

**REBUTTAL TESTIMONY**

of

**Richard W. Bridal II  
Accountant**

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

**Proposed General Increase in Gas Rates**

**North Shore Gas Company**

**The Peoples Gas Light and Coke Company**

**Docket Nos. 09-0166 and 09-0167 Consolidated**

**August 4, 2009**

## TABLE OF CONTENTS

<i>Witness Identification</i> _____	<i>1</i>
<i>Purpose of Testimony</i> _____	<i>1</i>
<i>Uncontested Adjustments</i> _____	<i>3</i>
<i>Contested Adjustments</i> _____	<i>3</i>
<i>Staff Recommendations Regarding the North Shore and Peoples Gas Uncollectible Expense Adjustment Riders</i> _____	<i>5</i>
<i>Conclusion</i> _____	<i>7</i>

## SCHEDULES

Schedules 19.1 P and N - Adjustment to Uncollectibles Expense

## ATTACHMENTS

Attachment A - Company Response NS RWB 3.08 Attach 01 (PUBLIC)  
Attachment B - Company Response PGL RWB 3.08 Attach 01 (PUBLIC)  
Attachment C - Company Response NS OGC 2.01  
Attachment D - Company Response PGL OGC 2.01

1 Witness Identification

2 Q. Please state your name and business address.

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

5

6 Q. Are you the same Richard W. Bridal II who submitted Direct Testimony in  
7 this Docket?

8 A. Yes, my direct testimony is ICC Staff Exhibit 5.0.

9

10 Purpose of Testimony

11 Q. What is the purpose of this testimony?

12 A. The purpose of my rebuttal testimony is as follows:

- 13 1. to respond to Company witness Sharon Moy's rebuttal  
14 testimony (NS-PGL Ex SM-2.0) concerning my adjustments for  
15 Real Estate Taxes;
- 16 2. to respond to Company witness Christine M. Gregor's rebuttal  
17 testimony (NS-PGL Gas Ex. CMG-2.0) regarding my  
18 adjustments for uncollectibles expense; and
- 19 3. to respond to Company witness Valerie H. Grace's rebuttal  
20 testimony (NS-PGL Ex. VG-2.0) concerning proposed Riders  
21 UEA.

22

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

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

27

28 Adjustment Schedules

29 Schedules 19.1 P and N - Adjustment to Uncollectibles Expense

30

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

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

36

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

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

39 Attachments

40 Attachment A - Company Response NS RWB 3.08 Attach 01 (PUBLIC)

41 Attachment B - Company Response PGL RWB 3.08 Attach 01 (PUBLIC)

42 Attachment C – Company Response NS OGC 2.01

43 Attachment D – Company Response PGL OGC 2.01

44

45 Uncontested Adjustments

46 Q. In their rebuttal testimony, did the Companies accept any adjustments  
47 from your direct testimony?

48 A. Yes. In their rebuttal testimony NS-PGL Ex. SM-2.0, the Companies  
49 accept my adjustment to decrease real estate taxes, as presented on ICC  
50 Staff Exhibit 5.0, Schedules 5.1 P and N.

51

52 Contested Adjustments

53 Uncollectibles Expense Adjustment

54 Q. Please describe ICC Staff Exhibit 19.0, Schedules 19.1 P and N,  
55 Adjustment to Uncollectibles Expense.

56 A. Schedules 19.1 P and N reflect my proposed adjustments to  
57 Uncollectibles Expense. My proposed adjustments reduce uncollectibles  
58 expense to amounts reflected by the Companies in their response to Staff  
59 Data Request RWB-3.08. Peoples Gas response PGL RWB 3.08 Attach  
60 01, which is based on the Company's March 2009 reforecast, identifies  
61 2010 Uncollectibles Expense as \$27,494,000 (a 6.51% reduction from the  
62 \$29,409,000 Company rebuttal amount). North Shore response NS RWB  
63 3.08 Attach 01, which is also based on the Company's March 2009  
64 reforecast, identifies 2010 Uncollectibles Expense as \$1,531,000 (a 5.94%  
65 reduction from the \$1,628,000 Company rebuttal amount).

66

67 Q. Please provide the rationale for your proposed Adjustment to  
68 Uncollectibles Expense, as reflected on Schedule 19.1 P and N, page 1.

69 A. In determining my proposed adjustment, I calculated Uncollectibles  
70 Expense in exactly the same manner as in my direct testimony. I  
71 multiplied each Company's Uncollectibles Expense Percentage (as vetted  
72 by my analysis in direct testimony) by each Company's respective March  
73 2009 Reforecast revenues, as submitted by the Companies in their  
74 responses to Staff Data Request RWB-3.08. While Ms. Gregor utilizes the  
75 same Uncollectibles Percentages in her rebuttal testimony calculation of  
76 Uncollectibles Expense (NS-PGL Gas Ex. CMG-2.0 Schedule 2.3P) as  
77 used in Staff's calculation, Ms. Gregor applies these Uncollectibles  
78 Percentages to revenue amounts different from those used by Staff. In  
79 her rebuttal testimony NS-PGL Gas Ex. CMG-2.0, Lines 119-122, Ms.  
80 Gregor indicates "Exhibits NS-PGL Exs. CMG-2.3N and CMG-2.3P  
81 provide a recalculation of the Uncollectibles Expenses figures based on  
82 the June 5, 2009, NYMEX price which was used in the Utilities' July Gas  
83 Charge Filing, their most recent Gas Charge filing." However, as  
84 explained in ICC Staff Exhibit 29.0, the Rebuttal Testimony of Dr. David  
85 Rearden, the February 2009 NYMEX gas prices (which are the basis of  
86 the Companies' March 2009 Reforecast) are more representative of  
87 current and future prices than the June 2009 prices used by Ms. Gregor in  
88 her rebuttal testimony.

89

90 Staff Recommendations Regarding the North Shore and Peoples Gas  
91 Uncollectible Expense Adjustment Riders

92 Q. Do you have any additional recommendations with respect to the  
93 Companies' proposed Uncollectible Expense Adjustment ("UEA") Rider?

94 A. Yes. In various pieces of direct and rebuttal testimony by the Companies'  
95 witnesses Schott and Gregor, it is indicated that if Senate Bill 1918 is  
96 signed into law by the Governor, the Utilities will withdraw their respective  
97 Rider UEA proposals. On July 10, 2009, Senate Bill 1918 was signed by  
98 the Governor and became known as Public Act 096-0033. Subsequent to  
99 the enactment of Senate Bill 1918, and in response to Data Request OGC  
100 2.01, both North Shore and Peoples Gas stated, "The Company will  
101 withdraw proposed Rider UEA. It will do so in its surrebuttal testimony."  
102 Since the Companies have committed to withdraw their respective Riders  
103 UEA in their surrebuttal testimony (as indicated in the data request  
104 responses), all issues related to Rider UEA are moot; and, for that reason,  
105 I will not respond to the Companies' rebuttal testimony addressing Rider  
106 UEA.

107

108 Q. Are any additional adjustments to Uncollectibles Expense required if the  
109 Companies do, indeed, withdraw their respective Rider UEA?

110 A. No. No adjustments to Uncollectibles Expense are required, as the  
111 Uncollectibles Expense recommended by Staff was calculated as if Rider  
112 UEA would not be approved. As such, no further adjustment is necessary.

113

114 Q. Do you have any other comments related to any uncollectibles riders the  
115 Companies might file pursuant to Section 16-111.8 of the Public Utilities  
116 Act, which became effective as part of Public Act 096-0033?

117 A. Yes, I do. It is important to the operation of any such riders that the  
118 Commission clarify in this proceeding the method used to determine the  
119 uncollectible amounts included in each of the Companies' base rates. In  
120 my direct testimony, ICC Exhibit 5.0, Pages 7-8, Lines 141-159, I  
121 discussed my evaluation of the Companies' Uncollectibles Expense  
122 Percentages. I determined the Companies' test year 2010 Uncollectibles  
123 Expense Percentages are reasonable based, in part, on the fact the  
124 percentages are comparable to the past four years' net write-offs as a  
125 percentage of revenues. Therefore, I believe it is appropriate to view the  
126 uncollectible amounts to be included in each of the Companies' base rates  
127 to be based upon net write-offs. Accordingly, I recommend the  
128 Commission specify in its Order in this proceeding that uncollectibles  
129 expenses allowed in these Dockets are being allowed due to the fact the

130           Uncollectibles Expense Percentages used to analyze the allowable  
131           expense are based on net write-offs.

132

133    Conclusion

134    Q.     Does this conclude your prepared rebuttal testimony?

135    A.     Yes, it does.

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectibles Rate per Company	2.54%	Company Schedule C-16
2	Total Revenues Applicable to Uncollectible Expense	<u>\$ 1,082,428</u>	Company Data Request Response PGL RWB 3.08 Attach 01
3	Uncollectibles Expense per Staff	\$ 27,494	Line 1 x line 2
4	Updated Uncollectibles Expense per Company Rebuttal	<u>29,409</u>	NS-PGL Ex. CMG-2.3P Schedule 2.3P, Line 3, Column (b)
5	Staff Proposed Adjustment	<u>\$ (1,915)</u>	Line 3 - line 4
6	Percentage Reduction	-6.51%	Line 5 / Line 4

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

Line No.	Description (a)	Amount (b)	Source (c)
1	Uncollectibles Rate per Company	0.7000%	Company Schedule C-16
2	Total Revenues Applicable to Uncollectible Expense	<u>\$ 218,751</u>	Company Data Request Response NS RWB 3.08 Attach 01
3	Uncollectibles Expense per Staff	\$ 1,531	Line 1 x line 2
4	Updated Uncollectibles Expense per Company Rebuttal	<u>1,628</u>	NS-PGL Ex. CMG-2.3N Schedule 2.3N, Line 3, Column (b)
5	Staff Proposed Adjustment	<u>\$ (97)</u>	Line 3 - line 4
6	Percentage Reduction	-5.94%	Line 5 / Line 4

North Shore Gas Company

Uncollectible Expense

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

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

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

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

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

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

The Peoples Gas Light and Coke Company

Uncollectible Expense

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

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

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

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

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

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

**ICC Docket No. 09-0166/0167**  
**North Shore Gas Company's Response to**  
**Staff Data Requests OGC 2.01**  
**Dated: July 30, 2009**

**REQUEST NO. OGC 2.01:**

Companies' witness James F. Schott testifies in rebuttal that if SB 1918 is signed into law by the Governor "... the Utilities would withdraw the [Rider UEA] proposals." NS-PGL Ex. JFS-2.0, p. 17. On July 10, 2009 Senate Bill 1918 was signed by the Governor and became known as Public Act 096-0033. Given that SB 1918 has been signed into law by the Governor, please confirm that the Companies will be withdrawing their Rider UEA proposals and please explain when and how they plan to do so.

**RESPONSE:**

The Company will withdraw proposed Rider UEA. It will do so in its surrebuttal testimony.

**ICC Docket No. 09-0166/0167**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests OGC 2.01**  
**Dated: July 30, 2009**

**REQUEST NO. OGC 2.01:**

Companies' witness James F. Schott testifies in rebuttal that if SB 1918 is signed into law by the Governor "... the Utilities would withdraw the [Rider UEA] proposals." NS-PGL Ex. JFS-2.0, p. 17. On July 10, 2009 Senate Bill 1918 was signed by the Governor and became known as Public Act 096-0033. Given that SB 1918 has been signed into law by the Governor, please confirm that the Companies will be withdrawing their Rider UEA proposals and please explain when and how they plan to do so.

**RESPONSE:**

The Company will withdraw proposed Rider UEA. It will do so in its surrebuttal testimony.