff Incremental Factor	<u>2.2%</u>	2009 - 2013 CPI inflation % **
3	Staff Projected Increase to 2008 Actual	<u>\$ 23</u>	Line 1 * Line 2
4	Staff Projected 2009 Real Estate Taxes - Operating Expense	1,082	Line 1 + Line 3
5	Staff Incremental Factor	<u>2.2%</u>	2009 - 2013 CPI inflation % **
6	Staff Projected Increase to 2008 Actual	<u>\$ 24</u>	Line 4 * Line 5
7	Staff Projected 2010 Real Estate Taxes - Operating Expense	<u><u>1,106</u></u>	Line 4 + Line 6

** Consumer Price Index (CPI) inflation percentage utilized in this schedule was obtained from the Survey of Professional Forecasters, Second Quarter 2009 report, as produced by the Research Department of the Federal Reserve Bank of Philadelphia and accessed at www.philadelphiafed.org, on May 15, 2009. Percentage utilized reflects the report's Long-run projections for 2009 through 2013.

North Shore Gas Company
Adjustment to Real Estate Taxes
For the Test Year Ending December 31, 2010
(In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Real Estate Taxes per Staff	\$ 195	Schedule 5.1 N, Page 2, Line 7, Column (b)
2	Real Estate Taxes per Company	<u>240</u>	Company Schedule C-19, Line 2, Column [D]
3	Staff Proposed Adjustment	<u><u>\$ (45)</u></u>	Line 1 - line 2

North Shore Gas Company
Adjustment to Real Estate Taxes
 For the Test Year Ending December 31, 2010
 (In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	2008 Actual Real Estate Taxes - Operating Expense	\$ 187	Company Response NSG RWB 4.06 Attach 06 (Page 1 of 1), Line 2, Column [D]
2	Staff Incremental Factor	<u>2.2%</u>	2009 - 2013 CPI inflation % **
3	Staff Projected Increase to 2008 Actual	<u>\$ 4</u>	Line 1 * Line 2
4	Staff Projected 2009 Real Estate Taxes - Operating Expense	191	Line 1 + Line 3
5	Staff Incremental Factor	<u>2.2%</u>	2009 - 2013 CPI inflation % **
6	Staff Projected Increase to 2008 Actual	<u>\$ 4</u>	Line 4 * Line 5
7	Staff Projected 2010 Real Estate Taxes - Operating Expense	<u><u>195</u></u>	Line 4 + Line 6

** Consumer Price Index (CPI) inflation percentage utilized in this schedule was obtained from the Survey of Professional Forecasters, Second Quarter 2009 report, as produced by the Research Department of the Federal Reserve Bank of Philadelphia and accessed at www.philadelphiafed.org, on May 15, 2009. Percentage utilized reflects the report's Long-run projections for 2009 through 2013.

The Peoples Gas Light and Coke Company
 Adjustment to Uncollectibles Expense
 For the Test Year Ending December 31, 2010
 (In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectibles Rate per Company	2.54%	Company Schedule C-16
2	Total Revenues Prior to Rate Increase	<u>\$ 1,082,428</u>	Company Data Request Response PGL RWB 3.08 Attach 01
3	Uncollectibles Expense per Staff	\$ 27,494	Line 1 x line 2
4	Uncollectibles Expense per Company	<u>41,604</u>	Company Schedule C-4
5	Staff Proposed Adjustment	<u>\$ (14,110)</u>	Line 3 - line 4
6	Percentage Reduction	-33.92%	Line 5 / Line 4

North Shore Gas Company
 Adjustment to Uncollectibles Expense
 For the Test Year Ending December 31, 2010
 (In Thousands)

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectibles Rate per Company	0.7000%	Company Schedule C-16
2	Total Revenues Prior to Rate Increase	<u>\$ 218,751</u>	Company Data Request Response NS RWB 3.08 Attach 01
3	Uncollectibles Expense per Staff	\$ 1,531	Line 1 x line 2
4	Uncollectibles Expense per Company	<u>2,372</u>	Company Schedule C-4
5	Staff Proposed Adjustment	<u>\$ (841)</u>	Line 3 - line 4
6	Percentage Reduction	-35.44%	Line 5 / Line 4

**North Shore
 NSG Attachment 5 to RWB 4.06**

Section 285.3180
 Schedule C-19

North Shore Gas Company
Property Taxes PER RWB 4.06

Line No.	Description of Expenses [A]	Test Year Ending December 31, 2010 [B]	Forecasted Year Ending December 31, 2009 (1) [C]	Historical Year Ended December 31, 2008 (2) [D]	Historical Year Ended December 31, 2007 [E]	Line No.
1	Personal Property Tax	\$0	\$0	\$0	\$0	1
2	Real Estate Tax	240,000	228,000	187,000	293,000	2
3	Total Property Taxes (3)	<u>\$240,000</u>	<u>\$228,000</u>	<u>\$187,000</u>	<u>\$293,000</u>	3

- Note: (1) Includes zero months actual data and twelve months of forecasted data.
 (2) Updated to reflect 2008 actual expense (includes reduction for expense capitalized to fixed assets).
 (3) All amounts shown are charged to Account 408.1 (Taxes Other Than Income Taxes, Utility Operating Income).

**Peoples Gas
 PGL RWB 4.06 Attach 06**

Section 285.3180
 Schedule C-19
 Page 1 of 1

The Peoples Gas Light and Coke Company

Property Taxes PER RWB 4.06

Line No.	Description of Expenses [A]	Test Year Ending December 31, 2010 [B]	Forecasted Year Ending December 31, 2009 (1) [C]	Historical Year Ended December 31, 2008 (2) [D]	Historical Year Ended December 31, 2007 [E]	Line No.
1	Personal Property Tax	\$0	\$0	\$0	\$0	1
2	Real Estate Tax	1,313,000	1,251,000	1,059,000	730,000	2
3	Total Property Taxes (3)	<u>\$1,313,000</u>	<u>\$1,251,000</u>	<u>\$1,059,000</u>	<u>\$730,000</u>	3

- Note: (1) Includes zero months actual data and twelve months of forecasted data.
 (2) Updated to reflect 2008 actual expense (includes reduction for expense capitalized to fixed assets).
 (3) All amounts shown are charged to Account 408.1 (Taxes Other Than Income Taxes, Utility Operating Income).

North Shore Gas Company

Uncollectible Expense

Line No.	Fiscal Year [A]	Percent of Revenue Method (1)		
		Uncollectible Expense [B]	Applicable Revenues [C]	Uncollectible Expense as a Percentage of Applicable Revenues [D]
1	Test Year Ending			
2	December 31, 2010	\$ 1,531,000	\$ 218,751,000	0.70%
3	Forecasted Year Ending			
4	December 31, 2009 (2)	1,647,000	235,289,000	0.70%
5	Historical Year Ended			
6	December 31, 2008	2,280,000 (5)	311,367,000	0.73%
7	Historical Year Ended			
8	December 31, 2007 (3)	2,210,000 (4)	284,309,000	0.78%

Notes: (1) Percent of Revenue Method is used to determine uncollectible expense for all revenues except miscellaneous revenues. Due to the infrequent write-off of accounts receivable associated with miscellaneous revenues, expense is recorded only at time of write-off.

(2) Includes zero months of actual data and twelve months of forecasted data.

(3) Calendar 2007 revenues and the related uncollectible expense calculation are reported on a gross revenue basis. Beginning in calendar 2008, the revenues and expense calculation are reported on net revenue basis.

(4) Includes \$220,000 adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projections of future charge-off based on the most current information available, and adjusts the reserve if necessary.

(5) Includes \$100,000 adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projections of future charge-off based on the most current information available, and adjusts the reserve if necessary.

The Peoples Gas Light and Coke Company

Uncollectible Expense

Line No.	Fiscal Year	Method (1)	Uncollectible Expense	Percent of Revenue Method (1)	
				Applicable Revenues	Uncollectible Expense as a Percentage of Applicable Revenues
	[A]		[B]	[C]	[D]
1	Test Year Ending	Percent of Revenue	\$ 27,494,000	1,082,428,000	2.54%
2	December 31, 2010	Specific write-off	\$ -		
3			<u>\$ 27,494,000</u>		
4	Forecasted Year Ending (2)	Percent of Revenue	\$ 29,667,000	1,167,984,000	2.54%
5	December 31, 2009	Specific write-off	\$ -		
6			<u>\$ 29,667,000</u>		
7	Historical Year Ended	Percent of Revenue	\$ 45,886,000	1,569,882,000	2.92%
8	December 31, 2008	Specific write-off	\$ -		
9			<u>\$ 45,886,000</u> (5)		
10	Historical Year Ended	Percent of Revenue	\$ 36,915,000	1,471,853,000	2.51%
11	December 31, 2007 (3)	Specific write-off	\$ -		
12			<u>\$ 36,915,000</u> (4)		

Notes: (1) Percent of Revenue Method is used to determine uncollectible expense for all revenues except Hub-related activity and other miscellaneous revenues. Due to the infrequent write-off of accounts receivable associated with Hub and other miscellaneous revenues, expense is recorded only at time of write-off.

(2) Includes zero months of actual data and twelve months of forecasted data.

(3) Calendar 2007 revenues and the related uncollectible expense calculation are reported on gross revenue basis. Beginning in calendar 2008, the revenues and expense calculation are reported on net revenue basis.

(4) Includes (\$470,000) adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projections of future charge-off based on the most current information available, and adjusts the reserve if necessary. Excludes \$555,000 adjustment to reinstate provision and accounts receivable related to Last Customer of Record Occupant.

(5) Includes \$6,000,000 adjustment to the reserve for uncollectible accounts. Each quarter, the Company updates the projections of future charge-off based on the most current information available, and adjusts the reserve if necessary.