DIRECT TESTIMONY

of

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Rates Department

Financial Analysis Division

Illinois Commerce Commission

Proposed General Increase in Natural Gas Rates

North Shore Gas Company

The Peoples Gas Light and Coke Company

Docket Nos. 09-0166 and 09-0167 Consolidated

June 10, 2009

Q. Please state your name and business address.

A. My name is Christopher L. Boggs and my business address is 527 E. Capitol Avenue, Springfield, IL 62701.

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

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

Q. How long have you been employed by the Commission?

A. I have been employed by the Commission since April of 2008.

Q. Please discuss your educational and professional background.

A. I received a BS in Economics/Business Administration from Knox College in 1987. Since then, I have spent over 16 years in mortgage finance and mortgage operations management. I have been employed by Illini Bank, Norwest

Mortgage, and most recently was the Mortgage Operations Manager at Illinois National Bank.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to review and make recommendations regarding some of the proposed changes to North Shore Gas Company's ("North Shore") and Peoples Gas Light and Coke Company's ("Peoples Gas") (individually, the "Company" and collectively, the "Companies") miscellaneous fees and charges and tariff language. In addition, I will address North Shore's proposed new Riders FCA and GCA.

Q. Whose testimony for the Companies did you review?

A. I reviewed the testimony of the Companies' witness Valerie Grace (North Shore Ex.VG-1.0 and Peoples Gas Ex. VG-1.0) and the attachments to her testimony.

Q. How is your testimony organized?

A. For each Company, starting with North Shore, I first address the miscellaneous fees and charges contained in the Terms and Conditions of Service section of its tariffs. I then address certain changes in existing riders, and the newly proposed Riders FCA and GCA.

North Shore Gas Company

<u>North Shore Changes in Terms & Conditions</u>

Q. Are there any charges that the Company proposes to change in the Terms and Conditions of Service?

A. Yes. The Company proposes to change its Service Activation Charges and its Service Reconnection Charges.

Q. Please describe Service Activation Charges.

A. There are two categories of Service Activation Charges. Both recover a portion of costs relating to starting gas service at a premise and apply to customers moving into or within North Shore's service territory.

The first category is referred to as a Succession Turn-on. A Succession Turn-on occurs when one customer discontinues service concurrently with a new customer that moves into the same premises and requests new gas service. In this instance, meter readings are simply recorded for the out-going and in-coming customers.

The second category is referred to as a Straight Turn-on. A Straight Turn-on occurs when a customer requests new service at a location which previously never had service or a prior customer had cancelled service some time before new service is requested. In this instance, gas service is turned on and pilot lights are re-lit on appliances.

Q. Is North Shore proposing a change to the Succession Turn-on fee?

A. Yes. The Company is proposing to decrease the Succession Turn-on fee from $18 to $15.

Q. Has the Company provided its basis for the proposed charge?

A. Yes. The Company provided its cost basis for this proposed change in its response to Staff Data Request ENG 1.44. In North Shore's last rate case, Docket Nos.07-0241/07-0242 Cons., the Company proposed and the Commission approved an increase in the Succession Turn-on fee to $18. *North Shore Gas Co. et al.*, ICC Docket Nos. 07-0241/07-0242 Cons. (Order, February 5, 2008), p. 266 ("North Shore/Peoples Order"). According to Attachment 2 of North Shore's response to Staff Data Request ENG 1.44, the $18 fee approved in its last rate case allowed the Company to recover 95% of its then cost of service but now recovers 108% of the current cost of service. Attachment 1 of North Shores Response to Staff Data Request ENG-1.44 in this case shows the

current cost of service to be $16.59. Thus, under the Company's proposal, North Shore would only recover 90% of its current cost of service, which is less than the 95% that was approved in its previous rate case.

Q. Do you recommend that the Company's proposal to decrease the Succession Turn-on fee to $15 be approved?

A. No. I believe that the Company should begin recovering these costs at 100% of the current cost of service, which is $16.59, as discussed above. Service connection fees are considered "Other Revenues" in the revenue analysis of the Company's Operating Income Statement. Currently the service connection expenses are more than fully recovered through revenues which the connection fees generate. If the service connection fees are set below the fully recoverable amount of $16.59, then the Company will, again, recover less than the fully recoverable cost. When this occurs, the difference between the Company's proposed fee and the fully recoverable fee would be recovered in other usage/delivery fees that affect all customers.

If the service connection charge is currently higher than the fully recoverable charge, there is no reason to reduce that charge to an amount that would be lower than the fully recoverable amount and instead charge other customers higher rates/fees to make up the difference. Rather, the charge should be appropriately reduced to the fully recoverable amount of $16.59.

Therefore, I recommend that the Succession turn-on fee be decreased to $16.59. This would allow the Company full recovery of its cost of service and would still reduce the monthly fee obligation of the ratepayers.

Q. Are you recommending the Company recover 100% of all of its cost of service expenses through connection fees?

A. No, not in this rate case. However in future rate cases, I believe the Company should steadily move toward full recovery of the expenses from the customer(s) who caused the service expenses. The discussion above about the Succession Turn-on fee shows that this rate case is the appropriate opportunity to achieve full recovery from the customer(s) that caused the service expenses, and in a manner in which full recovery will not cause burdensome rate shock. Presently, other service connection expenses, described below, would involve burdensome rate shock to the cost causers to propose that the Company collect 100% of the cost of the various services.

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Q. Is North Shore proposing a change in its Straight Turn-on fee?

A. Yes. The Company is proposing to increase the Straight Turn-on fee from $28 to $35.

Q. Has the Company provided its basis for the proposed charge?

A. Yes. The Company provided its cost basis for this proposed change in its response to Staff Data Request ENG 1.44. In North Shore's last rate case, Docket Nos.07-0241/07-0242 Cons., the Company proposed and the Commission approved an increase in the Straight Turn-on fee to $28 plus $5.00 for the fifth and each additional appliance to be activated. North Shore/Peoples Order, p. 266. According to Attachment 2 of North Shore's response to Staff Data Request ENG 1.44 in this case, the $28 fee allowed the Company to recover 63% of its then cost of service. That same data request response indicates that if the Commission approves the Company's Straight Turn-on fee increase proposal in this case, the Company would be able to recover 80% of its current cost of service which has decreased since the Company's last rate case from $44.28 to $43.91.

Q. Do you recommend that the Company's proposal to increase the Straight Turn-on fee be approved?

A. Yes. The proposed increase would allow the Company to come closer to 100% cost recovery while minimizing rate shock to customers. In my opinion, the restructuring of the Straight Turn-on fee more effectively assigns cost responsibility. After reviewing the supporting documentation (NS ENG 1.44 and Attachments 1 and 2) that the Company has provided, I find the Company's

support to be an acceptable basis for the charges and recommend that the Service Activation Charge be set at $35.

Q. Please describe Service Reconnection Charges.

A. Service Reconnection Charges are assessed to a customer whose gas was turned off for a variety of reasons. Each customer is entitled to a waiver of one reconnect charge in a 12-month period if the service is discontinued for non-payment except in a situation in which the customer requested disconnection and then wanted to be reconnected within 12 months or in a situation in which the service has been disconnected at the main. There are three types of service reconnections following an involuntary disconnection for which North Shore currently charges customers: 1) basic reconnections which require only a meter turn-on; 2) reconnections which require installing a new meter to replace a meter that has been removed; and 3) reconnections that involve excavating at the main.

Q. Is North Shore proposing an increase to its basic reconnection fee?

A. Yes. The Company proposes to increase the basic reconnection fee from $50 to $60.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.44, North Shore provided documentation (NS ENG-1.44 Attachment 1) that indicates the cost of service to the Company for a basic reconnection is $65.88. Basic reconnection represents 86% of the Company's total reconnection services and over 50% of all reconnection costs.

Q. Do you recommend that the Company's proposed basic reconnection fee increase be approved?

A. Yes. Increasing the fee to $60 so that the Company can recover 91% of its cost of service is reasonable. The same $60 reconnection fee would also apply to any customer who requests service discontinuance and subsequently requests service reinstatement within 12 months.

Q. Is North Shore Gas proposing an increase to its reconnection fee when the meter has to be reset?

A. Yes. The Company is proposing to increase the fee from $90 to $125.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.44, North Shore provided documentation (NS ENG-1.44, Attachment 1) that indicates the cost of service to the Company for reconnection of service when the meter has to be reset is $256.

Q. Do you recommend approval of the Company's proposed reconnection fee increase for reconnections where the meter has to be reset?

A. Yes. With the proposed fee increase, the Company will be able to recover 49% of the cost of service that it incurs for reconnections that include a meter reset. Presently, the Company is recovering 35% of the cost of service. Allowing a gradual fee increase would ease the rate shock to affected customers and I believe that the restructuring of the fee more effectively assigns cost responsibility.

Q. Is North Shore proposing an increase to its reconnection fee where service has to be reconnected at the main?

A. Yes. The Company is proposing to increase the fee from $275 to $350.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.44, North Shore provided documentation (NS ENG-1.44, Attachment 1) that indicates the cost of service to the Company for reconnection where service has to be reconnected at the main is $1,989.

Q. Do you recommend approval of the Company's proposed reconnection fee increase for reconnection where service has to be reconnected at the main?

A. Yes. With the proposed fee increase, the Company will be able to recover 18% of the cost of service that it incurs by excavating to reconnect service at the main. Presently, the Company is recovering 14% of the cost of service. Allowing a gradual fee increase would ease rate shock to affected customers. However, in future rate cases, I recommend that the Company propose to continue to move toward full cost recovery and request a higher percentage of the cost of service to reconnect a customer when service has been discontinued by excavating either to cut the service pipe or shut off service at the main. While I am not making any specific increase recommendations at this time, the percentage increase would have to be analyzed during the next rate case and attempt to balance reasonableness and rate shock mitigation. The customers that are

causing these costs should be contributing a larger amount to the Company's cost recovery through reconnection fees.

Q. Does the Company propose any other changes to its Terms and Conditions of service?

A. Yes. North Shore is proposing to insert a February 14, 2008, grandfathering date into the Second Pulse Data Capability paragraph so that the language remains accurate after the effective date for the tariff sheet changes (Third Revised Sheet No. 18).

Q. What is Second Pulse Capability?

A. Certain meters, meter correctors and daily demand measurement devices are capable of delivering a "second pulse" signal to specialized devices that can capture and transmit metering data. Second Pulse Data Capability can provide this signal and cause real-time usage readings to become available to customers. While the Company is not required to provide such capability, a few large volume customers have requested to tap into the second pulse output to help manage their gas usage.

Q. Do you recommend approval of the Company's proposal to insert the grandfathering date into the Second Pulse Data Capability paragraph?

A. Yes. The grandfathering date, February, 14, 2008, is also the effective date of the previous revision of the tariff sheet. If the proposal is approved, the paragraph language would reflect the effective date of the tariff sheet changes.

Prior to February 14, 2008, if a customer wanted the Second Pulse Data Capability, upon request, the company would install the device that provides the second pulse signal. The requestor then paid the labor and materials costs for installation directly to the Company because it was not considered a rate base item. The grandfathering date is important because it would assure that customers who have previously had Second Pulse Data Capability installed and have paid for it will not be charged the current $14 monthly fee for the capability.

Q. Does the Company propose any other changes to its Terms and Conditions of service?

A. Yes. On Third Revised Sheet No. 26, the Company proposes to establish that the definition of "Person" shall have the same meaning that is set forth in Article III of the Public Utilities Act (220 ILCS 5/1-101, *et seq.*). The Public Utilities Act defines "Person" as "an individual, firm, limited liability company, or co-partnership." 220 ILCS 5/3-114.

Q. Do you recommend that the Company's proposal to establish the term "Person" in its Terms and Conditions of Service be approved?

A. Yes, currently tariffs do not provide a definition of the term "person". Establishing a definition of "person" will provide clarity to the Terms and Conditions of Service of the Company.

<u>North Shore Changes to Existing Riders</u>

Q. Does the Company propose any language changes to Rider 1, Additional Charges for Taxes and Customer Charge Adjustments?

A. Yes. The Company proposes to rearrange the first paragraph on Tariff Sheet No. 31 by removing the portion of the first sentence that includes "the provisions of the Energy Assistance Act of 1989 as amended by" and add "Energy Assistance Act" later in the sentence.

Q. Do you recommend approval of the Company's sentence rearrangement proposal?

A. Yes. I recommend approval of the Company's proposal because the proposed sentence modification does not result in a substantive change and makes the tariff language easier to read.

Q. Is the Company proposing any additional changes to Rider 1, Additional Charges for Taxes and Customer Charge Adjustments?

A. Yes. The Company proposes to change the abbreviation “Nos” to “No” in the second and sixth paragraph headings.

Q. Do you recommend approval of the Company’s proposal to change the abbreviations as noted above?

A. Yes. Since the second and sixth paragraphs refer to only one account, the singular version of the abbreviation would be appropriate for these paragraph headings.

Q. Does the Company propose any modifications to Rider 2, Gas Charge?

A. Yes. In North Shore’s last rate case, Docket Nos.07-0241 and 07-0242 Cons., the Company’s transportation programs completed a transitional period that allowed it to continue to provide transportation service to its customers until new programs were implemented. Riders FST-T, SST-T, LST-T, and P-T were created to continue transportation service during the transition period. Currently throughout Rider 2, there are numerous references to Service Class No. 5 and the transitional transportation tariffs. The Company now proposes to eliminate the Rider acronyms “FST-T, SST-T, LST-T, P, P-T” in the headings and within the text, because the Company has proposed to eliminate these riders.

Q. Do you recommend approval of the Company's proposal to eliminate the references to the transitional transportation tariffs in Rider 2?

A. If the Commission approves the elimination of the transitional transportation tariffs in this proceeding, then I recommend references to them be eliminated from Rider 2 language.

Q. Does the Company propose any changes to Rider 4, Extensions of Mains and/ or Rider 5, Gas Service Pipe?

A. Yes. The Company proposes to broaden the description of who might request a main extension or gas service pipe installation. It is likely that these riders were previously written with the assumption that a requester of a main extension or gas service pipe installation would be a current individual customer. The Company proposes to modify language in the riders to make clear that requests for extension of a gas main may also originate from a person (applicant) or a group of persons (applicants) who are not existing customer.

Q. Do you recommend approval of the Company's proposals to modify the language in these riders?

A. Yes. The proposed language modification provides clarity in that it recognizes that a person or groups of persons who are not customers of record could potentially request a main extension or gas service pipe installation.

Q. Are there any specific proposed changes that apply only to Rider 4?

A. Yes. The Company proposes to add a paragraph that would appear as the second paragraph in the Rider if the Commission approves the change. The paragraph would read:

> "If the Company shall receive such a request from a person proposing to develop property and such person is not a customer or an applicant for service, then the Company may require a deposit from such a person and the amount of the deposit shall not exceed the cost of the excess extension. For purposes of computing any main deposit, the free limit for extension shall be the amount available to a single applicant for service."

Q. Do you recommend approval of the Company's proposal to add the above paragraph to Rider 4?

A. Yes. When receiving a request to extend a main with a "person" with whom the Company is not continuing or establishing a service relationship, it is reasonable for the Company, at its discretion, to require a deposit on work to be performed where said deposit's maximum amount is equal to that currently in place for existing customers.

Q. What other changes does the Company propose to make to Riders 4 and/or 5?

A. The Company proposes to make various "housekeeping" changes to Riders 4 and 5 to further clarify and remove outdated language.

Q. What are the proposed "housekeeping" changes to Rider 4?

A. Each of the existing paragraphs has various word and sentence reconstruction proposals.

Q. Do you recommend approval of the proposed various "housekeeping" changes to the remainder of Rider 4?

A. Yes. The proposed language and sentence changes add clarity and make the paragraphs easier to read without changing the substance of the current tariff language.

Q. Are there any specific proposed "housekeeping" changes that apply only to Rider 5?

A. Yes. In paragraphs one, five and six, the Company proposes minor word changes that improve the clarity of the sentences in the respective paragraphs.

Q. Do you recommend approval of the proposed changes in paragraphs one, five and six of Rider 5?

A. Yes. The Company's proposed changes to the respective paragraphs are necessary to improve the clarity of the paragraphs.

Q. Does the Company propose any additional changes to Rider 5?

A. Yes. The Company proposes to add a paragraph to the end of Rider 5 that reads:

> "If there is no customer at the premises, a person who is not a customer or an applicant for service, but who is proposing to develop property, may request installation, replacement, enlargement, relocation, modification or disconnection of service pipe under this rider. For the limited purpose of determining whether the Company or such person is responsible for the Company's cost; such person shall be treated as a customer under this rider and such person shall be responsible for providing the Company the information required to perform work required under this rider."

Q. Do you recommend approval of the proposed addition of this paragraph to Rider 5?

A. Yes. The proposal reasonably allows the Company to treat a property developer similar to an existing customer when determining who is responsible for costs associated with service pipe modifications performed under this rider.

Q. Does North Shore propose any other changes to riders that you reviewed?

A. Yes. The Company proposes to remove the reference to Service Classification 5 and proposes another minor sentence modification elsewhere in Rider SBO.

Q. Do you support the proposed changes to Rider SBO?

A. If the Commission approves the Company's proposed elimination of the transitional transportation tariffs, then references to those tariffs should be eliminated from Rider SBO. In addition, the proposed minor sentence modification will make the tariff easier to read. Therefore, I support the proposed change.

<u>North Shore Proposed New Riders</u>

Q. Does the Company propose any new riders?

A. Yes. The Company is proposing to add Rider FCA, Franchise Cost Adjustment, and Rider GCA, Governmental Agency Compensation Adjustment.

Q. Please describe the purpose of Rider FCA, Franchise Cost Adjustment.

A. The purpose of Rider FCA is to recover the cost of franchise expenses in the form of either reduced rate service or monetary contributions. These costs are recovered solely from the customers residing within the boundaries of the local

governmental units receiving such reduced rate service or monetary compensation.

Q. Why does North Shore incur such franchise expenses?

A. The Company incurs franchise expenses in order to gain the privilege of using local governmental units' public rights of way for the delivery of gas within those communities.

Q. How does the Company propose to recover its franchise costs?

A. The Company proposes to recover franchise costs from appropriate customers on a monthly basis under Rider FCA. The Company proposes to file an information sheet on or before April 20th of each year that specifies the franchise cost adjustment charges to be applicable for the subsequent 12 months. If North Shore's proposed rider is approved, the amount to be recovered would be based on the actual costs of providing reduced rate service or other monetary contribution to the local governmental units during the previous calendar year.

Q. Do any other utilities have similar riders to recover franchise costs?

A. Yes. Nicor Gas Company's Rider 2 is very similar to North Shore's proposed Rider FCA. The Commission approved Nicor Gas Company's Rider 2 in Docket

No. 08-0363. Commonwealth Edison Company also proposed a similar rider with the same name, Rider FCA (Franchise Cost Adjustment), which the Commission approved in Docket No. 05-0597.

Q. Please summarize your recommendations for the Company's proposal to add Rider FCA.

A. I recommend that the Company's proposal to add Rider FCA be approved. It is reasonable for the Company to recover its franchise costs by assessing the customers residing within the boundaries of the local governmental units imposing such franchise costs a monthly charge based on actual franchise costs from the previous year. The Commission would be able to monitor the status of these costs annually based on the information sheet to be submitted annually by the Company and would be able to adjust the cost recovery accordingly.

Q. Please describe Rider GCA, Governmental Agency Compensation Adjustment.

A. Some local governmental units have enacted ordinances that require various fees from utilities and/or cause utilities to incur costs to supply gas service to customers who live within the governmental unit. Rider GCA would allow the Company to recover the fees and costs imposed upon it by local governmental units from the customers who live within the boundaries of the respective

governmental unit on a per customer basis. Rider GCA describes seven conditions that would allow North Shore to recover costs under the rider.

Q. Please describe how North Shore proposes to administer Rider GCA.

A. The Company proposes to file an information sheet each year on or before December 20 that specifies the GCA charges to be effective for service rendered during the following calendar year. The per customer charge would be determined for each applicable governmental unit by dividing applicable costs by the number of applicable customers, and dividing again by 12. If the Company determines that it is appropriate to revise a GCA charge in order to better reconcile revenues with actual costs the Company incurred, it may make a filing with the Commission to adjust the charge. No later than April 1 of each year, North Shore would file a reconciliation of actual costs and revenues with the Commission and bill any reconciliation adjustments over the remaining months of the calendar year.

Q. Has the Commission approved any similar Riders with other utilities similar to Rider GCA?

A. Yes. The Commission has approved Rider 7, Governmental Agency Compensation Adjustment, for Nicor Gas Company in Docket No. 04-0779 and Rider LGC, Local Government Compliance Adjustment, for Commonwealth Edison Company in Docket No. 05-0597.

Q. Please summarize your recommendations regarding the Company's proposal to add Rider GCA.

A. It is reasonable for the Company to recover costs and fees relating to gas delivery that are imposed by local governmental units from the customers who reside within the boundaries of each governmental unit imposing such costs. Rider GCA is set-up to allow the Company to make adjustments throughout the year that would allow quicker recovery of the fees and/or costs that are imposed and could possibly mitigate larger adjustments that may cause customer hardship if the Company waited until the end of a calendar year to recover the costs. Gradual increases in recovery of the costs throughout the year would prove more affordable to customers than large annual increases if the Company waited until the end of the calendar year to make adjustments to the tariff. Also, if the Commission approves this rider, it would be able to closely monitor and act on periodic Company proposals to increase and speed up the cost recovery process. Finally, since the Commission has approved similar riders for other utilities, I recommend proposed Rider GCA, Governmental Agency Compensation Adjustment, be approved as well.

Peoples Gas Light and Coke Company

<u>Peoples Gas Changes in Terms & Conditions</u>

Q. Are there any charges that the Company proposes to change in the Terms and Conditions of Service?

A. Yes. The Company proposes to increase its Service Activation Charges and the Service Reconnection Charges.

Q. Please describe Service Activation Charges.

A. There are two categories of Service Activation Charges which recover a portion of costs relating to starting gas service at a premise and applies to those moving into or within Peoples service territory.

The first category is referred to as a Succession Turn-on. A Succession Turn-on occurs when one customer discontinues service concurrently with a new customer that moves into the same premises and requests new gas service. In this instance, meter readings are simply recorded for the out-going and in-coming customers.

The second category is referred to as a Straight Turn-on. A Straight Turn-on occurs when a customer requests new service at a location which previously never had service or a prior customer had cancelled service some time before new service is requested. In this instance, gas service is turned on and pilot lights are re-lit on appliances.

Q. Is Peoples Gas proposing a change to the current Succession Turn-on fee?

A. Yes. The Company is proposing to increase the Succession Turn-on fee from $12 to $15.

Q. Has the Company provided its basis for the proposed charge?

A. Yes. The Company provided its cost basis for this proposed change in its response to Staff Data Request ENG 1.12. In Peoples Gas' last rate case, Docket Nos.07-0241/07-0242 Cons., the Company proposed and the Commission approved an increase in the Succession Turn-on fee to $12. North Shore/Peoples Order, p. 266. According to Attachment 2 of Peoples Gas' response to Staff Data Request ENG 1.12, the $12 fee approved in the last rate case allowed the Company to recover 68% of its then cost of service but now recovers 77% of the current cost of service. Attachment 1 of Peoples Gas' response to Staff Data Request ENG 1.12 shows the current cost of service to be $15.52. If the Commission approves the Company's Succession Turn-on fee increase proposal, the Company would be able to recover 97% of the cost of service. While the Company has not proposed a Succession Turn-on fee at 100% of cost recovery, the proposal moves toward eventual full recovery of the cost of service for the Company.

Q. Do you recommend approval of the Company's proposal to increase the Succession Turn-on fee?

A. Yes. At the current rate of $12, the Company is recovering 77% of the current cost of service. At the proposed rate, the Company would be recovering 97% of the cost of service. I agree with the Company that the restructuring of the Service Activation Charge more effectively assigns cost responsibility to those who caused the cost. I have reviewed the supporting documentation (PGL ENG 1.12 and Attachments 1 and 2) that the Company has provided and find it an acceptable basis for the proposed charge.

Q. Is Peoples Gas proposing a change in its Straight Turn-on fee?

A. Yes. The Company is proposing to increase the Straight Turn-on fee from $20 to $25.

Q. Has the Company provided its basis for the proposed charge?

A. Yes. The Company provided the cost basis for this proposed change in its response to Staff Data Request ENG 1.12. In Peoples Gas' last rate case, Docket Nos.07-0241/07-0242 Cons., the Company proposed and the Commission approved an increase in the Straight Turn-on fee to the amount of $20. North Shore/Peoples Order, p. 266. According to Attachment 2 of Peoples Gas' response to Staff Data Request ENG 1.12, the $20 fee allowed the

Company to recover 44% of its then cost of service but recovers 42% of its current cost of service. If the Commission approves the Company's Straight Turn-on fee increase proposal, the Company would be able to recover 52% of the cost of service. The gradual increase would allow the company to come closer to 100% cost recovery while minimizing the rate shock to customers.

Q. Do you recommend approval of the Company's proposal to increase the Straight Turn-on fee?

A. Yes. The increase will allow the Company to recover 52% of the cost of service. This would be an increase from the 42% recovery rate the Company is receiving at the current charge of $20. I agree with the Company that the restructuring of the Service Activation Charge more effectively assigns cost responsibility to those who cause the cost. I have reviewed the supporting documentation (PGL ENG 1.12 and Attachments 1 and 2) that the Company has provided and find them an acceptable basis for the charges.

Q. Please describe Service Reconnection Charges.

A. Service Reconnection Charges are assessed to a customer whose gas was turned off for a variety of reasons. Each customer is entitled to a waiver of one reconnect charge in a 12-month period if the service is discontinued for non-payment except in a situation in which the customer requested disconnection and

then wanted to be reconnected within 12 months or in a situation in which the service has been disconnected at the main. There are three types of service reconnections following an involuntary disconnection for which Peoples currently charges customers: 1) basic reconnections which require only a meter turn-on; 2) reconnections which require installing a new meter to replace a meter that has been removed; and 3) reconnections that involve excavating at the main.

Q. Is Peoples Gas proposing an increase to its basic reconnection fee?

A. Yes. The Company proposes to increase the basic reconnection fee from $50 to $60.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.12, Peoples Gas provided documentation (PGL ENG-1.12 Attachment 1) that indicates the cost of service to the Company for a basic reconnection is $78.59. Basic reconnection represents 91% of the Company's total reconnection services and over 61% of all reconnection costs.

Q. Do you recommend approval of the Company's proposed basic reconnection fee increase?

A. Yes. Increasing the fee to $60 so that the Company can recover 76% of its cost of service is reasonable. The same $60 reconnection fee would also apply to any customer who requests service discontinuance and subsequently requests service reinstatement within 12 months.

Q. Is Peoples Gas proposing an increase to its reconnection fee when the meter has to be reset?

A. Yes. The Company is proposing to increase the fee from $100 to $125.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.12, Peoples Gas provided documentation (PGL ENG-1.12 Attachment 1) that indicates the cost of service to the Company for reconnection of service when the meter has to be reset is $229.

Q. Do you recommend approval of the Company's proposed reconnection fee increase when the meter has to be reset?

A. Yes. With the proposed fee increase, the Company will be able to recover 55% of the cost of service for reconnections that include a meter reset. Presently, the Company is recovering 44% of the cost of service. Allowing a gradual fee increase would ease the rate shock to affected customers and the restructuring of the reconnection fee more effectively assigns cost responsibility to those who caused the cost.

Q. Is Peoples Gas proposing an increase to its reconnection fee where service has to be reconnected at the main?

A. Yes. The Company is proposing to increase the fee from $275 to $350.

Q. Has the Company provided any support to document the proposed increase?

A. Yes. In response to Staff Data Request ENG 1.12, the Company provided documentation (PGL ENG-1.12 Attachment 1) that indicates the cost of service to the Company for reconnection where service has to be reconnected at the main is $2,189. Presently, the Company is recovering 14% of the cost of service. Allowing a gradual fee increase would ease rate shock to affected customers. However, in future rate cases, I recommend that the Company propose to continue to move toward full cost recovery and request a higher percentage of the cost of service to reconnect a customer when service has been discontinued

by excavating either to cut the service pipe or shut off service at the main. While I am not making any specific increase recommendations at this time, the percentage increase would have to be analyzed during the next rate case and attempt to balance reasonableness and rate shock mitigation. The customers that are causing these costs should be contributing a larger amount to the Company's cost recovery through reconnection fees.

Q. Do you recommend approval of the Company's proposed reconnection fee increase for reconnection where service has to be reconnected at the main?

A. Yes. With the proposed fee increase, the Company will be able to recover 16% of the cost of service that it incurs by excavating to reconnect service at the main. Presently, the Company is recovering 13% of the cost of service. Allowing a gradual fee increase would ease the rate shock to affected customers and the restructuring of the reconnection fee more effectively assigns cost responsibility to those who caused the cost**.**

Q. Does the Company propose any other changes to its Terms and Conditions of service?

A. Yes. Peoples is proposing to insert a February 14, 2008 grandfathering date into the Second Pulse Data Capability paragraph so that the language remains

accurate after the effective date for the tariff sheet changes (Third Revised Sheet No. 18).

Q. What is Second Pulse Capability?

A. Certain meters, meter correctors and daily demand measurement devices are capable of delivering a “second pulse” signal to specialized devices that can capture and transmit metering data. Second Pulse Data Capability can provide this signal and make real-time usage readings to customers. While the Company does not require such capability, a few large volume customers have requested to tap into the second pulse output to help manage their gas usage. These customers also have already compensated the Company for the costs involved in tapping into the second pulse output for the capability.

Q. Do you recommend approval of the Company’s proposal to insert the grandfathering date into the Second Pulse Data Capability paragraph?

A. Yes. The grandfathering date, February, 14, 2008, is also the effective date of the previous revision of the tariff sheet. If the proposal is approved, the paragraph language would reflect the effective date of the tariff sheet changes. Prior to February 14, 2008, if a customer wanted the Second Pulse Data Capability, upon request, the company would install the device that provides the second pulse signal. The requestor then paid the labor and materials costs for installation directly to the Company because it was not considered a rate base

item. The grandfathering date is important because it would assure that customers who have previously had Second Pulse Data Capability installed and have paid for it will not be charged the current $14 monthly fee for the capability.

Q. Does the Company propose any other changes to its Terms and Conditions of service?

A. Yes. On Third Revised Sheet No. 27, the Company proposes to establish that the definition of "Person" shall have the same meaning that is set forth in Article III of the Public Utility Act (220 ILCS 5/1-101, *et seq.*). The Public Utilities Act defines "Person" as "an individual, firm, limited liability company, or co-partnership." 220 ILCS 5/3-114.

Q. Do you recommend approval of the Company's proposal to establish the term "Person" in its Terms and Conditions of Service?

A. Yes, the definition will provide clarity to the Terms and Conditions of Service of the Company.

Q. Does the Company propose any additional changes to its Terms and Conditions?

A. Yes. The Company proposes to eliminate the Facilities Charge that the Commission ordered it to establish after its last rate case (ICC Docket Nos. 07-0241/07-0242 Cons.).

Q. Please explain the Facilities Charge that the Company currently collects.

A. In its last rate case, Docket Nos. 07-0241/07-0242 Cons., the Company was ordered by the Commission to directly bill a Facilities Charge to customers who are served by large industrial meters that are classified under Account No. 385 (Industrial Metering and Regulating Station Equipment). In that case, the Attorney General, the Citizens Utility Board and the City of Chicago (collectively "Governmental and Consumer Intervenors" or "GCI") argued, and the Commission agreed, that direct assignment of costs to the individual cost causers is preferable to allocation based on secondary factors. North Shore/Peoples Order, p. 208. And, GCI observed, it is undisputed that: (a) the Utilities can track FERC Account No. 385 costs to individual customers; (b) customers that cause the Utilities to incur costs recorded in Account No. 385 may migrate from one rate classification to another; and (c) the number of such customers is small. *Id.*

Since that rate case, in order to establish uniformity across its companies, Integrys (Peoples Gas and North Shore's parent company) has revised many of

its accounting policies. The revisions have reclassified nearly 800 customers under Account No. 385 that would now require direct billing. Also in the current proceeding, Peoples Gas is proposing to add a third meter class to Service Class No. 2 which seeks to impose an eligibility requirement for those customers whose average monthly consumption exceeds 41,000 therms and would require certain larger usage customers to take service under Service Class No. 4. Peoples Gas witness Valarie Grace (Peoples Gas Ex. VG-1.0, pg. 31) indicates the new rate design proposals for Service Class No. 2 would better assign any Account No. 385 costs to customers under its proposed third meter class and that larger usage customers taking service under Service Class No. 4 would have any Account No. 385 costs appropriately reflected in the customer charge. Thus, according to Ms. Grace, the Facilities Charge that was conceived to more appropriately allocate Account No. 385 costs would no longer be necessary.

Q. Do you recommend approval of the Company's proposal to eliminate the Facilities Charge?

A. If the Commission approves the Company's proposal to add a third meter class to Service Class 2 that serves to better allocate Account No. 385 costs, then the reasons underlying the rationale for the Facilities Charge would no longer exist and the paragraph in the Terms and Conditions section setting forth the Facilities Charge should be eliminated.

<u>Peoples Gas Changes to Existing Riders</u>

Q. Does the Company propose any changes to Rider 1, Additional Charges for Taxes and Customer Charge Adjustments?

A. Yes. Peoples Gas proposes various sentence restructuring and word changes in the rider.

Q. Do you recommend approval of the proposed revisions to Rider 1?

A. Yes. The proposed changes make the rider easier to read and understand. I recommend approving the proposed revisions.

Q. Does the Company propose any changes to Rider 2, Gas Charge?

A. Yes. In Peoples Gas' last rate case, Docket Nos.07-0241/07-0242 Cons., the Company's transportation programs completed a transitional period that allowed it to continue to provide transportation service to its customers until new programs were implemented. Riders FST-T, SST-T, LST-T, and P-T were created to continue transportation service during the transition period. Currently, there are numerous references throughout Rider 2 to Service Class No. 6 and the transitional transportation tariffs. The Company now proposes to eliminate the Rider acronyms "FST-T, SST-T, LST-T, P, P-T" in the headings and within the text, because the Company has proposed to eliminate these riders.

Q. Do you recommend approval of the Company's proposal to eliminate the references to the transitional transportation tariffs in Rider 2?

A. If the Commission approves the elimination of the transitional transportation tariffs, then references to them should be eliminated from Rider 2 language.

Q. Does the Company propose any changes to Rider 4, Extensions of Mains and/ or Rider 5, Gas Service Pipe?

A. Yes. The Company proposes to broaden the description of who might request a main extension or gas service pipe installation. It is likely that these riders were previously written with the assumption that a requester of a main extension or gas service pipe installation would be a current individual customer. The Company proposes to modify language in the riders that would address situations in which the requestor is a person or a group of persons who may not be a customer at the time.

Q. Do you recommend approval of the Company's proposals to modify the language in these Riders?

A. Yes. As explained for similar changes for North Shore, the proposed language modification by Peoples Gas provides the needed clarity that a "customer" could

include a person or groups of persons that potentially could request a main extension or gas service pipe installation.

Q. Are there any specific proposed changes that apply only to Rider 4?

A. Yes. The Company proposes to add a paragraph that would appear as the second paragraph in the Rider if the Commission approves the change. The paragraph would read:

> "If the Company shall receive such a request from a person proposing to develop property and such person is not a customer or an applicant for service, then the Company may require a deposit from such a person and the amount of the deposit shall not exceed the cost of the excess extension. For purposes of computing any main deposit, the free limit for extension shall be the amount available to a single applicant for service."

Q. Do you recommend approval of the Company's proposal to add the above paragraph to Rider 4?

A. Yes. When receiving a request to extend a main with a "person" with whom the Company is neither continuing nor establishing a service relationship, it is reasonable for the Company, at its discretion, to require a deposit on work to be performed where said deposit's maximum amount is equal to that currently in place for existing customers.

Q. Are there any proposed "housekeeping" changes to Rider 4?

A. Yes. Each of the remaining paragraphs has various word and sentence reconstruction proposals.

Q. Do you recommend approval of the proposed various "housekeeping" changes to the remainder of Rider 4?

A. Yes. The proposed language and sentence changes add clarity and make the paragraphs easier to read without changing the substance of the current tariff language.

Q. Are there any specific proposed "housekeeping" changes that apply only to Rider 5?

A. Yes. In paragraphs one and six, the Company proposes minor word changes that improve the clarity of the sentences in the respective paragraphs.

Q. Do you recommend approval of the proposed changes in paragraphs one, five and six of Rider 5?

A. Yes. The Company's proposed changes to the respective paragraphs are necessary to improve the clarity of the paragraphs.

Q. Does the Company propose any additional changes to Rider 5?

A. Yes. The Company proposes to add a paragraph to the end of Rider 5 that reads:

> "If there is no customer at the premises, a person who is not a customer or an applicant for service, but who is proposing to develop property, may request installation, replacement, enlargement, relocation, modification or disconnection of service pipe under this rider. For the limited purpose of determining whether the Company or such person is responsible for the Company's cost; such person shall be treated as a customer under this rider and such person shall be responsible for providing the Company the information required to perform work required under this rider."

Q. Do you recommend approval of the proposed addition of this paragraph to Rider 5?

A. Yes. The proposal reasonably allows the Company to treat a property developer similarly as an existing customer when determining who is responsible for costs associated with service pipe modifications performed under this rider.

Q. Does this conclude your prepared direct testimony?

A. Yes, it does.