

DIRECT TESTIMONY

of

**Dianna Hathhorn
Accountant**

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

**Petition to Determine the Accuracy of the Rider 26 (Uncollectible Expense
Adjustment) Reconciliation Statement**

Northern Illinois Gas Company d/b/a Nicor Gas Company

Docket No. 11-0604

November 29, 2011

TABLE OF CONTENTS

Witness Identification..... 1
Annual Reconciliation Adjustments.....2
Testimony Concerning Section 19-145(c).....3
Summary of Conclusions and Recommendations4

1 Witness Identification

2 Q. Please state your name and business address.

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

5

6 Q. By whom are you employed and in what capacity?

7 A. I am an Accountant in the Accounting Department of the Financial
8 Analysis Division of the Illinois Commerce Commission ("Commission").

9

10 Q. What is the function of the Accounting Department of the Commission?

11 A. The Accounting Department's function is to monitor the financial condition
12 of public utilities as part of the Commission's responsibilities under Article
13 IV of the Public Utilities Act ("Act") and to provide accounting expertise on
14 matters before the Commission.

15

16 Q. Please describe your background and professional affiliation.

17 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
18 from Illinois State University in 1993. Prior to joining the Commission
19 Staff ("Staff") in 1998, I worked as an internal auditor for another Illinois
20 state agency for approximately 3.5 years. I also have 1.5 years
21 experience in public accounting for a national firm.

22 Q. Have you previously testified before this Commission?

23 A. Yes, I have.

24

25 Q. What is the purpose of your testimony in this proceeding?

26 A. The purpose of my testimony is to report the results of my review of
27 Northern Illinois Gas Company's d/b/a Nicor Gas Company's ("Nicor" or
28 the "Company") first reconciliation of Rider 26, Uncollectible Expense
29 Adjustment ("Rider 26") revenues intended to be recovered through the
30 rider and what was actually recovered during the effective period of the
31 charges, sponsored by Company witness Malcolm J. Quick. (Nicor Gas
32 Ex. 1.0)

33

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

35 A. Yes. I prepared Schedule 1.1, which I describe below.

36

37 Annual Reconciliation Adjustments

38 Q. What is your recommendation regarding the Company's' proposed Annual
39 Reconciliation Adjustments?

40 A. I recommend the Commission accept the Company's Annual
41 Reconciliation Adjustments, as reflected on ICC Staff Ex. 1.0, Schedule
42 1.1, page 1, column (F).

43

44 Q. Please describe Schedule 1.1.

45 A. Schedule 1.1 is a three page schedule that presents the activity of Rider
46 26 during the period January 1, 2008 through December 31, 2009
47 (“Reconciliation period”). Column (B) of pages 2 and 3 reflect, by rate
48 class, the total uncollectible accounts expense amounts in Account 904;
49 column (C) reflects the uncollectible accounts expense amount recovered
50 in the Company’s base rates, and column (D) the amount intended to be
51 recovered or refunded through Rider 26. The actual revenues in column
52 (E) is compared to this amount to calculate each rate class’ (over) or
53 under collection in column (F).

54 The amounts from column (F) for each year carry forward to page 1 of
55 Schedule 1.1. Column (E) of page 1 reflects that I have no adjustments to
56 the Company’s reconciliation adjustment amounts.

57

58 Testimony Concerning Section 19-145(c)

59 Q. Have you reviewed the Company’s testimony concerning Section 19-
60 145(c) of the Act?

61 A. Yes. Company witness David A. Lukowicz testifies concerning the
62 Company’s response to the Act’s requirement that a utility with a tariff
63 authorized by Section 19-145 pursue minimization of and collection of
64 uncollectibles through a list of six activities. (Nicor Gas Ex. 2.0, pp. 2-3) In
65 discovery, the Company provided additional information on this
66 requirement. I recommend the Company enter its responses to Staff Data

67 Requests ("DR") DLH-3.01 through DLH-3.07 into the evidentiary record in
68 this proceeding.

69

70 Summary of Conclusions and Recommendations

71 Q. Please summarize your recommendation.

72 A. I recommend the Commission accept the Reconciliation adjustments for
73 the Reconciliation period, as reflected on Schedule 1.1, page 1, column
74 (F). The reconciliation reflects over collections of \$548,890.92 and
75 \$104,075.30 for 2008 and 2009, respectively, in charges collected from
76 the Company's uncollectible expense factors pursuant to Rider 26. These
77 amounts will be refunded or collected over the 9-month period beginning
78 September 1, 2011 by rate class by the amounts reflected on the
79 Company's Ex. 1.1, page 2, line 2. I also recommend the Company enter
80 its responses to Staff DRs DLH-3.01 through DLH-3.07 into the
81 evidentiary record in this proceeding.

82

83 Q. Does this conclude your prepared direct testimony?

84 A. Yes, it does.

Northern Illinois Gas Company d/b/a Nicor Gas Company
 Summary of Uncollectible Expense Reconciliation Adjustments
 For the Years January 1, 2008 through December 31, 2009
 (In Dollars)

| Line No. | Rate Class (A) | 2008 Reconciliation Adjustment (Over)/Under Collection (B) | 2009 Reconciliation Adjustment (Over)/Under Collection (C) | Total Reconciliation Adjustments per Company (Over)/Under (D) | Staff Adjustments (E) | Total Reconciliation Adjustments per Staff (Over)/Under (F) |
|----------|----------------|--|--|---|-----------------------|---|
| 1 | IDUF-R | \$ (23,290) | \$ (102,447) | \$ (125,737) | \$ - | \$ (125,737) |
| 2 | ISUF-R | \$ (491,498) | \$ (1,837) | \$ (493,334) | \$ - | \$ (493,334) |
| 3 | IDUF-NR | \$ 20,871 | \$ 4,823 | \$ 25,694 | \$ - | \$ 25,694 |
| 4 | ISUF-NR | <u>\$ (54,974)</u> | <u>\$ (4,616)</u> | <u>\$ (59,590)</u> | <u>\$ -</u> | <u>\$ (59,590)</u> |
| 5 | Total 2008 | <u><u>\$ (548,891)</u></u> | <u><u>\$ (104,076)</u></u> | <u><u>\$ (652,967)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ (652,967)</u></u> |

Sources:

Col. (B): Schedule 1.1, p. 2, Col. (F)

Col. (C): Schedule 1.1, p. 3, Col. (F)

Col. (D): Col. (B) + Col. (C). Agrees to Nicor Gas Ex 1.1, p. 4, col. "2008/2009 Reconciliation"

Col. (E): Staff Testimony

Col. (F): Col. (D) + Col. (E)

Northern Illinois Gas Company d/b/a Nicor Gas Company
 Uncollectible Expense Reconciliation Adjustment
 For the Year January 1, 2008 through December 31, 2008
 (In Dollars)

| Line No. | Rate Class (A) | Account 904 Total (B) | Amount in Base Rates (C) | Intended Rider 26 Amount (Refund)/Charges (D) | Actual Revenues (E) | Reconciliation Adjustment (Over)/Under Collection (F) |
|----------|----------------|-----------------------------|-----------------------------|---|-----------------------------|---|
| 1 | IDUF-R | \$ 19,782,596 | \$ 10,787,757 | \$ 8,994,839 | \$ 9,018,129 | \$ (23,290) |
| 2 | ISUF-R | \$ 39,553,324 | \$ 21,569,043 | \$ 17,984,281 | \$ 18,475,779 | \$ (491,498) |
| 3 | IDUF-NR | \$ 3,768,113 | \$ 2,054,811 | \$ 1,713,303 | \$ 1,692,432 | \$ 20,871 |
| 4 | ISUF-NR | <u>\$ 7,533,967</u> | <u>\$ 4,108,389</u> | <u>\$ 3,425,577</u> | <u>\$ 3,480,551</u> | <u>\$ (54,974)</u> |
| 5 | Total 2008 | <u><u>\$ 70,638,000</u></u> | <u><u>\$ 38,520,000</u></u> | <u><u>\$ 32,118,000</u></u> | <u><u>\$ 32,666,891</u></u> | <u><u>\$ (548,891)</u></u> |

Sources:

- Col. (B): Account 904 Total \$70,638,000 allocated to delivery or supply and residential or non-residential allocation factors
- Col. (C): Base Amount Total \$38,520,000 per tariff allocated to delivery or supply and residential or non-residential allocation factors
- Col. (D): Col. (B) - Col. (C). Agrees to Nicor Gas Ex 1.1, p. 4, col. "Intended"
- Col. (E): Nicor Gas Ex. 1.1, p. 4, col. "Actual"
- Col. (F): Col. (D) - Col. (E). Agrees to Nicor Gas Ex 1.1, p. 4, col. "Variance"

Northern Illinois Gas Company d/b/a Nicor Gas Company
 Uncollectible Expense Reconciliation Adjustment
 For the Year January 1, 2009 through December 31, 2009
 (In Dollars)

| Line No. | Rate Class (A) | Account 904 Total (B) | Amount in Base Rates (C) | Intended Rider 26 Amount (Refund)/Charges (D) | Actual Revenues (E) | Reconciliation Adjustment (Over)/Under Collection (F) |
|----------|----------------|-----------------------|--------------------------|---|---------------------|---|
| 1 | IDUF-R | \$ 14,479,418 | \$ 14,581,865 | \$ (102,447) | \$ - | \$ (102,447) |
| 2 | ISUF-R | \$ 30,669,999 | \$ 30,887,000 | \$ (217,001) | \$ (215,165) | \$ (1,837) |
| 3 | IDUF-NR | \$ 2,571,239 | \$ 2,589,432 | \$ (18,192) | \$ (23,016) | \$ 4,823 |
| 4 | ISUF-NR | <u>\$ 5,446,345</u> | <u>\$ 5,484,879</u> | <u>\$ (38,535)</u> | <u>\$ (33,919)</u> | <u>\$ (4,616)</u> |
| 5 | Total 2008 | <u>\$ 53,167,000</u> | <u>\$ 53,543,176</u> | <u>\$ (376,176)</u> | <u>\$ (272,100)</u> | <u>\$ (104,076)</u> |

Sources:

- Col. (B): Account 904 Total \$53,167,000 allocated to delivery or supply and residential or non-residential allocation factors
- Col. (C): Base Amount Total \$53,543,176 per tariff allocated to delivery or supply and residential or non-residential allocation factors
- Col. (D): Col. (B) - Col. (C). Agrees to Nicor Gas Ex 1.1, p. 4, col. "Intended"
- Col. (E): Nicor Gas Ex. 1.1, p. 4, col. "Actual"
- Col. (F): Col. (D) - Col. (E). Agrees to Nicor Gas Ex 1.1, p. 4, col. "Variance"