

REBUTTAL TESTIMONY

of

**LARRY H. WILCOX
Accountant**

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

Proposed General Increase in Gas Rates

**North Shore Gas Company
Peoples Gas Light and Coke Company**

Docket Nos. 09-0166 and 09-0167 Consolidated

August 4, 2009

Table of Contents

WITNESS IDENTIFICATION 1
PURPOSE OF TESTIMONY 1
ADJUSTMENT TO ADVERTISING EXPENSES 3
CONCLUSION 4

SCHEDULES

SCHEDULE 20.1N and P – ADJUSTMENT TO ADVERTISING EXPENSES

ATTACHMENTS

ATTACHMENT A – NORTH SHORE RESPONSE TO STAFF DATA REQUEST LHW
1.03

ATTACHMENT B – PEOPLES GAS RESPONSE TO STAFF DATA REQUEST LHW
1.07

1 **WITNESS IDENTIFICATION**

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

3 A. My name is Larry H. Wilcox. 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 was filed on June 10, 2009 as ICC Staff Exhibit
7 6.0.

8 **Q. Are you including any schedules or attachments as part of your**
9 **rebuttal testimony (ICC Staff Exhibit 20.0)?**

10 A. Yes. I prepared the following schedules that reflect data for the test year
11 ending December 31, 2010:

12 Schedule 20.1N and P – Adjustment to Advertising Expenses

13 I have also included the following attachments that present information
14 provided by North Shore Gas Company (“North Shore”) and The Peoples
15 Gas Light and Coke Company (“Peoples Gas”) (individually, the
16 “Company” and collectively, the “Companies”):

17 Attachment A – Extract from North Shore Response to Staff Data
18 Request LHW 1.03 (bates-stamped pages NS
19 0000751 through NS 0000758.)

20 Attachment B – Extract from Peoples Gas Response to Staff Data
21 Request LHW 1.07 (bates-stamped pages PGL
22 0001484 through PGL 0001495 and PGL
23 0001528.)

24 **PURPOSE OF TESTIMONY**

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

26 A. The purpose of my rebuttal testimony is to respond to the Companies'
27 witness Sharon Moy (North Shore/Peoples Gas Ex. SM-2.0) regarding the
28 proposed disallowance of certain advertisements (as it impacts operating
29 expense) reflected in the 2010 test year.

30 **Q. Were there any other adjustments proposed by you that the**
31 **Companies addressed in their rebuttal testimony?**

32 A. Yes, the rebuttal testimony of Ms. Sharon Moy (North Shore/Peoples Gas
33 Ex. SM-2.0) describes the adjustments proposed by Staff and Interveners
34 that the Companies will not contest. Among those uncontested
35 adjustments were the following which I proposed in direct testimony (ICC
36 Staff Exhibit 6.0):

37 Schedule 6.1N and P – Adjustment to Lobbying Expenses

38 Schedule 6.2N and P – Adjustment to Social and Service Club
39 Membership Dues Expenses

40 Schedule 6.4N and P – Adjustment to Civic, Political and Related
41 Activities Expenses

42 In addition, the Companies agreed in part with the Adjustment to
43 Advertising Expenses as presented in Schedules 6.3 N and P. They
44 agreed that certain advertising expenses could be considered “of a
45 promotional, goodwill or institutional nature” and, therefore, did not oppose
46 the portion of the adjustment disallowing recovery of the following
47 expenses:

		<u>Peoples Gas</u>	<u>North Shore</u>
48			
49	Account 909—Informational & Instructional		
50	Advertising Sponsorships	\$ 57,000	\$ 40,000
51	Program Support	\$ 20,000	\$ 10,000
52	Internal Labor	<u>\$111,000</u>	<u>\$ 35,000</u>
53	Total – Account 909	\$188,000	\$ 85,000
54	Account 930.1-General Advertising Expenses	\$ 10,000	\$ 2,000

55 **ADJUSTMENT TO ADVERTISING EXPENSES**

56 **Q. Did you review the rebuttal testimony of Companies’ witness Sharon**
57 **Moy pertaining to your adjustment to advertising expenses?**

58 A. Yes, I did.

59 **Q. Did Ms. Moy provide information or analysis that caused you to**
60 **reconsider your proposal?**

61 A. No, she did not. Overall, Mrs. Moy’s rebuttal testimony did not
62 successfully refute the concern expressed in my direct testimony (ICC
63 Staff Exhibit 6.0, pp. 4 - 6).

64 **Q Please summarize the position of the Companies.**

65 A. The Companies rejected my adjustment to disallow advertising expenses
66 associated with the “Safety, Reliability, and Warmth” (“SRW”) Campaign.
67 Ms. Moy testified that the SRW Campaign was developed to strengthen
68 customer awareness about the delivery services and direct customer
69 benefits provided by Peoples Gas and North Shore. According to Ms.
70 Moy, the key message strategy of the campaign was to educate
71 customers regarding how the Companies deliver safe, clean, and reliable
72 natural gas to improve customers’ lives. She further states the energy

73 education advertising in the SRW Campaign focused on three main
74 customer benefits: (1) conserving/managing home natural gas use; (2)
75 billing and payment options; and (3) staying safe and understanding the
76 use and maintenance of the natural gas delivery function. Ms. Moy
77 concludes that the campaign is not promotional or goodwill advertising,
78 and the costs should be recoverable.

79 **Q. How do you respond?**

80 A. Safety (as presented abstractly in the SRW campaign), reliability, and
81 warmth are not concepts which require customer education; instead, they
82 should be more akin to basic customer expectations from a provider of
83 natural gas services. And while I recognize that there were items of
84 energy education presented in small print on the posters and in the fifteen
85 second trailers to the radio ads, the primary focus of the campaign was
86 clearly promotional. To cite examples - note Attachment A, Exhibit NS
87 0000753; and Attachment B, Exhibit PGL 0001487. Although the small
88 print on these posters makes reference in passing to “online payments,
89 budget plans, or other billing options,” it is not reasonable in my opinion to
90 consider these presentations taken as a whole to be informational or
91 educational. To reiterate my direct testimony - the substance of the
92 campaign was promotional and the related expenses should be disallowed
93 in accordance with Section 925 of the Public Utilities Act.

94 **CONCLUSION**

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

96 A. Yes, it does.

**North Shore Gas Company
Adjustment to Advertising Expenses
For the Test Year Ending December 31, 2010
(In Thousands)**

<u>Line</u> (A)	<u>Description</u> (B)	<u>Amount</u> (C)	<u>Source</u> (D)
1	Advertising Expenses per Staff	\$ 161	ICC Staff Ex. 20.0, Sch. 20.1 N, Page 2 of 2, Column C, Line 7
2	Advertising Expenses per Company	\$ 246	ICC Staff Ex. 20.0, Sch. 20.1 N, Page 2 of 2, Column C, Line 5
3	Difference -- Staff Adjustment	<u>\$ (85)</u>	Line 1 less Line 2

**North Shore Gas Company
Adjustment to Advertising Expenses
For the Test Year Ending December 31, 2010
(In Thousands)**

<u>Line</u> (A)	<u>Description</u> (B)	<u>Amount</u> (C)	<u>Source</u> (D)
<u>Account 909 - Informational and Instructional Advertising Expenses</u>			
1	2010 Projected Totals - as originally proposed	\$ 331	ICC Staff Ex. 6.0, Sch. 6.3 N, Page 3 of 4, Column G, Line 10
2	Less: Staff Adjustment - from Direct Testimony	(170)	ICC Staff Ex. 6.0, Sch. 6.3 N, Page 3 of 4, Column I, Line 10
3	Account 909 after Direct Testimony	<u>\$ 161</u>	Line 1 less Line 2
4	Company Rebuttal Testimony	85	ICC Staff Ex. 6.0, Sch. 6.3 N, Page 3 of 4, Column I, Line 6
5	Advertising Expenses per Company	<u>\$ 246</u>	Line 3 plus Line 4
6	Less: Amount Disallowed by Staff	(85)	ICC Staff Ex. 6.0, Sch. 6.3 N, Page 3 of 4, Column I, Line 6
7	Advertising Expenses per Staff	<u><u>\$ 161</u></u>	Line 5 less Line 6

**Peoples Gas Light and Coke Company Company
Adjustment to Advertising Expenses
For the Test Year Ending December 31, 2010
(In Thousands)**

<u>Line</u> (A)	<u>Description</u> (B)	<u>Amount</u> (C)	<u>Source</u> (D)
1	Advertising Expenses per Staff	\$ 779	ICC Staff Ex. 20.0, Sch. 20.1 P, Page 2 of 2, Column C, Line 7
2	Advertising Expenses per Company	\$ 1,129	ICC Staff Ex. 20.0, Sch. 20.1 P, Page 2 of 2, Column C, Line 5
3	Difference -- Staff Adjustment	<u>\$ (350)</u>	Line 1 less Line 2

**Peoples Gas Light and Coke Company Company
Adjustment to Advertising Expenses
For the Test Year Ending December 31, 2010
(In Thousands)**

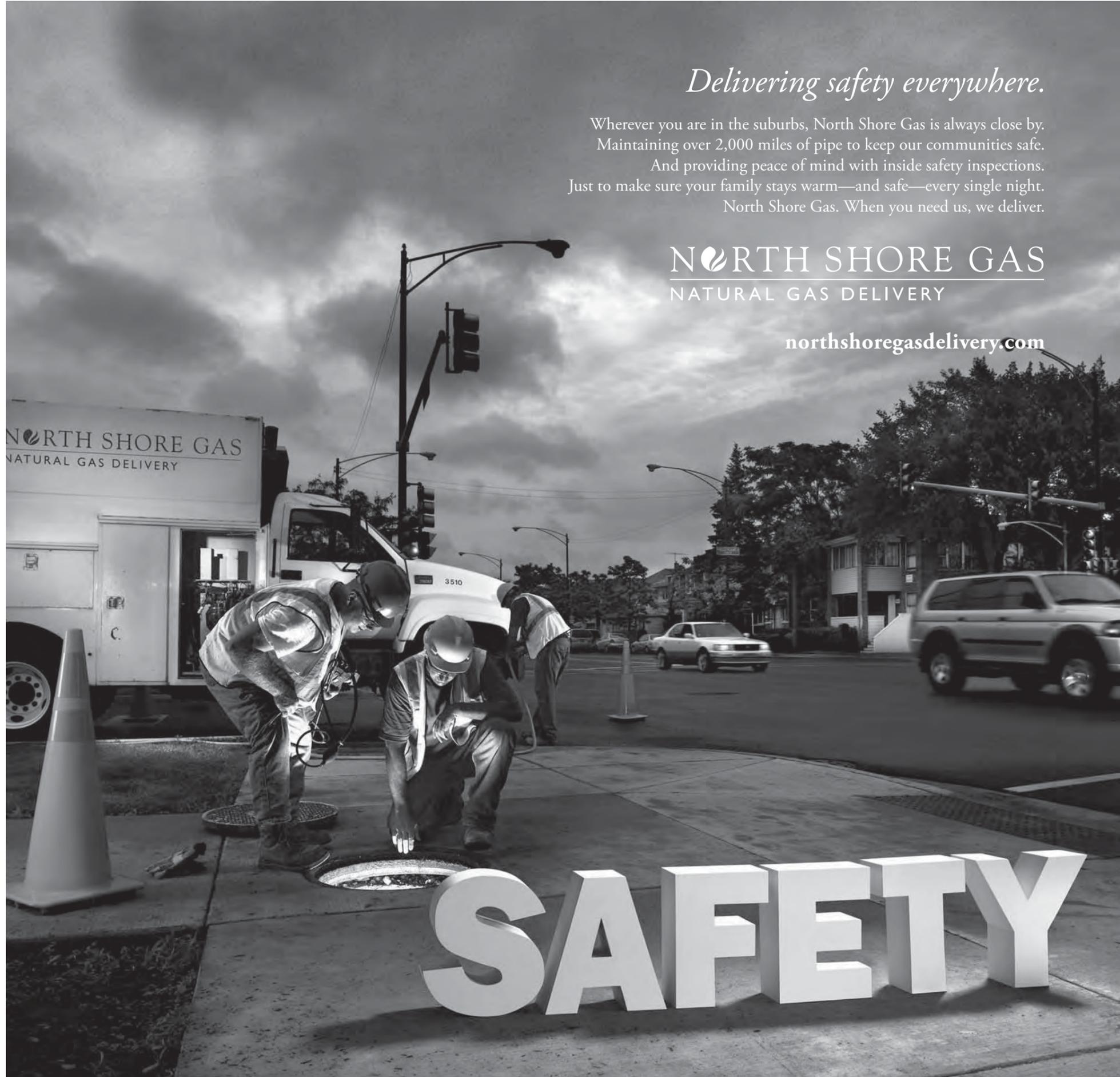
<u>Line</u> (A)	<u>Description</u> (B)	<u>Amount</u> (C)	<u>Source</u> (D)
<u>Account 909 - Informational and Instructional Advertising Expenses</u>			
1	2010 Projected Totals - as originally proposed	\$ 1,317	ICC Staff Ex. 6.0, Sch. 6.3 P, Page 3 of 5, Column G, Line 10
2	Less: Staff Adjustment - from Direct Testimony	(538)	ICC Staff Ex. 6.0, Sch. 6.3 P, Page 3 of 5, Column I, Line 10
3	Account 909 after Direct Testimony	<u>\$ 779</u>	Line 1 less Line 2
4	Company Rebuttal Testimony	350	ICC Staff Ex. 6.0, Sch. 6.3 P, Page 3 of 5, Column I, Line 6
5	Advertising Expenses per Company	<u>\$ 1,129</u>	Line 3 plus Line 4
6	Less: Amount Disallowed by Staff	(350)	ICC Staff Ex. 6.0, Sch. 6.3 P, Page 3 of 5, Column I, Line 6
7	Advertising Expenses per Staff	<u><u>\$ 779</u></u>	Line 5 less Line 6

Delivering safety everywhere.

Wherever you are in the suburbs, North Shore Gas is always close by.
Maintaining over 2,000 miles of pipe to keep our communities safe.
And providing peace of mind with inside safety inspections.
Just to make sure your family stays warm—and safe—every single night.
North Shore Gas. When you need us, we deliver.

NORTH SHORE GAS
NATURAL GAS DELIVERY

northshoregasdelivery.com



Delivering warmth. Every day. Every night.

From Winnetka to Waukegan, North Shore Gas is there for you. Making life a little easier with online payments, budget plans or other billing and payment options to fit your lifestyle.

And, perhaps most importantly, making sure your family stays warm and cozy.

North Shore Gas. When you need us, we deliver.

NORTH SHORE GAS
NATURAL GAS DELIVERY™

www.northshoregasdelivery.com

WARMTH



Warmth

BW | 10.875" x 10.5" | Delivering warmth. Every day. Every night.

SCC | HAC-P45 | Peoples Gas | Chicago Tribune - North | 11.3.08 | Run date 11/5

NS 0000752



Delivering warmth. Every day. Every night.

From Winnetka to Waukegan, North Shore Gas is there for you. Making life a little easier with online payments, budget plans or other billing and payment options to fit your lifestyle. And, perhaps most importantly, making sure your family stays warm and cozy. North Shore Gas. When you need us, we deliver.

NORTH SHORE GAS
NATURAL GAS DELIVERY™

www.northshoregasdelivery.com

Warmth

BW | 10.25" x 6" | Delivering safety everywhere. | Run date: Weekend Edition 11/22-23
SCC | PE-P45 | North Shore Gas | Lake County News Sun | 10.17.08

NS 0000753



WARMTH

Delivering warmth. Every day. Every night.

From Winnetka to Waukegan, North Shore Gas is there for you. Making life a little easier with online payments, budget plans or other billing and payment options to fit your lifestyle.

And, perhaps most importantly, making sure your family stays warm and cozy.

North Shore Gas. When you need us, we deliver.

NORTH SHORE GAS
NATURAL GAS DELIVERY™

www.northshoregasdelivery.com

WARMTH

BW | 9.7" x 5.9" | Delivering warmth. Every day. Every night.

SCC| PE-P45 | North Shore Gas | Pioneer Press/Sun Times | 11.10.08 | Run date 11/13



Peoples Gas/North Shore Gas radio

:45/:15

“Delivery Guy”

SFX: (DOORBELL. DOOR OPENS)

GUY: Este... yo no pedí una pizza.

DELIV GUY: No, vengo de parte de Peoples Gas a entregarle su pedido.

GUY: ¿Qué pedí?

DG: No tenía que pedir nada. Esto es lo que Peoples Gas le entrega a sus clientes todos los días.

GUY: Como qué...ehh...

DG: Como seguridad. La tengo aquí en esta caja. (RUSTLE) Aquí...

GUY: Con que así es como se ve la seguridad. Es sólida... ¡Vaya!

(SFX: BOING)

GUY: Eh, no se rompió.

DG: Claro que no. Es la seguridad. Mire aquí. (RUSTLE) También entregamos calor.

GUY: ¡Ooh!

DG: Con cuidado. Está caliente. (RUSTLE) Y aquí tiene fiabilidad.

GUY: Se ve un poco... aburrida.

DG: ¿Prefiere que su suministro de gas sea emocionante o fiable?

GUY: Buen punto.

VO: Suministramos mucho más que gas natural. Peoples Gas y North Shore Gas. Estamos ahí, cuando usted nos necesita.

Radio Donut Copy (:15)

Warmth Copy

También suministramos comodidad. Como pagos en línea que le permiten ahorrar tiempo y estampillas. Para ver más opciones de facturación y pago, visítenos en peoplesgasdelivery.com o en northshoregasdelivery.com

Safety Copy

Trabajamos muy duro por su seguridad, todos los días, con mantenimiento regular de nuestras tuberías de gas e inspecciones de seguridad internas. Para obtener más información sobre seguridad, ingrese en peoplesgasdelivery.com o en northshoregasdelivery.com.

Reliability Copy

Le ofrecemos muchos consejos y herramientas para ahorrar energía que le ayudarán a controlar el uso de gas natural. Visítenos en peoplesgasdelivery.com o en northshoregasdelivery.com para conocer muchas formas de conservar la energía.

Share the Warmth Copy

Ayude a que las familias del área de Chicago se mantengan calientes este invierno contribuyendo al fondo Comparta el calor (*Share the Warmth*) de Peoples Gas y North Shore Gas. Consulte los detalles en su factura de gas o visite peoplesgasdelivery.com o northshoregasdelivery.com. Dé. Cuide. Comparta el calor.

Peoples Gas/North Shore Gas radio

:45/:15

“Delivery Guy”

SFX: (DOORBELL. DOOR OPENS)

GUY: Hi...um...I didn't order a pizza.

DELIV GUY: No, I'm from Peoples Gas, here with your delivery.

GUY: What did I order?

DG: You didn't have to order anything. This is what Peoples Gas delivers to our customers every day.

GUY: Like...uhhh....

DG: Like safety. Got it right here in this box. (RUSTLE) Here.

GUY: So this is what safety looks like. It's solid...WHOOPS!

(SFX: BOING)

GUY: Hey it didn't break.

DG: 'Course not. It's safety. Oh, here. (RUSTLE) We also deliver warmth.

GUY: Ooh!

DG: Careful. It's warm. (RUSTLE) And here's reliability.

GUY: Looks a little...boring.

DG: You want your natural gas delivery to be exciting or reliable?

GUY: Good point.

VO: We deliver a lot more than just natural gas. Peoples Gas and North Shore Gas. When you need us, we deliver.

Radio Donut Copy (:15)

Warmth Copy

We deliver convenience too. Like online bill payments that save you time and stamps. For more billing and payment options, visit us at peoplesgasdelivery.com or northshoregasdelivery.com

Safety Copy

We work hard to keep you safe every day with regular maintenance of our natural gas pipes and inside safety inspections. Log onto peoplesgasdelivery.com or northshoregasdelivery.com for more safety information.

Reliability Copy

We offer you many energy saving tips and tools to help you manage your natural gas usage. Visit us at peoplesgasdelivery.com or northshoregasdelivery.com to find many ways to conserve.

Share the Warmth Copy

Help Chicago area families stay warm this winter by donating to the Peoples Gas and North Shore Gas Share the Warmth fund. Look for details inside your gas bill, or go to peoplesgasdelivery.com or northshoregasdelivery.com. Give. Care. Share the Warmth.





Delivering reliability all over town.

All around the city, Peoples Gas is someone you can count on. For conservation ideas that help you manage your energy use—to every time you turn on the stove, dial down the thermostat or use warm water to make life easier. We're there to make sure you have the natural gas to keep your business and home worry free. Peoples Gas. When you need us, we deliver.

PEOPLES GAS
NATURAL GAS DELIVERY

peoplesgasdelivery.com

RELIABILITY

Delivering warmth. Every day. Every night.

From Hyde Park to Wicker Park, Peoples Gas is there for you. Making life a little easier with online payments, budget plans or other billing and payment options to fit your lifestyle.

And, perhaps most importantly, making sure your family stays warm and cozy.

Peoples Gas. When you need us, we deliver.

PEOPLES GAS
NATURAL GAS DELIVERYSM

www.peoplesgasdelivery.com

WARMTH



Warmth

BW | 10.875" x 10.5" | Delivering warmth. Every day. Every night.

SCC | HAC-P45 | Peoples Gas | Chicago Tribune - City | 11.3.08 | Run date 11/5

PGL 0001487

Delivering reliability all over town.

All around the city, Peoples Gas is someone you can count on. For conservation ideas that help you manage your energy use—to every time you turn on the stove, dial down the thermostat or use warm water to make life easier. We're there to make sure you have the natural gas to keep your business and home worry free. Peoples Gas. When you need us, we deliver.

PEOPLES GAS
NATURAL GAS DELIVERY

peoplesgasdelivery.com

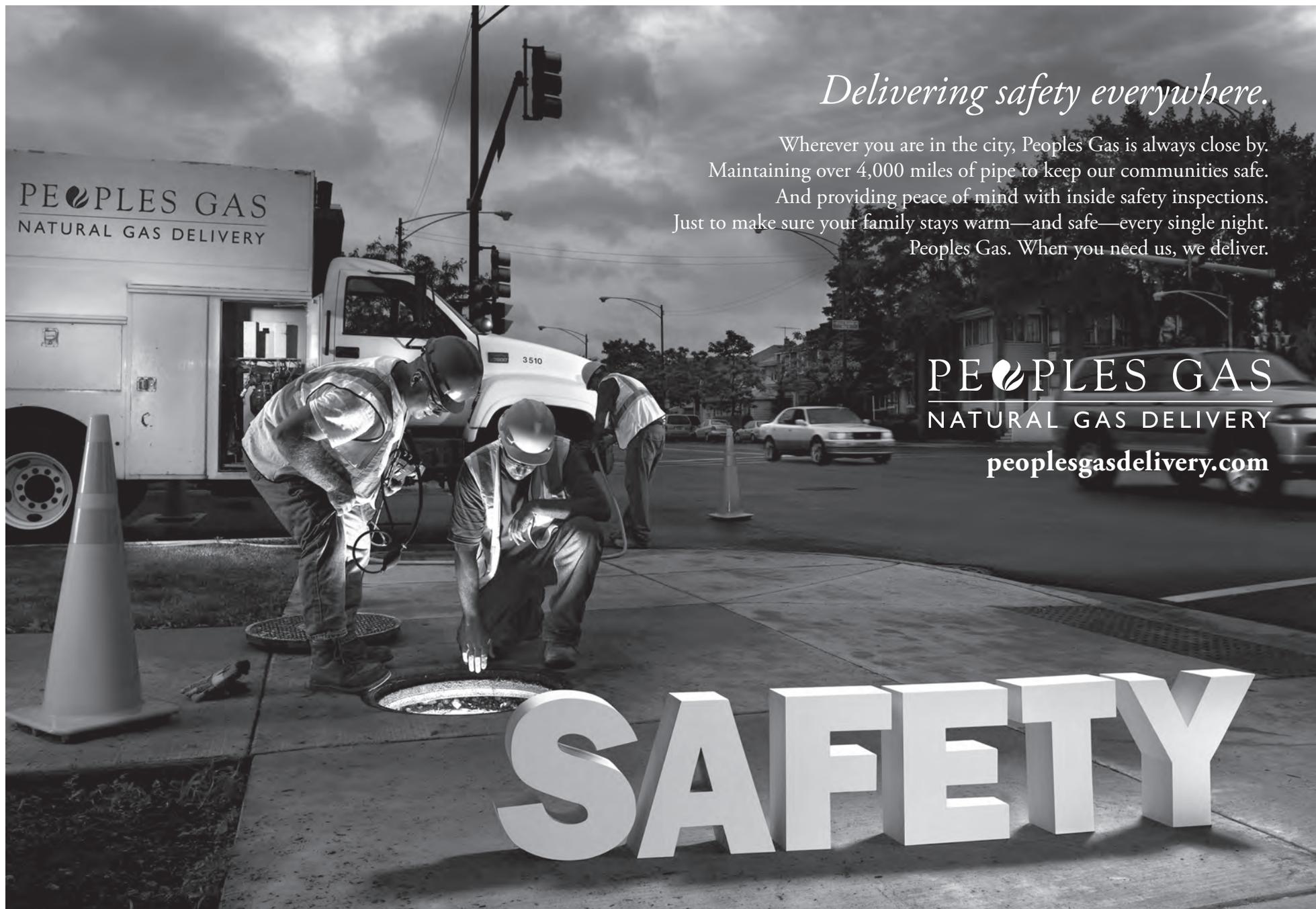
RELIABILITY

Reliability

BW | 10.875" x 10.5" | Delivering reliability all over town.

Romani Bros | HAC-P43 | Peoples Gas | Chicago Tribune Metro Section | 8.1.08 | Run date August 6

PGL 0001488



Delivering safety everywhere.

Wherever you are in the city, Peoples Gas is always close by.
Maintaining over 4,000 miles of pipe to keep our communities safe.
And providing peace of mind with inside safety inspections.
Just to make sure your family stays warm—and safe—every single night.
Peoples Gas. When you need us, we deliver.

PEOPLES GAS
NATURAL GAS DELIVERY

peoplesgasdelivery.com

SAFETY

Safety

BW | 10-5/16" x 7" | Delivering safety everywhere.
Romani Bros | HAC-P42 | Peoples | Defender | 7.29.08



PEOPLES GAS
NATURAL GAS DELIVERY

peoplesgasdelivery.com



PEOPLES GAS

NATURAL GAS DELIVERY

peoplesgasdelivery.com

Peoples Gas/North Shore Gas radio

:45/:15

“Delivery Guy”

SFX: (DOORBELL. DOOR OPENS)

GUY: Este... yo no pedí una pizza.

DELIV GUY: No, vengo de parte de Peoples Gas a entregarle su pedido.

GUY: ¿Qué pedí?

DG: No tenía que pedir nada. Esto es lo que Peoples Gas le entrega a sus clientes todos los días.

GUY: Como qué...ehh...

DG: Como seguridad. La tengo aquí en esta caja. (RUSTLE) Aquí...

GUY: Con que así es como se ve la seguridad. Es sólida... ¡Vaya!

(SFX: BOING)

GUY: Eh, no se rompió.

DG: Claro que no. Es la seguridad. Mire aquí. (RUSTLE) También entregamos calor.

GUY: ¡Ooh!

DG: Con cuidado. Está caliente. (RUSTLE) Y aquí tiene fiabilidad.

GUY: Se ve un poco... aburrida.

DG: ¿Prefiere que su suministro de gas sea emocionante o fiable?

GUY: Buen punto.

VO: Suministramos mucho más que gas natural. Peoples Gas y North Shore Gas. Estamos ahí, cuando usted nos necesita.

Radio Donut Copy (:15)

Warmth Copy

También suministramos comodidad. Como pagos en línea que le permiten ahorrar tiempo y estampillas. Para ver más opciones de facturación y pago, visítenos en peoplesgasdelivery.com o en northshoregasdelivery.com

Safety Copy

Trabajamos muy duro por su seguridad, todos los días, con mantenimiento regular de nuestras tuberías de gas e inspecciones de seguridad internas. Para obtener más información sobre seguridad, ingrese en peoplesgasdelivery.com o en northshoregasdelivery.com.

Reliability Copy

Le ofrecemos muchos consejos y herramientas para ahorrar energía que le ayudarán a controlar el uso de gas natural. Visítenos en peoplesgasdelivery.com o en northshoregasdelivery.com para conocer muchas formas de conservar la energía.

Share the Warmth Copy

Ayude a que las familias del área de Chicago se mantengan calientes este invierno contribuyendo al fondo Comparta el calor (*Share the Warmth*) de Peoples Gas y North Shore Gas. Consulte los detalles en su factura de gas o visite peoplesgasdelivery.com o northshoregasdelivery.com. Dé. Cuide. Comparta el calor.

Peoples Gas/North Shore Gas radio

:45/:15

“Delivery Guy”

SFX: (DOORBELL. DOOR OPENS)

GUY: Hi...um...I didn't order a pizza.

DELIV GUY: No, I'm from Peoples Gas, here with your delivery.

GUY: What did I order?

DG: You didn't have to order anything. This is what Peoples Gas delivers to our customers every day.

GUY: Like...uhhh....

DG: Like safety. Got it right here in this box. (RUSTLE) Here.

GUY: So this is what safety looks like. It's solid...WHOOOPS!

(SFX: BOING)

GUY: Hey it didn't break.

DG: 'Course not. It's safety. Oh, here. (RUSTLE) We also deliver warmth.

GUY: Ooh!

DG: Careful. It's warm. (RUSTLE) And here's reliability.

GUY: Looks a little...boring.

DG: You want your natural gas delivery to be exciting or reliable?

GUY: Good point.

VO: We deliver a lot more than just natural gas. Peoples Gas and North Shore Gas. When you need us, we deliver.

Radio Donut Copy (:15)

Warmth Copy

We deliver convenience too. Like online bill payments that save you time and stamps. For more billing and payment options, visit us at peoplesgasdelivery.com or northshoregasdelivery.com

Safety Copy

We work hard to keep you safe every day with regular maintenance of our natural gas pipes and inside safety inspections. Log onto peoplesgasdelivery.com or northshoregasdelivery.com for more safety information.

Reliability Copy

We offer you many energy saving tips and tools to help you manage your natural gas usage. Visit us at peoplesgasdelivery.com or northshoregasdelivery.com to find many ways to conserve.

Share the Warmth Copy

Help Chicago area families stay warm this winter by donating to the Peoples Gas and North Shore Gas Share the Warmth fund. Look for details inside your gas bill, or go to peoplesgasdelivery.com or northshoregasdelivery.com. Give. Care. Share the Warmth.

