

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

|   |          |                |
|---|----------|----------------|
| <b>North Shore Gas Company</b>                | <b>:</b> | <b>11-0301</b> |
| <b>The Peoples Gas Light and Coke Company</b> | <b>:</b> | <b>11-0302</b> |
|   | <b>:</b> | <b>(Cons.)</b> |
| <b>Petitions Pursuant to Rider VBA of</b>     | <b>:</b> |                |
| <b>Schedule of Rates for Gas Service to</b>   | <b>:</b> |                |
| <b>Initiate a Proceeding to Determine the</b> | <b>:</b> |                |
| <b>Accuracy of the Rider VBA</b>              | <b>:</b> |                |
| <b>Reconciliation Statement</b>               | <b>:</b> |                |

**PROPOSED FORM OF ORDER**

By the Commission:

**I. PROCEDURAL HISTORY**

On March 30, 2011, North Shore Gas Company (“North Shore” or “NSG”) and The Peoples Gas Light and Coke Company (“Peoples Gas” or “PGL”) (together, the “Utilities”) each filed a Petition to initiate an annual reconciliation proceeding to determine the accuracy of the statement that each utility submitted pursuant to Rider VBA of its Schedule of Rates for Gas Service (“Rider VBA”). With their Petitions, North Shore and Peoples Gas each also filed the direct testimony and exhibit of Valerie H. Grace, Manager, Gas Regulatory Services.

The Commission docketed the North Shore filing as Docket No. 11-0301 and the Peoples Gas filing as Docket No. 11-0302. Pursuant to notice, a status hearing was held on May 25, 2011. At the status hearing, the Administrative Law Judge granted the Illinois Commerce Commission Staff’s (“Staff”) unopposed, oral motion to consolidate the dockets. There are no intervenors in this consolidated proceeding.

An evidentiary hearing was held on September 21, 2011. Admitted into the record, by affidavit, were the direct testimony and exhibits of Valerie H. Grace, on behalf of each of North Shore (NSG Exs. 1.0 and 1.1) and Peoples Gas (PGL Exs. 1.0 and 1.1) and her affidavit (NS-PGL Ex. 1.0). Also admitted into the record, by affidavit, were the direct testimony of Dianna Hathhorn (Staff Ex. 1.0) and her affidavit (Staff Ex. 1.1).

On September 21, 2011, the record was marked “Heard and Taken.”

On September 29, 2011, the Utilities filed an agreed form of draft proposed order.

The Commission considers the whole of the record and the arguments presented.

## II. ISSUES

### A. The Utilities' Position

North Shore's and Peoples Gas' Schedule of Rates for Gas Service each include Rider VBA, Volume Balancing Adjustment. The Commission approved Rider VBA in its Order, *In re North Shore Gas Co., et al.*, Docket Nos. 07-0241/07-0242 (Cons.) adopted on February 5, 2008. Rider VBA became effective February 14, 2008. NSG Ex. 1.0 at 3; PGL Ex. 1.0 at 2-3.

Utilities' witness Ms. Grace explained that, each month, the Utilities submit a statement to the Commission showing the adjustments to be effective for the next month. Rider VBA applies to Service Classification ("S.C.") Nos. 1 and 2. No later than March 31, the Utilities must file a statement of the reconciliation adjustment ("RA") components that apply to the nine-month period beginning April 1. Section D of Rider VBA requires that the Utilities, at the time they file their reconciliation statements, file petitions seeking initiation of an annual reconciliation to determine the accuracy of the statements. NSG Ex. 1.0 at 3; PGL Ex. 1.0 at 3.

Ms. Grace stated that the reconciliation period is January 1, 2010 through December 31, 2010. *Id.*

Ms. Grace stated that the RA component for North Shore's S.C. No. 1 customers is a 0.07 cents per therm credit. Over the nine-month period beginning April 1, 2011, North Shore will refund \$64,310.43 to S.C. No. 1 customers. NSG Ex. 1.0 at 8; NSG Ex. 1.1.

Ms. Grace stated that the RA component for North Shore's S.C. No. 2 is a 0.22 cents per therm credit. Over the nine-month period beginning April 1, 2011, North Shore will refund \$115,059.05 to S.C. No. 2 customers. NSG Ex. 1.0 at 9; NSG Ex. 1.1.

Ms. Grace stated that the RA component for Peoples Gas' S.C. No. 1 customers is a 0.08 cents per therm credit. Over the nine-month period beginning April 1, 2011, Peoples Gas will refund \$274,014.60 to S.C. No. 1 customers. PGL Ex. 1.0 at 8; PGL Ex. 1.1.

Ms. Grace stated that the RA component for Peoples Gas' S.C. No. 2 is a 0.22 cents per therm credit. Over the nine-month period beginning April 1, 2011, Peoples Gas will refund \$783,597.67 to S.C. No. 2 customers. PGL Ex. 1.0 at 8-9; PGL Ex. 1.1.

In addition, the Utilities each filed with their Petitions data showing their rates of return ("ROR") and their returns on equity ("ROE") with and without Rider VBA. Those data are:

|                    | With Rider VBA |       | Without Rider VBA |       |
|--------------------|----------------|-------|-------------------|-------|
|                    | ROR            | ROE   | ROR               | ROE   |
| <b>North Shore</b> | 7.00%          | 8.30% | 7.33%             | 8.87% |
| <b>Peoples Gas</b> | 5.44%          | 6.14% | 5.38%             | 6.03% |

## B. Staff's Position

Staff witness Ms. Hathorn recommended that the Commission accept the Utilities' determinations of Reconciliation Adjustments for 2010 as shown on NSG Ex. 1.1, p. 2, and PGL Ex. 1.1, p.2, and include these sheets as appendices to the Order. Staff Ex. 1.0 at 2.

Ms. Hathorn also addressed the Utilities' rate of return data and presented the following comparisons:

| North Shore 2010 Results | Including Rider VBA | Excluding Rider VBA | Authorized per Order in Docket Nos. 09-0166/09-0167 (cons.) |
|--------------------------|---------------------|---------------------|---|
| ROR                      | 7.00%               | 7.33%               | 8.19%   |
| ROE                      | 8.3%                | 8.87%               | 10.33%  |

She stated that Rider VBA reduced North Shore's 2010 ROE and ROR by 0.57% and 0.33%, respectively. *Id.* at 3-4.

| Peoples Gas 2010 Results | Including Rider VBA | Excluding Rider VBA | Authorized per Order in Docket Nos. 09-0166/09-0167 (cons.) |
|--------------------------|---------------------|---------------------|---|
| ROR                      | 5.44%               | 5.38%               | 8.05%   |
| ROE                      | 6.14%               | 6.03%               | 10.23%  |

Additionally, Ms. Hathorn stated that Rider VBA increased Peoples Gas' 2010 ROE and ROR by 0.11% and 0.06%, respectively. *Id.* at 4.

## III. COMMISSION ANALYSIS AND CONCLUSION

## IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) North Shore Gas Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) The Peoples Gas Light and Coke Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (3) the Commission has jurisdiction over North Shore and Peoples Gas and of the subject matter of this proceeding;

- (4) the recitals of fact and the conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) North Shore and Peoples Gas each filed a reconciliation of rate case margin revenue and actual margin revenue under Rider VBA, Volume Balancing Adjustment, of its Schedule of Rates, for the period January 1, 2010, through December 31, 2010;
- (6) Staff recommended that the Commission accept the reconciliation adjustments presented by North Shore and Peoples Gas;
- (7) the RA components that each of North Shore and Peoples Gas implemented for the nine-month period beginning April 1, 2011, are uncontested;
- (8) North Shore's return on equity for 2010 including Rider VBA results was 8.30% and excluding Rider VBA results was 8.87%, and its rate of return for 2010 including Rider VBA was 7.00% and the rate of return excluding Rider VBA was 7.33%;
- (9) Peoples Gas' return on equity for 2010 including Rider VBA results was 6.14% and excluding Rider VBA results was 6.03%, and its rate of return for 2010 including Rider VBA was 5.44% and the rate of return excluding Rider VBA was 5.38%; and
- (10) all motions, petitions, objections or other matters in this proceeding which remain undisposed of should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED that, North Shore's and Peoples Gas' reconciliation statements and the Reconciliation Adjustments are approved, as shown in Appendix A (North Shore) and B (Peoples Gas);

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_.

(SIGNED) DOUGLAS P. SCOTT

CHAIRMAN

North Shore Gas Company  
Volume Balancing Adjustment  
Under Rider VBA  
Schedule of Rates, ILL C.C. No. 17

Determination of Reconciliation Adjustment for 2010

Annual Reconciliation Adjustment Effective April 1, 2011 - December 31, 2011

| Line No.                              | Service Classification No. 1    |                       | Service Classification No. 2    |                       | Total<br>[E]<br>[A] + [B] + [C] + [D] |
|---------------------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------------|
|                                       | [A]                             | [B]                   | [C]                             | [D]                   |                                       |
| <b>Reconciliation Adjustment 2010</b> |                                 |                       |                                 |                       |                                       |
|                                       | <b>Sales and Transportation</b> |                       | <b>Sales and Transportation</b> |                       |                                       |
| 1                                     | \$ 26,258,795.56                |                       | \$ 6,713,764.82                 |                       | \$ 32,972,560.38                      |
| 2                                     | \$ 25,632,615.39                |                       | \$ 7,603,288.70                 |                       | \$ 33,235,904.09                      |
| 3                                     | 146,348                         |                       | 13,319                          |                       |                                       |
| 4                                     | 149,538                         |                       | 13,508                          |                       |                                       |
| 5                                     | \$ 26,191,338.73                |                       | \$ 7,711,181.30                 |                       | \$ 33,902,520.03                      |
| 6                                     | 99%                             |                       | 99%                             |                       |                                       |
| 7                                     | \$ 66,782.26                    |                       | \$ (987,442.32)                 |                       | \$ (920,660.06)                       |
| 8                                     | \$ 139,293.44                   |                       | \$ (866,179.86)                 |                       | \$ (726,886.42)                       |
| 9                                     | \$ (72,511.18)                  |                       | \$ (121,262.46)                 |                       | \$ (193,773.64)                       |
|                                       | <b>Sales</b>                    | <b>Transportation</b> | <b>Sales</b>                    | <b>Transportation</b> |                                       |
| 10                                    | \$ 236,508.23                   | \$ (7,185.79)         | \$ 18,106.62                    | \$ 76,926.72          | \$ 324,355.78                         |
| 11                                    | \$ 229,215.69                   | \$ (8,413.95)         | \$ 16,726.72                    | \$ 71,530.78          | \$ 309,059.24                         |
| 12                                    | \$ 7,292.54                     | \$ 1,228.16           | \$ 1,379.90                     | \$ 5,395.94           | \$ 15,296.54                          |
| 13                                    | \$ -                            | \$ -                  | \$ -                            | \$ -                  | \$ -                                  |
| 14                                    | <b>Sales and Transportation</b> |                       | <b>Sales and Transportation</b> |                       |                                       |
| 14                                    | \$ (63,990.48)                  |                       | \$ (114,486.62)                 |                       | \$ (178,477.10)                       |
| 15                                    | 0.50%                           |                       | 0.50%                           |                       |                                       |
| 16                                    | \$ (319.95)                     |                       | \$ (572.43)                     |                       | \$ (892.38)                           |
| 17                                    | \$ (64,310.43)                  |                       | \$ (115,059.05)                 |                       | \$ (179,369.48)                       |
| 18                                    | 96,841,447                      |                       | 51,327,651                      |                       |                                       |
| 19                                    | (0.07) ¢                        |                       | (0.22) ¢                        |                       |                                       |

(1) Per final order of the Illinois Commerce Commission entered January 21, 2010 in Docket Nos. 09-0166/09-0167 (cons.). See page 3, Determination of Rate Case Margin (RCM), line 13, columns A and C.

(2) See page 4, Determination of Actual Margin (AM), line 13, columns A and C.

(3) See page 4, Determination of Actual Margin (AM), line 13, columns B and D.

(4) See page 3, Determination of Rate Case Margin (RCM), line 13, columns B and D.

(5) Pursuant to the order of the Illinois Commerce Commission entered January 21, 2010 in Docket Nos. 09-0166/09-0167 (cons.).

(6) Rider VBA revenues arising from the effective component billed March 2010 through February 2011.

(7) Per 2009 Rider VBA Reconciliation Statement, filed March 29, 2010, NSG Ex. 1.1, page 2, line 17 (Docket Nos. 10-0237/10-0238 (cons.)).

(8) Rider VBA revenues arising from the RA component billed.

(9) Not applicable based on Order entered March 9, 2011, in Docket Nos. 10-0237/10-0238 (cons.).

(10) RA<sub>2</sub> for Sales and Transportation combined since there are no longer separate adjustments for Sales and Transportation customers.

(11) Interest Rate established pursuant to order in Docket No. 10-0719 entered December 15, 2010.

The Peoples Gas Light and Coke Company

Volume Balancing Adjustment  
Under Rider VBA  
Schedule of Rates, ILL C.C. No. 28

Determination of Reconciliation Adjustment for 2010

Annual Reconciliation Adjustment Effective April 1, 2011 - December 31, 2011

| Line No.                              | Service Classification No. 1    |                       | Service Classification No. 2    |                       | Total                        |
|---------------------------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|------------------------------|
|                                       | [A]                             | [B]                   | [C]                             | [D]                   | [E]                          |
| <b>Reconciliation Adjustment 2010</b> |                                 |                       |                                 |                       |                              |
|                                       | <b>Sales and Transportation</b> |                       | <b>Sales and Transportation</b> |                       | <b>[A] + [B] + [C] + [D]</b> |
| 1                                     | \$ 150,209,024.70               |                       | \$ 98,425,248.35                |                       | \$ 248,634,273.05            |
| 2                                     | \$ 142,912,137.05               |                       | \$ 100,384,459.81               |                       | \$ 243,296,596.86            |
| 3                                     | 756,698                         |                       | 82,509                          |                       |                              |
| 4                                     | 769,043                         |                       | 83,914                          |                       |                              |
| 5                                     | \$ 145,243,648.87               |                       | \$ 102,093,851.10               |                       | \$ 247,337,499.97            |
| 6                                     | 98%                             |                       | 98%                             |                       |                              |
| 7                                     | \$ 4,866,068.31                 |                       | \$ (3,595,230.70)               |                       | \$ 1,270,837.61              |
| 8                                     | \$ 5,134,187.40                 |                       | \$ (2,822,989.48)               |                       | \$ 2,311,197.92              |
| 9                                     | \$ (268,119.09)                 |                       | \$ (772,241.22)                 |                       | \$ (1,040,360.31)            |
|                                       | <b>Sales</b>                    | <b>Transportation</b> | <b>Sales</b>                    | <b>Transportation</b> |                              |
| 10                                    | \$ 2,035,352.60                 | \$ (360,648.34)       | \$ 518,632.10                   | \$ 836,751.03         | \$ 3,030,087.39              |
| 11                                    | \$ 2,015,916.62                 | \$ (336,680.11)       | \$ 504,820.42                   | \$ 858,020.66         | \$ 3,042,077.59              |
| 12                                    | \$ 19,435.98                    | \$ (23,968.23)        | \$ 13,811.68                    | \$ (21,269.63)        | \$ (11,990.20)               |
| 13                                    | \$ -                            | \$ -                  | \$ -                            | \$ -                  | \$ -                         |
| 14                                    | <b>Sales and Transportation</b> |                       | <b>Sales and Transportation</b> |                       |                              |
|                                       | \$ (272,651.34)                 |                       | \$ (779,699.17)                 |                       | \$ (1,052,350.51)            |
| 15                                    | 0.50%                           |                       | 0.50%                           |                       |                              |
| 16                                    | \$ (1,363.26)                   |                       | \$ (3,898.50)                   |                       | \$ (5,261.76)                |
| 17                                    | \$ (274,014.60)                 |                       | \$ (783,597.67)                 |                       | \$ (1,057,612.27)            |
| 18                                    | 358,202,970                     |                       | 360,315,843                     |                       |                              |
| 19                                    | (0.08) ¢                        |                       | (0.22) ¢                        |                       |                              |

(1) Per final order of the Illinois Commerce Commission entered January 21, 2010 in Docket Nos. 09-0166/09-0167 (cons.). See page 3, Determination of Rate Case Margin (RCM), line 13, columns A and C.

(2) See page 4, Determination of Actual Margin (AM), line 13, columns A and C.

(3) See page 4, Determination of Actual Margin (AM), line 13, columns B and D.

(4) See page 3, Determination of Rate Case Margin (RCM), line 13, columns B and D.

(5) Pursuant to the order of the Illinois Commerce Commission entered January 21, 2010 in Docket Nos. 09-0166/09-0167 (cons.).

(6) Rider VBA revenues arising from the effective component billed March 2010 through February 2011.

(7) Per 2009 Rider VBA Reconciliation Statement, filed March 29, 2010, PGL Ex. 1.1, page 2, line 17 (Docket Nos. 10-0237/10-0238 (cons.)).

(8) Rider VBA revenues arising from the RA component billed.

(9) Not applicable based on Order entered March 9, 2011, in Docket Nos. 10-0237/10-0238 (cons.).

(10) RA<sub>2</sub> for Sales and Transportation combined since there are no longer separate adjustments for Sales and Transportation customers.

(11) Interest Rate established pursuant to order in Docket No. 10-0719 entered December 15, 2010.