

Peoples Gas Light and Coke Company
 North Shore Gas Company
 ICC Docket Nos. 09-0166 and 09-0167

AG/CUB/City Ex.2.01

Calculation of Demand Cost per Therm

<u>Line</u>		<u>Peoples</u>	<u>North Shore</u>	<u>Source</u>
1	Demand cost per bill	\$ 12.38	\$ 11.14	Ex. VG-1.5
2	Sales bills	8,507,910	1,705,772	Sch. E-4, Section B, l. 1, col. F
3	CFY bills	733,080	91,002	Sch. E-4, Section C, l. 1, col. F
4	Total bills	9,240,990	1,796,774	line 2 + line 3
5	Total demand cost	\$ 114,403,456.20	\$ 20,016,062.36	line 1 x line 4
6	Sales therms	654,413,000	177,439,000	Sch. E-4, Section B, l. 6, col. F
7	CFY therms	68,241,000	8,913,000	Sch. E-4, Section C, l. 6, col. F
8	Total therms	722,654,000	186,352,000	line 6 + line 7
9	Demand cost per therm	\$ 0.15831	\$ 0.10741	line 5 / line 8

**Residential Rates with Demand Cost Recovered Per-Therm
 Using Companies' Proposed Revenue Requirement**

Peoples

	Units	Rate	Revenue
Customer charge	9,240,990	\$ 23.30	\$ 215,315,067
First 50 therms	294,493,000	\$ 0.35954	105,882,013
All over 50 therms	428,161,000	\$ 0.16787	71,875,387
Total revenue			\$ 393,072,467

First 50 therms:

Unrecovered customer cost			
Customer cost per bill		\$ 29.41	Peoples Ex. VG-1.5
Customer charge per bill		\$ 23.30	
Difference		\$ 6.11	
Number of bills	9,240,990		
Unrecovered customer cost		\$ 56,462,448.90	Difference x bills
Block 1 therms	294,493,000		
Unrecovered customer cost per therm		\$ 0.19173	Block 1 therms / cost
Demand cost per therm		\$ 0.15831	AG/CUB/City Ex.2.01
Variable cost per therm		\$ 0.00947	Peoples Ex. VG-1.5
Total block 1 charge		\$ 0.35951	

All over 50 therms:

Demand cost per therm		\$ 0.15831
Variable cost per therm		\$ 0.00947
Total block 2 charge		\$ 0.16778

**Residential Rates with Demand Cost Recovered Per-Therm
 Using Companies' Proposed Revenue Requirement**

North Shore

	Units	Rate	Revenue
Customer charge	1,796,774	\$ 19.90	\$ 35,755,803
First 50 therms	67,709,000	\$ 0.24221	16,399,797
All over 50 therms	118,643,000	\$ 0.11012	13,064,967
Total revenue			\$ 65,220,567

First 50 therms:

Unrecovered customer cost			
Customer cost per bill		\$ 24.88	Peoples Ex. VG-1.5
Customer charge per bill		\$ 19.90	
Difference		\$ 4.98	
Number of bills		1,796,774	
Unrecovered customer cost		\$ 8,947,934.52	Difference x bills
Block 1 therms		67,709,000	
Unrecovered customer cost per therm		\$ 0.13215	Block 1 therms / cost
Demand cost per therm		\$ 0.10741	-
Variable cost per therm		\$ 0.00265	Peoples Ex. VG-1.5
Total block 1 charge		\$ 0.24221	

All over 50 therms:

Demand cost per therm		\$ 0.10741
Variable cost per therm		\$ 0.00265
Total block 2 charge		\$ 0.11006

**The Peoples Gas Light and Coke Company's Response to
People of the State of Illinois Data Requests AG 2.00-2.53**

Dated: April 21, 2009

REQUEST NO. AG 2.47:

Re: Peoples Gas WPE-6.3. Why does Peoples Gas believe that the Services investment for each SC 1 heating customer is approximately three times as much as the investment for each non-heating customer? That is, what is it about the characteristics of the service lines and related facilities being used to serve those types of customers that results in such a large cost difference?

RESPONSE:

There is nothing unique about the characteristics of the service lines and related facilities that serve SC-1 heating customers versus non-heating customers. Rather the difference in cost can be explained by analyzing the relative average number of customers served per service pipe. On average approximately 1.5 heating customers are served per service pipe. In contrast, approximately 4.5 non-heating customers are served per service pipe. Therefore, it is reasonable to expect that non-heating customers would be allocated 1/3 the service pipe investment versus heating customers, because there are more non-heating customers, on average, per service pipe to allocate investment costs to.

**North Shore Gas Company's Response to
People of the State of Illinois Data Requests AG 4.01-4.27**

Dated: April 29, 2009

REQUEST NO. AG 4.21:

Re: North Shore WPE-6.3. Why does North Shore believe that the Services investment for each SC 1 heating customer is more than three times as much as the investment for each non-heating customer? That is, what is it about the characteristics of the service lines and related facilities being used to serve those types of customers that results in such a large cost difference?

RESPONSE:

There is nothing unique about the characteristics of the service lines and related facilities that serve SC-1 heating customers versus non-heating customers. Rather the difference in cost can be explained by analyzing the relative average number of customers served per service pipe. On average approximately 1.1 heating customers are served per service pipe. In contrast, approximately 2.8 non-heating customers are served per service pipe. Therefore, it reasonable to expect that heating customers would be allocated a greater share of investment per service pipe than non-heating customers.

**The Peoples Gas Light and Coke Company's Response to
People of the State of Illinois Data Requests AG 2.00-2.53**

Dated: April 21, 2009

REQUEST NO. AG 2.48:

Re: Peoples Gas WPE-6.4. Why does Peoples Gas believe that the Meters investment for each SC 1 heating customer is approximately 30% greater than the investment for each non-heating customer? That is, what is it about the characteristics of the meter and related facilities being used to serve those types of customers that results in such a large cost difference?

RESPONSE:

Peoples Gas objects to the characterization that the data relating to meters investment in Peoples Gas WPE-6.4 represents a "large cost difference." Without waiving this objection or the general objections, Peoples Gas states:

Any cost differential can be caused by a number of reasons. The investment in meters, installations and regulators shown in Peoples Gas WPE-6.4 Column C is based on the per unit cost of meters, installation, and regulators as recorded on the books of the Company as of June 2008. The allocation of these investments by rate is based on the Company's customer information system records of the type of equipment installed at each customer's premises during the 12 month ending period June 2008. Investment in meters, installations, and regulators, used for allocating by service classification, includes equipment installed at the premises that billed sometime during the 12 month period, including equipment installed at premises that are currently receiving a bill (active), and equipment at premises that are not currently receiving a bill because service has been discontinued (inactive) but had been active at some point in time during the period.

Average number of customers (WPE-6.4 Column D) is a 12 month ending June 2008 average of active accounts. There are more units of equipment in the 12 month period than there are average number of customers. Therefore, the average cost of equipment per customer (WPE-6.4 Column E) is higher than the average cost per unit. The difference between the average number of customers and the number of units can affect the average cost per customer for SC 1 Heating and SC 1 Non-Heating.

12 Mo. End Period June 2008	SC 1 Heating	SC 1 Non-Heating	Total SC 1
# of Meters allocated to SC 1	666,007	152,288	818,295
Avg. # of Customers	643,397	124,547	767,944

Furthermore, for Non-Heating accounts, approximately 99% of the meters used are 200 cfh class meters. For the SC1 Heating accounts, approximately 90% of the meters used are 200cfh class. The remaining 10% of the SC1 Heating accounts require a larger meter from the 400cfh or 600cfh class meter groups. Meters in these classes are costlier than those in the 200 cfh class. Additionally the regulator, piping and fittings associated with the set of the larger meters increases the cost per set.

Peoples - Development of Residential Tiered Flat Rates to Collect Pro Forma Revenues Under Present Rates

<u>Annual usage</u>	<u>Customers</u>	<u>Percent</u>	<u>Average Annual Bill - Present Rates</u>	<u>Percent of Average</u>	<u>Total Revenue</u>	<u>Percent of Total Revenue</u>	<u>Revenue Target</u>	<u>Est. Bills</u>	<u>Revenue per Bill</u>	<u>Rounded</u>	<u>Revenue</u>
0-500 therms	120,654	22.72%	238.68	60.7%	28,797,127	13.80%	39,737,915	2,099,323	18.93	18.95	39,782,171
501-1000 therms	121,979	22.97%	362.01	92.1%	44,157,223	21.16%	60,933,716	2,122,376	28.71	28.70	60,912,191
1001-1500 therms	151,454	28.52%	426.08	108.4%	64,531,753	30.92%	89,049,067	2,635,227	33.79	33.80	89,070,673
1501-2000 therms	84,497	15.91%	483.16	122.9%	40,825,498	19.56%	56,336,181	1,470,207	38.32	38.30	56,308,928
2000-3500 therms	48,524	9.14%	564.44	143.6%	27,388,819	13.12%	37,794,554	844,294	44.76	44.75	37,782,157
3500-5000 therms	3,552	0.67%	728.56	185.4%	2,587,853	1.24%	3,571,047	61,803	57.78	57.70	3,566,033
5000 therms or more	446.00	0.08%	964.37	245.4%	430,110	0.21%	593,520	7,760	76.48	76.50	593,640
Total	531,106		392.99		208,718,383		288,016,000	9,240,990	31.17		288,015,793

From Sch. E-5, Section B

Present rate bills	9,240,990
Present revenues	288,016,000

North Shore - Development of Residential Tiered Flat Rates to Collect Pro Forma Revenues Under Present Rates

Annual usage	Customers	Percent	Average Annual	Percent	Total Revenue	Percent	Revenue Target	Est. Bills	Revenue per Bill	Rounded	Revenue
			Bill - Present Rates	of Average		of Total Revenue					
0-500 therms	3,928	3.8%	226.44	67.5%	889,469	2.6%	1,241,685	67,956	18.27	18.25	1,240,197
501-1000 therms	28,180	27.1%	288.28	86.0%	8,123,658	23.3%	11,340,499	487,522	23.26	23.25	11,334,887
1001-1500 therms	38,794	37.4%	324.97	96.9%	12,607,053	36.2%	17,599,249	671,148	26.22	26.20	17,584,078
1501-2000 therms	18,490	17.8%	360.99	107.7%	6,674,651	19.2%	9,317,708	319,882	29.13	29.20	9,340,554
2000-3500 therms	11,656	11.2%	415.82	124.0%	4,846,827	13.9%	6,766,095	201,652	33.55	33.55	6,765,425
3500-5000 therms	1,800	1.7%	523.44	156.1%	942,191	2.7%	1,315,284	31,141	42.24	42.25	1,315,707
5000 therms or more	1,010	1.0%	735.12	219.2%	742,473	2.1%	1,036,481	17,473	59.32	59.30	1,036,149
Total	103,858		335.33		34,826,322		48,617,001	1,796,774	27.06		48,616,997

From Sch. E-5, Section B

Present rate bills	1,796,774
Present revenues	48,617,000

**The Peoples Gas Light and Coke Company's Response to
Constellation NewEnergy Data Requests CNE 1.01-1.18**

Dated: May 11, 2009

REQUEST NO. CNE 1.05:

Please provide all reasons why Ms. Grace selected the volume of "an average of 41,000 monthly therms or less as measured by data for the most recent twenty-four month period or two calendar years" (Peoples Gas Ex. VG-1.0 at 22; North Shore Ex. VG-1.0 at 20) in determining whether a customer qualifies for S.C.No.2 service?

RESPONSE:

See Peoples Gas' response to IIEC 1.33. Using a period of the most recent twenty-four month period, or two calendar years, would provide sufficient data spanning a reasonable period of time that would allow the Company to determine whether a customer's usage meets the proposed eligibility requirements.

Peoples - Development of Residential Tiered Flat Rates to Collect Company Proposed Revenue Requirement

Annual usage	No. of Bills	Present Tiered Rate		Proposed Tiered Rate	
		Rate	Revenue	Rate	Revenue
0-500 therms	2,099,323	18.95	39,782,171	25.85	54,267,500
501-1000 therms	2,122,376	28.70	60,912,191	39.15	83,091,020
1001-1500 therms	2,635,227	33.80	89,070,673	46.20	121,747,487
1501-2000 therms	1,470,207	38.30	56,308,928	52.20	76,744,805
2000-3500 therms	844,294	44.75	37,782,157	61.05	51,544,149
3500-5000 therms	61,803	57.70	3,566,033	78.75	4,866,986
5000 therms or more	<u>7,760</u>	76.50	<u>593,640</u>	104.50	<u>810,920</u>
Total	9,240,990		288,015,793		393,072,867

From Sch. E-5, Section B

Present revenues	288,016,000
Proposed revenues	393,073,000
Percent increase	36.48%

North Shore - Development of Residential Tiered Flat Rates to Collect Company Proposed Revenue Requirement

Annual usage	No. of Bills	Present Tiered Rate		Proposed Tiered Rate	
		Rate	Revenue	Rate	Revenue
0-500 therms	67,956	18.25	1,240,197	24.50	1,664,922
501-1000 therms	487,522	23.25	11,334,887	31.20	15,210,686
1001-1500 therms	671,148	26.20	17,584,078	35.15	23,590,852
1501-2000 therms	319,882	29.20	9,340,554	39.15	12,523,380
2000-3500 therms	201,652	33.55	6,765,425	45.00	9,074,340
3500-5000 therms	31,141	42.25	1,315,707	56.70	1,765,695
5000 therms or more	17,473	59.30	1,036,149	79.60	1,390,851
Total	1,796,774		48,616,997		65,220,726

From Sch. E-5, Section B

Present revenues	48,617,000
Proposed revenues	65,221,000
Percent increase	34.15%