

REBUTTAL TESTIMONY

of

MIKE OSTRANDER
Accountant

**Accounting 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)

August 4, 2009

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SCHEDULES

Schedules 17.1 N and P	Adjustment to Cash Working Capital
Schedules 17.2 N and P	Adjustment to Injuries and Damages Expense

ATTACHMENTS

Attachment A	North Shore Schedule C-25
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Attachment C	Company response to NS JMO 14.04
Attachment D	Company response to PGL JMO 14.04
Attachment E	Company response to NS JMO 14.05
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Attachment N	Company response to PGL JMO 14.09
Attachment O	Company response to NS JMO 18.01 (Public)
Attachment P	Company response to PGL JMO 18.01 (Public)

1 **Witness Identification**

2 **Q. Please state your name and business address.**

3 A. My name is Mike Ostrander. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes, my direct testimony is ICC Staff Exhibit 3.0.

7 **Purpose of Rebuttal Testimony**

8 **Q. What is the purpose of your rebuttal testimony?**

9 A. The purpose of my rebuttal testimony is to:

- 10 1. Identify certain issues contained in my direct testimony that North
11 Shore Gas Company (“North Shore”) and The Peoples Gas Light
12 and Coke Company (“Peoples Gas”) (individually, the “Company”
13 and collectively, the “Companies”) do not contest.
- 14 2. Respond to the Companies’ opposition to my adjustments for
15 office supplies and expenses, cash working capital (“CWC”),
16 and injuries and damages expense.
- 17 3. Respond to an adjustment to People Gas’ rate case expense
18 proposed by Mr. David J. Effron filed on behalf of the People of the
19 State of Illinois (“AG”), the Citizens Utility Board (“CUB”) and the
20 City of Chicago (“City”) (collectively, “AG/CUB/City”).

21 4. Comment on the finding required by Section 9-229 of the Public
22 Utilities Act (“PUA”).

23 **Schedule Identification**

24 **Q. Are you sponsoring any schedules as part of your rebuttal testimony,**
25 **ICC Staff Exhibit 17.0?**

26 A. Yes. I am sponsoring the following schedules, which show data as of, or
27 for the future test year ending, December 31, 2010:

- 28 • Schedules 17.1 N and P; Adjustment to Cash Working Capital
- 29 • Schedules 17.2 N and P; Adjustment to Injuries and Damages
30 Expense

31 **Q. Please explain the N and P suffixes that appear with your schedule**
32 **numbers.**

33 A. These suffixes indicate to which of the Companies a particular schedule
34 applies. The N suffix identifies a schedule that applies to North Shore,
35 and the P suffix identifies a schedule that applies to Peoples Gas.

36 **Uncontested Issues**

37 **Q. Please identify any adjustments from your direct testimony that the**
38 **Companies no longer contest and have reflected in their rebuttal**
39 **revenue requirements.**

40 A. The Companies have reflected in their rebuttal revenue requirements the
41 following adjustments I proposed in my direct testimony, ICC Staff Exhibit
42 3.0:

- 43 • Schedules 3.4 N and P; Adjustment to Interest on Budget Payment
44 Plan Balances
- 45 • Schedules 3.5 N and P; Adjustment to Interest on Customer
46 Deposits

47 **Q. Please identify any adjustments from your direct testimony that you**
48 **are withdrawing.**

49 A. Upon reviewing the additional information provided in the Companies'
50 rebuttal testimony I have withdrawn my proposed adjustment per
51 Schedule 3.2 N and P; Adjustment to Office Supplies and Expenses that
52 limited the amount of test year office supplies and expenses to selected
53 historical 2008 expense categories increased by an inflation factor for
54 2009 and 2010. The Companies provided 2010 test year amounts for
55 telecommunications expense and allocated nonlabor based on a
56 percentage of 2008 actual charges. This eliminated the allocated
57 amounts to other operations and maintenance accounts that were
58 previously included in test year office supplies and expenses.

59 **Adjustment to Cash Working Capital**

60 **Q. Please describe ICC Staff Exhibit 17.0, Schedules 17.1 N and P;**
61 **Adjustment to Cash Working Capital.**

62 A. Schedules 17.1 N and P present my proposed adjustments to CWC for
63 the Companies based on my calculation of CWC using the Gross Lag
64 methodology. These schedules incorporate Staff's proposed adjustments
65 to the Companies' proposed test year revenues and expenses. As
66 Schedule 17.1 P shows, the recommended level of CWC for Peoples Gas
67 is \$3.141 million, requiring a reduction of \$31.184 million to the \$34.325
68 million CWC requirement presented by Peoples Gas. Similarly, as
69 Schedule 17.1 N shows, the appropriate level of CWC for North Shore is
70 negative \$1.449 million, requiring a reduction of \$1.797 million to the \$348
71 thousand CWC requirement presented by North Shore.

72 **Q. How do your proposed adjustments in Schedules 17.1 N and P differ**
73 **from your proposed adjustments in Schedules 3.1 N and P?**

74 A. Schedules 17.1 N and P incorporate Staff's proposed adjustments to the
75 Companies' adjusted operating revenues and expenses described in its
76 rebuttal testimony in NS-PGL Ex. SM-2.1N and P. As in direct testimony,
77 the primary difference between my calculation of CWC and the
78 Companies' calculation of CWC is my use of a revenue lag of zero days

79 for pass-through taxes versus 40.84 and 50.22 revenue lag days,
80 respectively, for North Shore and Peoples Gas.

81 **Q. Please summarize your understanding of the Companies' arguments**
82 **against your use of a revenue lag of zero days for pass-through**
83 **taxes.**

84 A. The Companies' take exception to the following statements in my direct
85 testimony:

- 86 1. The collection and payment of pass-through taxes is not part of
87 providing utility service;
- 88 2. The Companies are nothing more than a collection agency with
89 respect to pass-through taxes.

90 I will respond to each of these items in turn.

91 **Q. What is the basis for the Companies' argument that the collection**
92 **and payment of revenue taxes is a part of providing utility service?**

93 A. The Companies' witness Hengtgen states that "The collection and
94 payment of pass-through taxes are a legal requirement of doing business
95 in the State of Illinois and the various municipalities in which the Utilities
96 provide service." (NS-PGL Ex. JH-2.0, p. 12) He further describes the
97 requirements the Companies must comply with in regards to pass-through
98 taxes and the processing activities needed to ensure compliance with
99 such requirements.

100 **Q. What is your response?**

101 A. While I agree that the Companies are legally required to collect pass-
102 through taxes and pay them to the taxing authorities, I disagree that this
103 makes them revenue for purposes of a cash working capital calculation.
104 The Companies excluded pass-through taxes as a part of providing utility
105 service by correctly not including pass-through taxes collections and
106 payments in their revenue requirements. The Companies themselves
107 note that they record the collection of pass-through taxes as a liability to
108 the taxing authority rather than the collection of revenue. (Attachment A –
109 North Shore Schedule C-25, Note 1 and Attachment B – Peoples Gas
110 Schedule C-25, Note 1)

111 **Q. Do you have a comment regarding the costs incurred for pass-
112 through taxes processing activities described by Mr. Hengtgen?**

113 A. My response to the Companies' data request NS-PGL 2.11 addresses
114 such costs as follows: "The costs to collect the pass-through taxes from
115 customers, e.g. the employee time in processing tax payments, are a cost
116 of doing business and part of providing utility service; however, the dollar
117 amount of taxes actually collected do not represent a cost of the utility for
118 providing service which the utility is seeking recovery through its revenue
119 requirement due to the fact that the utility simply passes the pass-through
120 taxes on to its customers."

121 **Q. Mr. Hengtgen recommends that if the Commission accepts your**
122 **proposed adjustment to use a revenue lag of zero days that the**
123 **payment of pass-through taxes should be assigned zero lead days.**
124 **What is your response?**

125 A. As Mr. Hengtgen points out in his direct testimony: “The pass-through
126 taxes and energy assistance charges are not recorded as revenue or
127 expense on the income statement but the collection and payment of these
128 amounts causes a timing difference in People Gas’/North Shore’s cash
129 flow and should be accounted for in a utility’s cash working capital working
130 requirement.” (Peoples Gas Ex. JH-1.0, page 24, lines 507-510 and North
131 Shore JH-1.0, page 20, lines 427-430). It is the referenced timing
132 difference between collection and payment of pass-through taxes that
133 supports the use of lead days in the CWC calculation.

134 **Q. Why did the Companies’ not agree with your characterization that the**
135 **Companies are nothing more than a collection agency with respect**
136 **to pass-through taxes?**

137 A. The Companies took exception with my description of pass-through taxes
138 processing as receiving pass-through taxes from ratepayers and holding
139 them until they are remitted to a taxing authority. In response to Staff
140 Data Requests JMO 14.03 through JMO 14.09 (Attachments C through
141 N), the Companies described the process and timing of collection and

142 payment of the various pass-through taxes. A summary of the responses
143 follows:

- 144 1. The taxes are included in the customer's monthly bill.
- 145 2. The Companies collect the taxes.
- 146 3. Taxes are paid on or before the due dates.
- 147 4. The payments are based on estimated amounts.
- 148 5. The payments are made regardless of whether or not the
149 Companies collect from the customers.

150 **Q. What is your response?**

151 A. The Companies' response to Staff Data Requests JMO 14.03 through
152 JMO 14.09 summarized above highlight that pass-through taxes are
153 collected and paid when due. The segment of my description regarding
154 pass-through taxes from ratepayers being held until they are remitted to a
155 taxing authority is supported by the Companies' use of lead days for pass-
156 through taxes. Investors receive the benefit of the Companies having
157 pass-through taxes as cash on hand to finance the day-to-day operations
158 until the cash is remitted to the appropriate taxing authority.

159 As noted in my direct testimony (ICC Staff Exhibit 3.0, p. 8) the lead or
160 period from receipt to remittance of cash includes a prepayment for the
161 ICC Gas Revenue Tax of 31.27 days and 30.14 days for Peoples Gas and
162 North Shore, respectively. Since the Companies are prepaying those

163 pass-through taxes, investors do not receive the benefit of the Companies
164 having those pass-through taxes as cash on hand to finance the day-to-
165 day operations but my calculation accounts for that. On an overall basis
166 when looking at all pass-through taxes in the aggregate there is no
167 prepayment but rather a lead which the Companies' own calculation
168 supports. It is that lead on an aggregate basis which provides investors
169 the benefit of having pass-through taxes cash on hand to finance the day-
170 to-day operations until the cash is remitted to the appropriate taxing
171 authority.

172 **Q. The Companies state that the payment of pass-through taxes is**
173 **based on estimated amounts and made regardless of whether or not**
174 **the Companies collect from the customers. Do you have any**
175 **comments?**

176 A. Yes. Whether the payment of pass-through taxes is based on actual cash
177 receipts or estimates or any other methodology, I agree the Companies
178 are liable to remit the proper amount due on a timely basis. (Order in
179 Docket No. 08-0363, p. 12) The source of funds for such tax payments is
180 ultimately the collections of the ratepayers' bills as described above and
181 as illustrated by the requirements of the Gas Revenue Tax Act. With
182 respect to the Gas Revenue Tax Act, the Companies are required to file a
183 monthly tax return with the Illinois Department of Revenue which includes
184 (1) the total number of therms for which payment was received from

185 customers, (2) gross receipts received from customers for such service,
186 and (3) the amount of tax based on items (1) and (2). (35 ILCS 615/3)

187 **Q. Can you identify any other Illinois rate cases where the Commission**
188 **accepted a proposal to use a lag of zero days for pass-through**
189 **taxes?**

190 A. Yes. As I explained in response to Companies' data request PGL-NS
191 2.10 the use of a lag of zero days for pass-through taxes was accepted by
192 the Commission in the recent Nicor gas rate case, Docket No. 08-0363.

193 **Adjustment to Injuries and Damages Expense**

194 **Q. Please describe ICC Staff Exhibit 17.0, Schedules 17.2 N and P,**
195 **Adjustment to Injuries and Damages Expense.**

196 A. Schedules 17.2 N and P, Adjustment to Injuries and Damages Expense,
197 present my proposed adjustments to replace the 2010 expense accrual
198 component of the injuries and damages reserve with a normalized level of
199 injuries and damages operating expense for the 2010 test year.

200 **Q. How do your adjustments in Schedules 17.2 N and P differ from your**
201 **adjustments in Schedules 3.2 N and P?**

202 A. Schedules 17.2 N and P have been updated to reflect the total cash
203 payments for all claim activity for the years 2004 through 2008 increased
204 by an inflation factor for 2009 and 2010 and the proper expense accrual

205 component of the injuries and damages reserve as reflected in
206 Companies' witness Gregor's rebuttal testimony exhibits NS-PGL Exs
207 CMG-2.1P and CMG-2.1N. The proposed adjustments reflect a
208 normalized level of expense to be reflected in the Companies' 2010 test
209 year operating expenses.

210 **Q. Do the Companies accept your proposed adjustments?**

211 A. No. The Companies believe that the updated normalized expenses for
212 North Shore and Peoples Gas demonstrate that the amounts initially
213 proposed are reasonable and that the proposed adjustments are not
214 necessary.

215 **Q. What is your response?**

216 A. The updated normalized expenses do not support the Companies'
217 assertion that the injuries and damages amounts initially proposed in the
218 2010 test year operating expenses are reasonable. For the most recent
219 five year period, 2004 – 2008, the actual payments for injuries and
220 damages claims in 4 of the 5 years were less than the amount the
221 Companies accrued in the 2010 test year. (ICC Staff Exhibit 17.0,
222 Schedules 17.2 N and P, p. 2, lines 1-5) A normalized operating expense
223 amount should reflect the expected annual recurring level, apart from
224 unusual conditions, that the Companies expect to pay. Historical
225 payments (experience) are a good standard against which to evaluate an

226 expected recurring level of expense. Since the 2010 expense accruals
227 are greater than historical experience, the Companies' injuries and
228 damages expense accruals should be decreased to reflect a normalized
229 level of expense in the Companies' 2010 test year operating expenses.

230 **Q. Do the Companies have any other concerns regarding your proposed**
231 **adjustments to injuries and damages expense?**

232 A. Yes. The Companies' witness Hengtgen asserts that a direct correlation
233 exists between the amount of injuries and damages expense and the
234 amount of the injuries and damages accrual or reserve amount. Mr.
235 Hengtgen further proposes that should the Commission adopt the
236 proposed adjustments reflected in Schedules 17.2 N and P, that the
237 appropriate impacts should be reflected to lower the reserve amounts that
238 are deducted from rate base.

239 **Q. What is your response?**

240 A. For purposes of determining a revenue requirement, I do not agree that
241 there is a direct correlation between the injuries and damages reserve and
242 expense amounts. Nor do I agree that there is a need for a rate base
243 adjustment due to the test year normalized operating expense proposed
244 adjustments. The 2010 expense accrual component of the injuries and
245 damages reserve represents the Companies' cumulative estimate of what
246 payments will be made in the future for incurred injuries and damages

247 claims as of December 31, 2010. The normalized level of injuries and
248 damages operating expense is based on actual historical claim payments.
249 Thus, the proposed adjustments to reflect a normal level of annual
250 operating expense or period cost are based on historical payments and
251 have no direct corresponding impact on the estimate of the test year
252 balance sheet liability for future payments.

253 **Rate Case Expense**

254 **Q. Describe AG/CUB/City Witness Effron's proposed adjustment to**
255 **disallow certain rate case expenses from Peoples Gas' test year**
256 **operating expenses?**

257 A. Mr. Effron, in AG/CUB/City Exhibit 1.0, Schedule C-2, proposes to
258 disallow \$1.1million of Peoples Gas' test year operating expenses for
259 outside professional services for rate case support. Mr. Effron believes
260 that certain outside costs for rate case support were "double-counted" in
261 operating expenses and in deferred charges based on Peoples Gas'
262 response to Staff Data Request BAP 3.03.

263 **Q. Describe People Gas' rebuttal testimony concerning Mr. Effron's**
264 **proposed adjustment to rate case expense and your conclusion.**

265 A. Peoples Gas, in response to Staff Data Request BAP 3.03, identified that
266 total outside costs of \$1.1 million forecasted in 2010 for rate case support
267 is included in Schedule C-10, Rate Case Expenses, and amortized over a

268 proposed three-year period. Such expenses for outside professional
269 services related to rate case support were not forecasted in test year 2010
270 as operating expenses but were included in the calculation of the revenue
271 requirement via a ratemaking adjustment. Therefore, I believe Mr. Effron
272 is incorrect in his understanding that these costs were “double-counted”
273 and his proposed adjustment to disallow certain rate case expenses is not
274 necessary.

275 **Q. Do you have any other comments regarding rate case expense?**

276 A. Yes, since the filing of the Companies’ rebuttal testimony, Section 9-229
277 of the PUA became law (220 ILCS 5/9-229). It states:

278 Consideration of attorney and expert compensation as an expense.
279 The Commission shall specifically assess the justness and
280 reasonableness of any amount expended by a public utility to
281 compensate attorneys or technical experts to prepare and litigate a
282 general rate case filing. This issue shall be expressly addressed in
283 the Commission’s final order. (Source: P.A. 96-33, eff. 7-10-09.)
284

285 In light of the requirement for the Commission to expressly address rate
286 case expense in its final order and in order to provide a more complete
287 record regarding rate case expense, I am attaching the public version of
288 the Companies’ Response to Staff Data Request JMO 18.01(Attachments
289 O and P) that provides rationale for the Commission to assess that the
290 amounts proposed to be expended to compensate attorneys or technical
291 experts to prepare and litigate the instant proceeding are just and
292 reasonable. Having reviewed the Companies’ responses, I recommend

293 that the Commission expressly address in its order that the proposed
294 amounts to be expended by the Companies for rate case expense in this
295 proceeding are just and reasonable.

296 **Conclusion**

297 **Q. Does this conclude your prepared rebuttal testimony?**

298 **A. Yes, it does.**

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2010
(In Thousands)

Line No. (A)	Item (B)	Amount (C)	Lag (Lead) (D)	CWC Factor (D) / 365 (E)	CWC Requirement (C) x (E) (F)	Column (C) Source (G)
1	Revenues	\$ 222,657	40.84	0.11189	\$ 24,913	ICC Staff Ex. 17.0, Sch. 17.1 N, Page 2 of 3, Column C, Line 6
2	Pass Through Taxes	20,230	0.00	0.00000	-	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column H, Line 19
3	Payroll and Withholdings	6,701	(14.74)	(0.04038)	(271)	ICC Staff Ex. 17.0, Sch. 17.1 N, Page 3 of 3, Column C, Line 4
4	Inter Company Billings	32,036	(36.93)	(0.10118)	(3,241)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 23
5	Natural Gas	162,813	(40.43)	(0.11077)	(18,034)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 24
6	Other Operations and Maintenance	7,912	(44.16)	(0.12099)	(957)	ICC Staff Ex. 17.0, Sch. 17.1 N, Page 2 of 3, Column C, Line 15
7	Federal Insurance Contributions (FICA)	638	(16.69)	(0.04573)	(29)	ICC Staff Ex. 17.0, Sch. 17.1 N, Page 3 of 3, Column C, Line 8
8	Federal Unemployment Tax	9	(76.38)	(0.20926)	(2)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 28
9	State Unemployment Tax	33	(76.38)	(0.20926)	(7)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 29
10	Property/Real Estate Taxes	195	(384.74)	(1.05408)	(206)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 30
11	Invested Capital Tax	1,623	(30.12)	(0.08252)	(134)	ICC Staff Ex. 17.0, Sch. 17.1 N, Page 3 of 3, Column C, Line 11
12	ICC Gas Revenue Tax	339	30.14	0.08258	28	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 15
13	Gross Receipts/Municipal Utility Tax	9,368	(74.82)	(0.20499)	(1,920)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 16
14	Energy Assistance Charges	1,548	(42.95)	(0.11767)	(182)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 17
15	Gas Revenue/Public Utility tax	8,975	(9.55)	(0.02616)	(235)	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 18
16	Interest Expense	4,276	(91.25)	(0.25000)	(1,069)	ICC Staff Ex. 15.0, Sch. 15.5 N, Column B, Line 3
17	Federal Income Tax	511	(37.88)	(0.10378)	(53)	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 21
18	State Income Tax	485	(37.88)	(0.10378)	(50)	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 20
19	TOTAL				<u>\$ (1,449)</u>	Sum of Lines 1 through 18
20	Cash Working Capital per Staff		\$ (1,449)			ICC Staff Ex. 17.0, Sch. 17.1 N, Page 1 of 3, Column F, Line 19
21	Cash Working Capital per Company		<u>348</u>			NS-PGL Ex. JH-2.6N, Cash Working Capital, Column I, Line 36
22	Difference -- Staff Adjustment		<u>\$ (1,797)</u>			ICC Staff Ex. 17.0, Sch. 17.1 N, Page, 1 of 3, Column D, Line 20 minus Line 21

Note: Lag (Lead) is from NS-PGL Ex. JH-2.6N, Cash Working Capital, Column B

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2010
(In Thousands)

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Total Operating Revenues	\$ 78,709	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 5
2	PGA Revenues	162,813	North Shore WP Ex. CG-2.3P Revised, Page 1 of 4
3	Uncollectible Accounts	(1,624)	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 6
4	Depreciation & Amortization	(9,428)	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 14
5	Return on Equity	<u>(7,813)</u>	Line 9 below
6	Total Revenues for CWC calculation	<u>\$ 222,657</u>	Sum of Lines 1 through 5
7	Total Return on Rate Base	\$ 13,952	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 24
8	Percentage Equity	<u>56.00%</u>	ICC Staff Ex. 22.0, Schedule 22.01
9	Return on Equity	<u>\$ 7,813</u>	Line 7 times Line 8
10	O & M Expenses	\$ 59,275	ICC Staff Ex. 15.0, Sch. 15.1 N, Column I, Line 19
11	Payroll and Withholdings	(8,275)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 22
12	Inter Company Billings	(32,036)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 23
13	Uncollectible Accounts	(1,624)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 6
14	Depreciation & Amortization	<u>(9,428)</u>	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 14
15	Other Operations & Maintenance	<u>\$ 7,912</u>	Sum of Lines 10 through 14

North Shore Gas Company
Adjustment to Cash Working Capital
For the Test Year Ending December 31, 2010
(In Thousands)

Line (A)	Description (B)	Amount (C)	Source (D)
1	Payroll and Withholdings per Company Filing	\$ 8,275	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 22
2	Incentive Compensation Adjustment	(1,381)	ICC Staff Ex. 15.0, Schedule 15.7 N, Page 1 of 5, Column B, Line 16
3	Non-Union Wages Adjustment	<u>(193)</u>	ICC Staff Ex. 15.0, Schedule 15.8 N, Page 1 of 2, Column F, Line 7
4	Payroll and Withholdings per Staff	<u>\$ 6,701</u>	Sum of Lines 1 through 3
5	FICA Tax per Company Filing	\$ 795	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 27
6	Incentive Compensation Adjustment	(142)	ICC Staff Ex. 15.0, Schedule 15.7 N, Page 1 of 5, Column B, Line 22
7	Non-Union Base Wages Adjustment	<u>(15)</u>	ICC Staff Ex. 15.0, Schedule 15.8 N, Page 1 of 2, Column F, Line 8
8	FICA Tax per Staff	<u>\$ 638</u>	Sum of Lines 5 through 7
9	Invested Capital Tax per Company Filing	\$ 1,654	NS-PGL Ex. JH-2.6N, Cash Working Capital, Column H, Line 27
10	Invested Capital Tax Adjustment	<u>(31)</u>	ICC Staff Ex. 15.0, Schedule 15.9 N, Column B, Line 9
11	Invested Capital Tax per Staff	<u>\$ 1,623</u>	Sum of Lines 9 and 10

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

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
1	Injuries and Damages Expense per Staff	\$ 676	Staff Ex. 17.0, Sch. 3.2 N, Page 2 of 2, Column C, Line 9
2	Injuries and Damages Expense per Company	835	Staff Ex. 17.0, Sch. 3.2 N, Page 2 of 2, Column C, Line 10
3	Difference -- Staff Adjustment	<u>\$ (159)</u>	Line 1 less Line 2

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

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
	Actual Claims Cash Disbursements:		
1	2004	\$ 867	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
2	2005	735	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
3	2006	541	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
4	2007	586	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
5	2008	<u>465</u>	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
6	Five Year Average Claims Cash Disbursements	639	Line 1 through Line 5 divided by 5
7	Inflation @ 2.9% for 2009	19	Line 6 times 2.9%
8	Inflation @ 2.9% for 2010	19	Line 6 plus Line 7 times 2.9%
9	Inflation Adjusted Five Year Average Claims Cash Disbursements	676	Sumes of Lines 6 - 8
10	Test Year Injuries and Damages Expense Accrual	<u>835</u>	Company rebuttal testimony, NS-PGL Ex. CMG-2.1N
11	Reduction in Test Year Injuries and Damages Expense	<u><u>\$ (159)</u></u>	Line 9 less Line 10

The Peoples Gas Light and Coke Company
Adjustment to Cash Working Capital
For the Test Year Ending Decemger 31, 2010
(In Thousands)

Line No. (A)	Item (B)	Amount (C)	Lag (Lead) (D)	CWC Factor (D) / 365 (E) (D/365)	CWC Requirement (C) x (E) (F)	Column (C) Source (G)
1	Revenues	\$ 1,040,018	50.22	0.13759	\$ 143,095	ICC Staff Ex. 17.0, Sch. 17.1 P, Page 2 of 3, Column C, Line 6
2	Pass Through Taxes	223,445	0.00	0.00000	-	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 20
3	Payroll and Withholdings	52,970	(14.18)	(0.03885)	(2,058)	ICC Staff Ex. 17.0, Sch. 17.1 P, Page 3 of 3, Column C, Line 4
4	Inter Company Billings	143,517	(36.02)	(0.09868)	(14,163)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 24
5	Natural Gas	687,268	(40.51)	(0.11099)	(76,277)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 25
6	Other Operations and Maintenance	73,817	(46.30)	(0.12685)	(9,364)	ICC Staff Ex. 17.0, Sch. 17.1 P, Page 2 of 3, Column C, Line 15
7	Federal Insurance Contributions (FICA)	5,323	(16.04)	(0.04395)	(234)	ICC Staff Ex. 17.0, Sch. 17.1 P, Page 3 of 3, Column C, Line 8
8	Federal Unemployment Tax	103	(76.38)	(0.20926)	(22)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 29
9	State Unemployment Tax	142	(76.38)	(0.20926)	(30)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 30
10	Property/Real Estate Taxes	1,143	(385.13)	(1.05515)	(1,206)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 31
11	Invested Capital Tax	9,950	(30.13)	(0.08255)	(821)	ICC Staff Ex. 17.0, Sch. 17.1 P, Page 3 of 3, Column C, Line 11
12	Corporation Franchise Tax	300	(182.27)	(0.49937)	(150)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 33
13	Illinois Sales and Use Tax	26	(42.98)	(0.11775)	(3)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 34
14	Federal Excise Tax	25	(76.32)	(0.20910)	(5)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 35
15	ICC Gas Revenue Tax	1,630	31.27	0.08567	140	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 15
16	Gross Receipts/Municipal Utility Tax	135,685	(50.30)	(0.13781)	(18,699)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 16
17	Energy Assistance Charges	8,704	(42.98)	(0.11775)	(1,025)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 17
18	Gas Revenue/Public Utility tax	41,431	(9.26)	(0.02537)	(1,051)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 18
19	City of Chicago Gas Use tax	35,995	(50.32)	(0.13786)	(4,962)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 19
20	Interest Expense	27,048	(79.17)	(0.21690)	(5,867)	ICC Staff Ex. 15.0, Sch. 15.5 P, Column B, Line 3
21	Federal Income Tax	33,896	(37.88)	(0.10378)	(3,518)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 21
22	State Income Tax	6,161	(37.88)	(0.10378)	(639)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 20
23	TOTAL				<u>\$ 3,141</u>	Sum of Lines 1 through 22
24	Cash Working Capital per Staff		\$ 3,141			ICC Staff Ex. 17.0, Sch. 17.1 P, Page 1 of 3, Column F, Line 19
25	Cash Working Capital per Company		<u>34,325</u>			NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 36
26	Difference -- Staff Adjustment		<u>\$ (31,184)</u>			ICC Staff Ex. 17.0, Sch. 17.1 P, Page, 1 of 3, Column D, Line 20 minus Line 21

Note: Lag (Lead) is from NS-PGL Ex. JH-2.6P, Cash Working Capital, Column B

The Peoples Gas Light and Coke Company
Adjustment to Cash Working Capital
For the Test Year Ending Decemger 31, 2010
(In Thousands)

Line No. (A)	Description (B)	Amount (C)	Source (D)
1	Total Operating Revenues	\$ 513,429	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 5
2	PGA Revenue	687,268	Peoples Gas WP Ex. CG-2.3P Revised, Page 1 of 4
3	Uncollectible Accounts	(28,719)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 6
4	Depreciation & Amortization	(81,361)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 14
5	Return on Equity	<u>(50,599)</u>	Line 9 below
6	Total Revenues for CWC calculation	<u>\$ 1,040,018</u>	Sum of Lines 1 through 5
7	Total Return on Rate Base	\$ 90,355	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 24
8	Percentage Equity	<u>56.00%</u>	ICC Staff Ex. 22.0, Schedule 22.01
9	Return on Equity	<u>\$ 50,599</u>	Line 7 x Line 8
10	O & M Expenses	\$ 388,076	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 19
11	Payroll and Withholdings	(60,662)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 23
12	Inter Company Billings	(143,517)	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 24
13	Uncollectible Accounts	(28,719)	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 6
14	Depreciation & Amortization	<u>(81,361)</u>	ICC Staff Ex. 15.0, Sch. 15.1 P, Column I, Line 14
15	Other Operations & Maintenance	<u>\$ 73,817</u>	Sum of Lines 10 through 14

The Peoples Gas Light and Coke Company
Adjustment to Cash Working Capital
For the Test Year Ending Decemger 31, 2010
(In Thousands)

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
1	Payroll and Withholdings per Company Filing	\$ 60,662	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 23
2	Incentive Compensation Adjustment	(5,802)	ICC Staff Ex. 15.0, Schedule 15.7 P, Page 1 of 5, Column B, Line 17
3	Non-Union Base Wages Adjustment	<u>(1,890)</u>	ICC Staff Ex. 15.0, Schedule 15.8 P, Page 1 of 2, Column F, Line 8
4	Payroll and Withholdings per Staff	<u>\$ 52,970</u>	Sum of Lines 1 through 3
5	FICA Tax per Company Filing	\$ 6,132	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 28
6	Incentive Compensation Adjustment	(664)	ICC Staff Ex. 15.0, Schedule 15.7 P, Page 1 of 5, Column B, Line 25
7	Non-Union Wages Adjustment	<u>(145)</u>	ICC Staff Ex. 15.0, Schedule 15.8 P, Page 1 of 2, Column F, Line 9
8	FICA Tax per Staff	<u>\$ 5,323</u>	Sum of Lines 5 through 7
9	Invested Capital Tax per Company Filing	\$ 10,274	NS-PGL Ex. JH-2.6P, Cash Working Capital, Column I, Line 32
10	Invested Capital Tax Adjustment	<u>(324)</u>	ICC Staff Ex. 15.0, Schedule 15.9 P, Column B, Line 9
11	Invested Capital Tax per Staff	<u>\$ 9,950</u>	Sum of Lines 9 and 10

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

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
1	Injuries and Damages Expense per Staff	\$ 5,590	Staff Ex. 17.0, Sch. 3.2 P, Page 2 of 2, Column C, Line 9
2	Injuries and Damages Expense per Company	6,454	Staff Ex. 17.0, Sch. 3.2 P, Page 2 of 2, Column C, Line 10
3	Difference -- Staff Adjustment	<u>\$ (864)</u>	Line 1 less Line 2

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

Line No.	Description	Amount	Source
(A)	(B)	(C)	(D)
	Actual Claims Cash Disbursements:		
1	2004	\$ 6,032	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
2	2005	3,250	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
3	2006	5,472	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
4	2007	4,766	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
5	2008	<u>6,877</u>	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
6	Five Year Average Claims Cash Disbursements	5,279	Line 1 through Line 5 divided by 5
7	Inflation @ 2.9% for 2009	153	Line 6 times 2.9%
8	Inflation @ 2.9% for 2010	158	Line 6 plus Line 7 times 2.9%
9	Inflation Adjusted Five Year Average Claims Cash Disbursements	5,590	Sum of Lines 6 - 8
10	Test Year Injuries and Damages Expense Accrual	<u>6,454</u>	Company rebuttal testimony, NS-PGL Ex. CMG-2.1P
11	Reduction in Test Year Injuries and Damages Expense	<u><u>\$ (864)</u></u>	Line 9 less Line 10

North Shore Gas Company

Add-On Taxes

Test Year Ending December 31, 2010

Line No.	Taxing Authorities [A]	<u>Unadjusted Test Year at Present Rates</u>		<u>Proforma Test Year at Proposed Rates</u>	
		Additional Charges for Taxes and Customer Charge Adjustments (1) [B]	Accounting Fees Collected [C]	Additional Charges for Taxes and Customer Charge Adjustments (1) [D]	Accounting Fees Collected [E]
1	<u>Municipalities</u>				
2	Municipal Utility Tax	\$ 9,192,000	\$ 266,000	\$ 9,782,000	\$ 284,000
3	Municipal Gas Use Tax	216,000	6,000	216,000	6,000
4	Total	<u>\$ 9,408,000</u>	<u>\$ 272,000</u>	<u>\$ 9,998,000</u>	<u>\$ 290,000</u>
5	<u>State</u>				
6	Illinois Gross Revenue Tax	\$ 339,000	\$ -	\$ 362,000	\$ -
7	Illinois Gas Use Tax	2,032,000	36,000	2,032,000	36,000
8	Illinois Public Utility Tax	6,942,000	-	7,389,000	-
9	<u>Other</u>				
10	Energy Assistance Charge for the Supplemental Low-Income Energy Assistance Fund Charge	1,377,000	-	1,377,000	-
11	Renewable Energy Resources and Coal Technology Development Assistance Charge	171,000	-	171,000	-
12	Total	<u>\$ 20,269,000</u>	<u>\$ 308,000</u>	<u>\$ 21,329,000</u>	<u>\$ 326,000</u>

Notes: (1) Additional Charges for taxes and Customer Charge Adjustments ("Add-on taxes") are not recovered in tariff rates. Rather, these Add-on taxes are collected under the provisions of Rider 1. Accordingly, the add-on are not included in unadjusted test year revenues at present rates and in proforma Test Year at proposed rates as reflected on Schedule C-1. Transactions for these add-on taxes are recorded directly to receivables and liabilities when customers are billed.

The Peoples Gas Light and Coke Company

Add-On Taxes

Test Year Ending December 31, 2010

Line No.	Taxing Authorities [A]	<u>Unadjusted Test Year at Present Rates</u>		<u>Proforma Test Year at Proposed Rates</u>	
		Additional Charges for Taxes and Customer Charge Adjustments (1) [B]	Accounting Fees Collected [C]	Additional Charges for Taxes and Customer Charge Adjustments (1) [D]	Accounting Fees Collected [E]
1	<u>Municipalities</u>				
2	Municipal Utility Tax	\$ 136,789,000	\$ 3,883,000	\$ 149,939,000	\$ 4,257,000
3	Municipal Gas Use Tax	35,886,000	1,076,000	35,886,000	1,076,000
4	Total	<u>\$ 172,675,000</u>	<u>\$ 4,959,000</u>	<u>\$ 185,825,000</u>	<u>\$ 5,333,000</u>
5	<u>State</u>				
6	Illinois Gross Revenue Tax	\$ 1,630,000	\$ -	\$ 1,804,000	\$ -
7	Illinois Gas Use Tax	9,605,000	168,000	9,605,000	168,000
8	Illinois Public Utility Tax	31,797,000	-	34,865,000	-
9	<u>Other</u>				
10	Energy Assistance Charge for the Supplemental Low-Income Energy Assistance Fund Charge	7,737,000	-	7,737,000	-
11	Renewable Energy Resources and Coal Technology Development Assistance Charge	967,000	-	967,000	-
12	Total	<u>\$ 224,411,000</u>	<u>\$ 5,127,000</u>	<u>\$ 240,803,000</u>	<u>\$ 5,501,000</u>

Notes: (1) Additional Charges for taxes and Customer Charge Adjustments ("Add-on taxes") are not recovered in tariff rates. Rather, these Add-on taxes are collected under the provisions of Rider 1. Accordingly, the add-on are not included in unadjusted test year revenues at present rates and in proforma Test Year at proposed rates as reflected on Schedule C-1. Transactions for these add-on taxes are recorded directly to receivables and liabilities when customers are billed.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.04:

Explain the process and timing of collecting and remitting the Illinois Commerce Commission Tax.

RESPONSE:

The Illinois Commerce Commission tax is included in the customer's monthly bill. North Shore Gas collects the taxes as part of the customer's payment of their bill.

The four estimated payments made throughout the calendar year are based on forecasted revenue for the current year. The payments are made to the Illinois Commerce Commission regardless of whether or not North Shore Gas collects payment from customers. The payments are due on the 10th day of January, April, July and October. A true-up payment is made on March 15th of the following year and is calculated based on actual billed revenue.

See WPB-8, pages 21-26 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.04:

Explain the process and timing of collecting and remitting the Illinois Commerce Commission Tax.

RESPONSE:

The Illinois Commerce Commission tax is included in the customer's monthly bill. Peoples Gas collects the tax as part of the customer's payment of their bill.

The four estimated payments made throughout the calendar year are based on forecasted revenue for the current year. The payments are made to the Illinois Commerce Commission regardless of whether or not PGL collects payment from customers. The payments are due on the 10th day of January, April, July and October. A true-up payment is made on March 15th of the following year and is calculated based on actual billed revenue.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.05:

Explain the process and timing of collecting and remitting the Gross Receipts/Municipal Utility Taxes.

RESPONSE:

The Gross Receipts/Municipal Utility Taxes (MUT) are included in the customer's monthly bill. North Shore Gas collects the taxes as part of the customer's payment of their bill.

The amount of the MUT is determined based on monthly estimates of MUT received, regardless of whether or not North Shore Gas actually collects payment of the MUT from customers. The MUT payment is estimated based on a percentage of the total MUT actually billed for service during any calendar month. Payment is due to the various North Shore Gas municipalities on the last day of the following month.

See WPB-8, pages 21-26 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.05:

Explain the process and timing of collecting and remitting the Gross Receipts/Municipal Utility Taxes.

RESPONSE:

The Gross Receipts/Municipal Utility Taxes (MUT) are included in the customer's monthly bill. Peoples Gas collects the taxes as part of the customer's payment of their bill.

The amount of the MUT is determined based on monthly estimates of MUT received, regardless of whether or not PGL actually collects payment of the MUT from customers. The MUT payment is estimated based on a percentage of the total MUT actually billed for service during any calendar month. Payment is due to the City of Chicago on the last day of the following month.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.06:

Explain the process and timing of collecting and remitting the Energy Assistance Charges.

RESPONSE:

The Energy Assistance Charges (EAC) are included in the customer's monthly bill. North Shore Gas collects the charges as part of the customer's payment of their bill.

The amount of the EAC is determined based on monthly estimates of EAC received, regardless of whether or not North Shore Gas actually collects payment from customers. The EAC payment is estimated based on a percentage of the total EAC actually billed for any calendar month. Payments are due on the 20th of the following month.

See WPB-8, pages 21-26 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.06:

Explain the process and timing of collecting and remitting the Energy Assistance Charges.

RESPONSE:

The Energy Assistance Charges (EAC) are included in the customer's monthly bill. Peoples Gas collects the charges as part of the customer's payment of their bill.

The amount of the EAC is determined based on monthly estimates of EAC received, regardless of whether or not PGL actually collects payment from customers. The EAC payment is estimated based on a percentage of the total EAC actually billed for any calendar month. Payments are due on the 20th of the following month.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.07:

Explain the process and timing of collecting and remitting the Illinois Gas Revenue Tax.

RESPONSE:

The Illinois Gas Revenue Tax is included in the customer's monthly bill. North Shore Gas collects the taxes as part of the customer's payment of their bill.

Taxes are paid on the 7th, 14th, 21st, and 28th of the month based on estimated amounts determined by the Illinois Department of Revenue. A true-payment is made on the 15th of month.

The true-up amount is determined based on the Company's monthly estimate of Gas Revenue Tax received, regardless of whether or not North Shore Gas actually collects payment of the tax from customers.

See WPB-8, pages 21-26 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.07:

Explain the process and timing of collecting and remitting the Illinois Gas Revenue Tax.

RESPONSE:

The Illinois Gas Revenue Tax is included in the customer's monthly bill. Peoples Gas collects the tax as part of the customer's payment of their bill.

Taxes are paid on the 7th, 14th, 21st, and 28th of the month based on estimated amounts determined by the Illinois Department of Revenue. A true-up payment is made on the 15th of the following month.

The true-up amount is determined based on the Company's monthly estimate of Gas Revenue Tax received, regardless of whether or not PGL actually collects payment of the tax from customers.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.08:

Explain the process and timing of collecting and remitting the Illinois Gas Use Taxes.

RESPONSE:

The Illinois Gas Use Tax is included in the customer's monthly bill. North Shore Gas collects the taxes as part of the customer's payment of their bill.

Taxes are paid on the 7th, 14th, 21st, and 28th of the month based on estimated amounts determined by the Illinois Department of Revenue. A true-up payment is made on the 15th of following month.

The true-up amount is determined based on the Company's monthly estimates of Use Tax received, regardless of whether or not North Shore Gas actually collects payment of the Use Tax from customers.

See WPB-8, pages 21-26 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.08:

Explain the process and timing of collecting and remitting the Illinois Gas Use Taxes.

RESPONSE:

The Illinois Gas Use Tax is included in the customer's monthly bill. Peoples Gas collects the tax as part of the customer's payment of their bill.

Taxes are paid on the 7th, 14th, 21st, and 28th of the month based on estimated amounts determined by the Illinois Department of Revenue. A true-up payment is made on the 15th of following month.

The true-up amount is determined based on the Company's monthly estimates of Use Tax received, regardless of whether or not PGL actually collects payment of the tax from customers.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

ICC Docket Nos. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.09:

Explain the process and timing of collecting and remitting the City of Chicago Gas Use Tax.

RESPONSE:

North Shore Gas does not collect or pay City of Chicago Gas Use Tax.

ICC Docket Nos. 09-0166/0167
The Peoples Gas Light and Coke Company's Response to
Staff Data Requests JMO 14.01-14.09
Dated: May 7, 2009

REQUEST NO. JMO 14.09:

Explain the process and timing of collecting and remitting the City of Chicago Gas Use Tax.

RESPONSE:

The City of Chicago Gas Use Tax is included in the customer's monthly bill. Peoples Gas collects the tax as part of the customer's payment of their bill.

The amount of the City of Chicago Gas Use Tax is determined based on monthly estimates of Use Tax received, regardless of whether or not PGL actually collects payment of the tax from customers. The payment is estimated based on a percentage of the total Use Tax actually billed for service during any calendar month. Payment is due on the last day of the following month.

See WPB-8, pages 44-47 for detail on payments made in Calendar Year 2007.

PUBLIC
ICC Docket No. 09-0166/0167
North Shore Gas Company's Response to
Staff Data Requests JMO 18.01-18.01
Dated: July 29, 2009

REQUEST NO. JMO 18.01:

Referring to Section 9-229 of the Public Utilities Act, which states:

(220 ILCS 5/9-229 new)

Sec. 9-229. Consideration of attorney and expert compensation as an expense. The Commission shall specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. This issue shall be expressly addressed in the Commission's final order.

Please answer the following:

- a) Does each Company contend that each amount set forth in Schedule C-10 Confidential is a just and reasonable expense? If so, provide all facts, information, data, analyses and assessments supporting the contention that the amounts set forth in Schedule C-10 Confidential are just and reasonable amounts to prepare and litigate the current general rate case;
- b) For the items set forth in each Company's Schedule C-10 Confidential, provide the amount actually incurred for each item as of June 30, 2009 and, to the extent not otherwise provided in response to part a) of this data request, provide a specific assessment of why the Commission should find that each of the amounts actually incurred is a just and reasonable amount to prepare and litigate the current general rate case. This response should be updated to reflect additional rate case expense actually incurred each subsequent month as data such as invoices become available;
- c) To the extent that any overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case is included in the test year revenue requirement proposed by each Company, identify the amounts so included and, to the extent not otherwise provided in response to parts a) and b) of this data request, provide a specific assessment of why the Commission should find that each of the amounts is a just and reasonable amount to prepare and litigate the current general rate case; and

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North Shore Gas Company's Response to
Staff Data Requests JMO 18.01-18.01
Dated: July 29, 2009

- d) To the extent that each Company has actually incurred expenses including overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case, provide the amount of overtime expenses actually incurred to date and provide a specific assessment of why the Commission should find that the amount of overtime expense actually incurred is a just and reasonable amount to prepare and litigate the current general rate case.

RESPONSE:

North Shore Gas objects to this data request to the extent, if any, that it assumes or is intended to elicit a legal opinion on whether, or to what extent, if any, new Section 9-229 of the Public Utilities Act applies to the instant proceeding.

a) North Shore Gas objects to subpart (a) of this data request to the extent, if any, that it seeks a legal opinion with respect to just and reasonable expenses under new Section 9-229 or otherwise. North Shore Gas also states and objects that nothing in this response waives or is intended to waive the attorney-client privilege or the attorney work product doctrine as to any documents or information. Subject to the foregoing objections and its general objections, North Shore Gas states as follows:

Yes. North Shore Gas, in planning and budgeting for the preparation and prosecution of its 2009 rate case, sought to incur only prudent and reasonable rate case expenses. North Shore Gas, in its planning and budgeting for the instant case, considered, among other factors, its proposed, approved, and actual rate case expenses in its 2007 rate case (ICC Docket No. 07-0241);¹ the filing and direct testimony requirements under Parts 285 and 286 of the ICC's rules, including the additional filing requirements, such as the required statement from an independent C.P.A., that applied to the instant proceeding in light of its use of a future test year. North Shore Gas took into account the efficiencies resulting from the simultaneous preparation of North Shore Gas' and Peoples Gas' rate filings, and North Shore Gas also anticipated the likelihood that the simultaneous rate filings of North Shore Gas and Peoples Gas would be consolidated. North Shore Gas carefully determined what internal resources were available for preparation and prosecution of the 2009 rate case and what outside resources were needed. As to the use of outside resources, North Shore

¹ See North Shore's and Peoples Gas' respective Part 285 filings in the instance proceedings, Schedules C-10.1. footnote 2, for their original proposed, their approved, and their actual rate case expenses in their 2007 rate cases. As those footnotes indicate, in the aggregate, the utilities' actual rate case expenses (through November 2008, which included a very limited rehearing and the initial steps of the appeal process but not any work on the appellate briefs) were \$1,235,980 higher than the amount approved in the ICC's final Order, and within \$135,000 of the utilities' original proposed amounts for their rate case expenses.

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negotiated appropriate compensation methodologies, which were based primarily on agreed estimated hours of work and negotiated rates.

The preparation of North Shore Gas' Part 285 filing and of the direct testimony required by Part 286 was a very significant, complicated project that took approximately nine months to complete (following some preliminary work). North Shore Gas' Part 285 filing consisted of approximately 2,714 pages. Because of the vast, detailed requirements of Part 285, in preparing its Part 285 filing, North Shore Gas appropriately decided to draw on the assistance of Deloitte & Touche (the provider of the independent C.P.A. statement), an internationally recognized firm that has experience in ICC rate cases (having served in a similar role in Nicor Gas' 2004 and 2008 rate cases, each of which used a future test year); two outside consulting services that included individuals with experience working on North Shore Gas' 2007 rate case [REDACTED] personnel from its affiliate Integrys Business Support, LLC ("IBS"), with experience in rate cases in Illinois and/or other Midwestern states, including an IBS attorney with extensive experience in rate case and other proceedings before the ICC; and outside legal support (Foley & Lardner LLP) with extensive experience in rate case and other proceedings before the ICC.

North Shore Gas' Part 286 filing included the direct testimony of thirteen witnesses, eleven of whom who were officers or employees of North Shore or IBS. The other two witnesses who presented direct testimony were independent experts appropriately retained to testify on the subjects of North Shore Gas' new depreciation study (no new study was presented in its 2007 rate case) and its cost of common equity, *i.e.*, Mr. Spanos and Mr. Moul, respectively. Please see the witnesses' respective direct testimony for their credentials. Utilities commonly and reasonably ask independent experts to prepare and support depreciation studies and analyses of their costs of common equity. North Shore Gas also took into account that certain independent expert testimony filed in its 2007 rate case would not have a counterpart in this case, and that the testimony on the subject of its embedded cost of service study would be handled by an IBS witness in the instant case.

North Shore Gas, in planning and budgeting for the preparation and prosecution of its 2009 rate case, also took into account the extensive procedures that are involved in prosecuting a rate case before the ICC after the case is filed. The subsequent steps include a lengthy, and extraordinarily demanding discovery process, the analysis of Staff and intervenor direct and rebuttal testimony, the preparation of rebuttal and surrebuttal testimony, an evidentiary hearing, post-hearing briefs and reply briefs, analysis of an ALJs' proposed order, briefs and reply briefs on exceptions, analysis of the ICC's final Order, and preparation of a compliance filing.

The amounts on North Shore Gas' Part 285 Schedule C-10 reflected prudent and reasonable budgets for the work of the outside consultants, the outside legal counsel, and the applicable IBS personnel on the preparation and prosecution of the 2009 rate case. The extensive experience of the outside support enabled them to prepare realistic budgets

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that reflected their ability to provide efficient service in light of that experience. North Shore Gas reviewed and discussed those budgets and considered them in light of its proposed and actual rate cases expenses in its 2007 rate case. The budgets reflected negotiation of compensation, as indicated above. North Shore Gas ultimately prepared and filed a Schedule C-10 that it believed was a conservative estimate of its rate case expenses. North Shore Gas also prepared and provided a supporting Schedule C-10.1. (The C-10 and C-10.1 Schedules each had public and confidential versions. The confidential versions were available to ICC Staff and to all intervenors that signed the appropriate forms.) The amounts on North Shore Gas' Schedule C-10 were conservative in that, among other things, they did not include any amounts for adding independent expert witnesses at the rebuttal stage, for any proceedings on rehearing, or for any work related to appeals.

While North Shore Gas did not base any budget on an exact number of forecasted data requests, it is the case that the number of data requests has far exceeded its expectations. To date in this proceeding, North Shore Gas and Peoples Gas have received 1,885 data requests from ICC Staff and Intervenors. That far exceeds the number of data requests served on the utilities in their 2007 rate cases. In the 2007 rate cases, the total number of data requests received was 1,391. Therefore, to date, the utilities already have exceeded the total received in the last rate cases by 494 data requests.

North Shore also has added six new witnesses at the rebuttal stage. ICC Staff filed the direct testimony of fourteen witnesses and intervenors in the aggregate filed direct testimony of six witnesses. In order to respond to arguments made by Staff and Intervenors in their respective direct testimony, North Shore Gas engaged the following two additional independent experts to provide rebuttal testimony: Mr. Steven Fetter and Mr. Alan Felsenthal. Please see their respective rebuttal testimony for their credentials. Each of these testifying technical experts' compensation is based on the actual time expended on this case and agreed rates. These two witnesses were retained after Schedule C-10 was prepared, and, no amount was included for their work in Schedule C-10. In light of the Staff and intervenor testimony, which, in some cases, proposed changes to tariff provisions and services to which North Shore Gas had proposed no changes, North Shore Gas also added four other new witnesses (from IBS) at the rebuttal stage.

Support from IBS is a substantial portion of the amounts on Schedule C-10. This support is highly cost-effective, and it is being provided under the terms of an affiliate agreement approved by the ICC (in ICC Docket No. 07-0361). The majority of IBS support for the rate case is comprised of services provided by the accounting/finance, rates/regulatory, and customer/ITS billing areas.

Outside counsel support also is a substantial portion of the amounts on Schedule C-10. Foley & Lardner LLP developed its budget for the 2009 rate case by projecting numbers of

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hours for their professionals and support staff for the many phases of the case and applying the rates to which they had agreed with North Shore Gas. North Shore Gas not only negotiated the rates but also reviewed the resulting budgets. As indicated earlier, Outside counsel is highly experienced and, as a result, is able to provide efficient service.

As noted above, just as with IBS and outside counsel, the extensive experience of the outside consultants and independent experts enabled them to prepare realistic budgets that reflected their ability to provide efficient service in light of that experience.

A portion of the rate case expenses also includes other expenses, such as copying costs. North Shore Gas estimated those amounts based on its experience.

North Shore Gas' Schedule C-10 reflected the likelihood that the rate cases simultaneously filed by North Shore Gas and Peoples Gas would be consolidated.

The ICC in past rate cases has not found any rate cases expenses based on the work of any of the outside support that are included on North Shore Gas' Schedule C-10 to be anything other than prudent and reasonable, although the ICC sometimes has reduced rate case expenses on other grounds, most often based on decreasing the estimates of remaining work given the actual rate case expenses as of some date. In that regard, and with regard to the response to subpart (b) of this data request, it should be noted that a great part of a utility's rate case expenses are incurred from the rebuttal stage through the issuance of the ICC's final Order, especially the legal work, which makes up roughly half of rate case expenses, as was discussed in North Shore Gas' rebuttal in its 2007 rate case. Extrapolating from a snapshot point before the hearing can result in a significant underestimate of remaining rate case expenses, as occurred in the Order in North Shore Gas' 2007 rate case.

Finally, despite the extensive discovery process, neither any Staff witness nor any intervenor witness in their direct testimony has proposed to reduce any of the forecasted rate case expenses on the grounds of prudence, reasonableness, or any other ground, although one intervenor witness mistakenly asserted that there had been a double-count of certain expenses in how they were amortized. Had any witness made any challenge to the prudence or reasonableness of any rate case expenses, North Shore Gas would have responded, in detail, to any such proposed adjustment in its rebuttal.

b) North Shore Gas objects to subpart (b) of this data request to the extent, if any, that it seeks a legal opinion with respect to just and reasonable expenses under new Section 9-229 or otherwise. Subject to its objections noted here and above and its general objections, North Shore Gas states as follows:

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Please see NS JMO 18.01 Attach 01 for the amount actually incurred for each item as of June 30, 2009.

Please see the response to subpart (a) of this data request as to why certain law firms, consultants, and expert witnesses were engaged.

c) and d) There is no overtime paid to technical experts or to law firms for attorney or other professional staff (or for any other outside support) in North Shore Gas' Schedule C-10. North Shore Gas pays these professionals (and the other outside support) based on the same hourly rates no matter how many hours are worked in a day or on weekends or holidays.

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REQUEST NO. JMO 18.01:

Referring to Section 9-229 of the Public Utilities Act, which states:

(220 ILCS 5/9-229 new)

Sec. 9-229. Consideration of attorney and expert compensation as an expense. The Commission shall specifically assess the justness and reasonableness of any amount expended by a public utility to compensate attorneys or technical experts to prepare and litigate a general rate case filing. This issue shall be expressly addressed in the Commission's final order.

Please answer the following:

- a) Does each Company contend that each amount set forth in Schedule C-10 Confidential is a just and reasonable expense? If so, provide all facts, information, data, analyses and assessments supporting the contention that the amounts set forth in Schedule C-10 Confidential are just and reasonable amounts to prepare and litigate the current general rate case;
- b) For the items set forth in each Company's Schedule C-10 Confidential, provide the amount actually incurred for each item as of June 30, 2009 and, to the extent not otherwise provided in response to part a) of this data request, provide a specific assessment of why the Commission should find that each of the amounts actually incurred is a just and reasonable amount to prepare and litigate the current general rate case. This response should be updated to reflect additional rate case expense actually incurred each subsequent month as data such as invoices become available;
- c) To the extent that any overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case is included in the test year revenue requirement proposed by each Company, identify the amounts so included and, to the extent not otherwise provided in response to parts a) and b) of this data request, provide a specific assessment of why the Commission should find that each of the amounts is a just and reasonable amount to prepare and litigate the current general rate case; and

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- d) To the extent that each Company has actually incurred expenses including overtime to compensate any attorney or technical expert employed or retained by the Company to prepare and litigate this general rate case, provide the amount of overtime expenses actually incurred to date and provide a specific assessment of why the Commission should find that the amount of overtime expense actually incurred is a just and reasonable amount to prepare and litigate the current general rate case.

RESPONSE:

Peoples Gas objects to this data request to the extent, if any, that it assumes or is intended to elicit a legal opinion on whether, or to what extent, if any, new Section 9-229 of the Public Utilities Act applies to the instant proceeding.

a) Peoples Gas objects to subpart (a) of this data request to the extent, if any, that it seeks a legal opinion with respect to just and reasonable expenses under new Section 9-229 or otherwise. Peoples Gas also states and objects that nothing in this response waives or is intended to waive the attorney-client privilege or the attorney work product doctrine as to any documents or information. Subject to the foregoing objections and its general objections, Peoples Gas states as follows:

Yes. Peoples Gas, in planning and budgeting for the preparation and prosecution of its 2009 rate case, sought to incur only prudent and reasonable rate case expenses. Peoples Gas, in its planning and budgeting for the instant case, considered, among other factors, its proposed, approved, and actual rate case expenses in its 2007 rate case (ICC Docket No. 07-0242);¹ the filing and direct testimony requirements under Parts 285 and 286 of the ICC's rules, including the additional filing requirements, such as the required statement from an independent C.P.A., that applied to the instant proceeding in light of its use of a future test year; and the requirements for approval of an accelerated main replacement infrastructure rider that were set forth by the ICC's final Order in Peoples Gas' 2007 rate case. Peoples Gas took into account the efficiencies resulting from the simultaneous preparation of Peoples Gas' and North Shore Gas' rate filings, and Peoples Gas also anticipated the likelihood that the simultaneous rate filings of Peoples Gas and North Shore Gas would be consolidated. Peoples Gas carefully determined what internal

¹ See Peoples Gas and North Shore Gas's respective Part 285 filings in the instance proceedings, Schedules C-10.1. footnote 2, for their original proposed, their approved, and their actual rate case expenses in their 2007 rate cases. As those footnotes indicate, in the aggregate, the utilities' actual rate case expenses (through November 2008, which included a very limited rehearing and the initial steps of the appeal process but not any work on the appellate briefs) were \$1,235,980 higher than the amount approved in the ICC's final Order, and within \$135,000 of the utilities' original proposed amounts for their rate case expenses.

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resources were available for preparation and prosecution of the 2009 rate case and what outside resources were needed. As to the use of outside resources, Peoples Gas negotiated appropriate compensation methodologies, which were based primarily on agreed estimated hours of work and negotiated rates.

The preparation of Peoples Gas' Part 285 filing and of the direct testimony required by Part 286 was a very significant, complicated project that took approximately nine months to complete (following some preliminary work). Peoples Gas' Part 285 filing consisted of approximately 3,660 pages. Because of the vast, detailed requirements of Part 285, in preparing its Part 285 filing, Peoples Gas appropriately decided to draw on the assistance of Deloitte & Touche (the provider of the independent C.P.A. statement), an internationally recognized firm that has experience in ICC rate cases (having served in a similar role in Nicor Gas' 2004 and 2008 rate cases, each of which used a future test year); two outside consulting services that included individuals with experience working on Peoples Gas' 2007 rate case [REDACTED] personnel from its affiliate Integry's Business Support, LLC ("IBS"), with experience in rate cases in Illinois and/or other Midwestern states, including an IBS attorney with extensive experience in rate case and other proceedings before the ICC; and outside legal support (Foley & Lardner LLP and Chico & Nunes, P.C.) with extensive experience in rate case and other proceedings before the ICC.

Peoples Gas' Part 286 filing included the direct testimony of fifteen witnesses, twelve of whom who were officers or employees of Peoples Gas or IBS. The other three witnesses who presented direct testimony were independent experts appropriately retained to testify on the subjects of Peoples Gas' new depreciation study (no new study was presented in its 2007 rate case), its proposed infrastructure rider (significantly revised from the original and revised proposals made in its 2007 rate case), and its cost of common equity, *i.e.*, Mr. Spanos, Mr. Marano, and Mr. Moul, respectively. Please see the witnesses' respective direct testimony for their credentials. Utilities commonly and reasonably ask independent experts to prepare and support depreciation studies and analyses of their costs of common equity. In the case of Mr. Marano, calling on an independent expert was necessary in light of the requirements for approval of an infrastructure rider laid out by the ICC in its Order in the 2007 rate case. Peoples Gas also took into account that certain independent expert testimony filed in its 2007 rate case would not have a counterpart in this case, and that the testimony on the subject of its embedded cost of service study would be handled by an IBS witness in the instant case.

Peoples Gas, in planning and budgeting for the preparation and prosecution of its 2009 rate case, also took into account the extensive procedures that are involved in prosecuting a rate case before the ICC after the case is filed. The subsequent steps include a lengthy, and extraordinarily demanding discovery process, the analysis of Staff and intervenor direct and rebuttal testimony, the preparation of rebuttal and surrebuttal testimony, an evidentiary hearing, post-hearing briefs and reply briefs, analysis of an ALJs' proposed

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order, briefs and reply briefs on exceptions, analysis of the ICC's final Order, and preparation of a compliance filing.

The amounts on Peoples Gas' Part 285 Schedule C-10 reflected prudent and reasonable budgets for the work of the outside consultants, the outside legal counsel, and the applicable IBS personnel on the preparation and prosecution of the 2009 rate case. The extensive experience of the outside support enabled them to prepare realistic budgets that reflected their ability to provide efficient service in light of that experience. Peoples Gas reviewed and discussed those budgets and considered them in light of its proposed and actual rate cases expenses in its 2007 rate case. The budgets reflected negotiation of compensation, as indicated above. Peoples Gas ultimately prepared and filed a Schedule C-10 that it believed was a conservative estimate of its rate case expenses. Peoples Gas also prepared and provided a supporting Schedule C-10.1. (The C-10 and C-10.1 Schedules each had public and confidential versions. The confidential versions were available to ICC Staff and to all intervenors that signed the appropriate forms.) The amounts on Peoples Gas' Schedule C-10 were conservative in that, among other things, they did not include any amounts for adding independent expert witnesses at the rebuttal stage, for any proceedings on rehearing, or for any work related to appeals.

While Peoples Gas did not base any budget on an exact number of forecasted data requests, it is the case that the number of data requests has far exceeded its expectations. To date in this proceeding, Peoples Gas and North Shore have received 1,885 data requests from ICC Staff and Intervenors. That far exceeds the number of data requests served on the utilities in their 2007 rate cases. In the 2007 rate cases, the total number of data requests received was 1,391. Therefore, to date, the utilities already have exceeded the total received in the last rate cases by 494 data requests.

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Support from IBS is a substantial portion of the amounts on Schedule C-10. This support is highly cost-effective, and it is being provided under the terms of an affiliate agreement

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approved by the ICC (in ICC Docket No. 07-0361). The majority of IBS support for the rate case is comprised of services provided by the accounting/finance, rates/regulatory, and customer/ITS billing areas.

Outside counsel support also is a substantial portion of the amounts on Schedule C-10. Foley & Lardner LLP and Chico & Nunes, P.C., developed their respective budgets for the 2009 rate case by projecting numbers of hours for their professionals and support staff for the many phases of the case and applying the rates to which they had agreed with Peoples Gas. With regard to both firms, Peoples Gas not only negotiated the rates but also reviewed the resulting budgets. As indicated earlier, both firms are highly experienced and, as a result, are able to provide efficient service.

As noted above, just as with IBS and outside counsel, the extensive experience of the outside consultants and independent experts enabled them to prepare realistic budgets that reflected their ability to provide efficient service in light of that experience.

A portion of the rate case expenses also includes other expenses, such as copying costs. Peoples Gas estimated those amounts based on its experience.

Peoples Gas' Schedule C-10 reflected the likelihood that the rate cases simultaneously filed by Peoples Gas and North Shore Gas would be consolidated.

The ICC in past rate cases has not found any rate cases expenses based on the work of any of the outside support that are included on Peoples Gas' Schedule C-10 to be anything other than prudent and reasonable, although the ICC sometimes has reduced rate case expenses on other grounds, most often based on decreasing the estimates of remaining work given the actual rate case expenses as of some date. In that regard, and with regard to the response to subpart (b) of this data request, it should be noted that a great part of a utility's rate case expenses are incurred from the rebuttal stage through the issuance of the ICC's final Order, especially the legal work, which makes up roughly half of rate case expenses, as was discussed in Peoples Gas' rebuttal in its 2007 rate case. Extrapolating from a snapshot point before the hearing can result in a significant underestimate of remaining rate case expenses, as occurred in the Order in Peoples Gas' 2007 rate case.

Finally, despite the extensive discovery process, neither any Staff witness nor any intervenor witness in their direct testimony has proposed to reduce any of the forecasted rate case expenses on the grounds of prudence, reasonableness, or any other ground, although one intervenor witness mistakenly asserted that there had been a double-count of certain expenses in how they were amortized. Had any witness made any challenge to the prudence or reasonableness of any rate case expenses, Peoples Gas would have responded, in detail, to any such proposed adjustment in its rebuttal.

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b) Peoples Gas objects to subpart (b) of this data request to the extent, if any, that it seeks a legal opinion with respect to just and reasonable expenses under new Section 9-229 or otherwise. Subject to its objections noted here and above and its general objections, Peoples Gas states as follows:

Please see PGL JMO 18.01 Attach 01 for the amount actually incurred for each item as of June 30, 2009.

Please see the response to subpart (a) of this data request as to why certain law firms, consultants, and expert witnesses were engaged.

c) and d) There is no overtime paid to technical experts or to law firms for attorney or other professional staff (or for any other outside support) in Peoples Gas' Schedule C-10. Peoples Gas pays these professionals (and the other outside support) based on the same hourly rates no matter how many hours are worked in a day or on weekends or holidays.