STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

NORTH SHORE GAS COMPANY	**)**	
	)	**Docket 11-0280**
Proposed general increase in natural gas rates.	**)**	
(tariffs filed February 15, 2011)	**)**	**and**
	)	
THE PEOPLES GAS LIGHT AND COKE	**)**	**Docket 11-0281**
COMPANY	**)**	**Consol.**
	)	
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REPLY BRIEF ON EXCEPTIONS OF THE CITY OF CHICAGO
AND THE CITIZENS UTILITY BOARD

November 30, 2011

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REPLY BRIEF ON EXCEPTIONS OF THE CITIZENS UTILITY BOARD AND THE CITY OF CHICAGO

NOW COME, the Citizens Utility Board ("CUB"), through its attorneys, and the City of Chicago by Stephen Patton, Corporation Counsel, ("CUB-City"), pursuant to section 200.830 of the Rules ("Rules") of Practice of the Illinois Commerce Commission (the "Commission" or "ICC"), 83 Ill. Admin. Code § 200.830, hereby file their Reply Brief on Exceptions responding to the arguments made by North Shore Gas Company ("North Shore" or "NS") and the Peoples Gas Light and Coke Company ("Peoples" or "PGL"), (collectively "NS-PGL," "Utilities" or the "Companies") in their Brief on Exceptions to the Administrative Law Judges' ("ALJs") Proposed Order ("PO") regarding the proposed general increase in natural gas rates.

I. INTRODUCTION

The Companies overwhelmingly focus their efforts in their Brief on Exceptions on the Proposed Order's conclusions regarding the appropriate cost of equity of the Companies for the 2012 test year. The Commission, however, should ignore the ill-cited references, misconstrued legal and policy arguments, and rhetoric the Companies use in an effort to grasp at a higher return on equity that this record supports. CUB-City address the Companies' various arguments below, and demonstrate that the Proposed Order's conclusions correctly apply the governing Illinois law to the facts of record before the Commission to derive a fair and equitable return for the Companies that will allow them to continue to provide safe and reliable service, and access to the capital markets. The Companies' challenges to the reasoning and findings of the Proposed Order are unpersuasive and unsupported by the record. Thus, the Proposed Order's cost of equity determination should either be reduced for the reasons explained in City-CUB's Brief on Exceptions or be adopted without increase.

Furthermore, the Companies' arguments regarding the Proposed Order's disallowance of portions of the Companies' incentive compensation expense should be ignored, as they are unpersuasive and ignore the reality that incentives in the plans are tied to shareholder earnings. These costs were properly disallowed as benefiting shareholders rather than ratepayers.

CUB-City again adopt the Reply Brief on Exceptions of the People of the State of Illinois with respect to Rider VBA and Rate Design.

V. OPERATING ISSUES

C. Contested Issues

1.a. Executive Incentive Compensation Plan

The Companies take exception to the Proposed Order's proper finding that 70% of the Executive Incentive Compensation Plan should be disallowed because it is related to an Earnings Per Share ("EPS") metric for which the Company did not demonstrate the ratepayer benefit as required by the Commission in prior cases. NS-PGL BOE at 44, PO at 52-53. That requirement, articulated numerous times by the Commission, including in the Companies' last rate case, is that incentive compensation costs are recoverable in rates only if the plan confers upon ratepayers specific dollar savings or if the utility demonstrates other tangible benefits to ratepayers. ICC Docket No. 09-0166/09-0167 (cons.), Final Order (January 21, 2010) at 58. The Proposed Order correctly finds that Executive Incentive Plan fails to meet that standard. Goals associated with EPS targets have been expressly disallowed by the Commission in the past. ICC Docket No. 06-0070 (cons), Final Order (November 21, 2006) at 72. The Commission's standard requiring ratepayer benefit for recovery of incentive compensation was recently upheld by the Illinois Appellate Court in *Commonwealth Edison Co. v. Illinois Commerce Comm'n.* That decision which also required that, in order to be recoverable, a cost must not only be reasonable and prudent, but also related to operations or service delivery. 398 Ill. App. 3d 510, 516 (2nd Dist. 2009), *reh. den.* April 6, 2010. As Mr. Effron explained, metrics in the plan include higher earnings and higher returns on equity – both achieved by raising rates. GCI Ex. 2.0 at 15. Recovery of these costs would amount to requiring ratepayers to reward utility management for successfully raising their rates. GCI Ex. 7.0 at 11. The Commission should adopt the Proposed Order's finding and should disallow recovery of the 70% of the Executive Plan that relates to EPS.

Omnibus Incentive Compensation Plan

The Companies chose not to file an exception to the Proposed Order's decision to disallow 100% of costs associated with the Omnibus Incentive Compensation Plan, which was considered and rejected by the Commission in the Companies' 2009 rate cases and which has remained unchanged since then. This plan benefits shareholders and not customers, and the Commission should adopt the Proposed Order's finding, which is consistent with the treatment of these costs in prior rate cases.

CUB-City's failure to address other incentive compensation adjustments should not be interpreted as agreement that those costs should be recoverable from ratepayers.

VI. RATE OF RETURN

E. Cost of Common Equity

Introduction

Having failed previously to provide adequate evidence or persuasive arguments to support their return on equity ("ROE") recommendation, the Companies now pursue a series of new strategies to support various cost of equity figures that are lower than their original proposal, but higher than the 8.85% the Proposed Order found appropriate. Specifically, the Companies (a) argue, contrary to established Illinois law, for an unlawful *res judicata* effect for the Commission's past cost of equity determinations (which, of course, are more favorable to the Companies), (b) assert a false equivalence between the exercise of expert judgment in model analyses and a subjective manipulation of model results, and (c) offer alternative cost of equity estimates, derived by cobbling together selected pieces of various estimation analyses. The Companies also continue to defend their outlier recommended 10.85% cost of equity proposal. Each of these approaches lacks adequate record support and coherent logic.

a. The Companies Ask the Commission to Give Its Past ROE Determinations an Unlawful Res Judicata Effect

The Companies assert:

> [W]hen evidence in the record supports the same result as a past Commission decision, then the evidence, the law, and the value of consistent regulation require due consideration of that past decision. A variance from the past decision requires a valid basis and an explanation.

NS-PGL BOE at 2. To this the utilities add that "If the Commission follows its decisions in the

Utilities' last two rate cases and rejects the ROE adjustments proposed by the Utilities' ROE witness, then the Commission should authorize an ROE no lower than 10.24% . . . ." NS-PGL BOE at 6.

These arguments present no obstacle to the Proposed Order's recommended cost of equity determination. Moreover, as shown later in this brief, the derivations of the Companies' proposed alternative cost of equity findings are themselves flawed. A valid evidentiary basis and an explanation of the Commission's reasoning are required as to every Commission decision, whether it is the same as or is different from a past decision. *See* 220 ILCS 5/10-201(e)(iii). But the Companies ask for something more -- effectively, a presumption in favor of past decisions that is akin to *res judicata*.

According to the Companies, "[t]he evidence in this case provides no basis for the Commission to depart from its prior decisions on the above subjects." *Id.* That, however, is an improper standard for Commission decision making. Illinois courts have confirmed repeatedly that Commission decisions are not *res judicata*, and the PUA expressly requires that each decision "shall be based exclusively on the record for decision in the case." *Mississippi River Fuel Corp. v. Illinois Commerce Com.*, 1 Ill. 2d 509, 513 (1953); 220 ILCS 5/10-103. In its *Mississippi River Fuel* decision, the Illinois Supreme Court said: "The concept of public regulation includes of necessity the philosophy that the [C]ommission shall have power to deal freely with each situation as it comes before it, regardless of how it may have dealt with a similar or even the same situation in a previous proceeding." *Mississippi River Fuel Corp. v. Illinois Commerce Com.*, 1 Ill. 2d 509, 513 (1953). Contrary to the Companies' argument, the Commission cannot lawfully begin its analysis with a presumption that the return the Companies received in their last rate case is the minimum to which they are entitled.

In an attempt to justify their requested disregard of the PUA mandate to decide this case "exclusively on the record for decision in the case" (220 ILCS 5/10-103), the Companies also ascribe speculative benefits to the Commission's prior cost of equity determinations. Among other things, the Companies argue that they "are in solid financial shape," a condition they attribute "in large part to this Commission's supportive decisions in each of their last two rate cases." NS-PGL BOE at 7; *contrast* NS-PGL Ex. 1.0 at 9:195-199 (testimony supporting an increased ROE). As support, the Companies assert that when they recently sought financing in the capital markets they "were only able to obtain capital at reasonable cost due to their financial strength and relatively strong credit ratings." NS-PGL BOE at 12-13, *citing* NS-PGL Ex. 20.0 at 10:196-211; NS-PGL Ex. 18.0, 3:56-59. However, that bold statement is not supported by the cited testimony, which states only that the Companies did access capital markets in the last three years (NS-PGL Ex. 18.0 at 3:56) and that "the outset of the global financial crisis" was about three years ago (NS-PGL Ex. 20.0 at 10:203). A more plausible explanation for the Companies' access -- an explanation that does have record support -- is "the well-known 'flight to quality'" during periods of stress in financial markets. *See* Staff Ex. 5.0 at 36:712; Staff Init. Br. at 72, 87. In other words, as Staff witness McNally testified, during periods when capital is scarce, investors switch from speculative investments to safer ones, such as regulated public utilities. Staff Ex. 5.0 at 35-36: 710-712.

The Companies argue in addition that their "financial strength benefits customers by keeping the Utilities' capital costs recovered through rates low." NS-PGL BOE at 7. The Companies make this assertion without any attempt to demonstrate that rates based on higher equity returns (with assumed lower costs of capital) are actually less costly to ratepayers than rates reflecting a lower return (with occasional higher cost financing). Even though the

Companies assert that "they will be put in line for downgrades of their credit ratings" (*id*. at 10), the significance of that speculation is not shown in the record. The Companies presented no evidence to demonstrate that rates that include a higher return to protect credit ratings constitute the least cost means to provide service. On this (and all other-rate setting issues) the Companies have the burden of proof. 220 ILCS 5/9-201(c). The Proposed Order correctly finds that they have not proved their assertions in this regard.

In this same connection, the Companies observe that "GCI agrees that customers have an interest in preventing unnecessary increases in the utility's capital costs, and that maintaining the utility's financial strength and credit ratings are ways to do so." NS-PGL BOE at 12. However, the Companies have not shown that a return on equity of nearly 11% is the only way to accomplish that shared objective. In fact, there is record testimony that the Companies' credit ratings would improve if the negative effect of their association with the unregulated activities of Integrys were removed. Staff Ex. 4.0 at 7-8:122-130.

At page 11 of their Brief on Exceptions, the Companies present a graph that purports to show that the Proposed Order's recommended cost of equity is "far below any return that the financial markets would expect based on recent natural gas utility returns and expected returns in 2012." Aside from the irrelevance of other utilities' returns to the record-based decision mandated by statute (*see* PO at 133-134), there is another infirmity in the Companies' argument. Specifically, their argument assumes that the financial markets pay more attention to "what the other guy got" than to the riskiness of the enterprise under consideration. But the Companies' expert, Mr. Moul, testified that the equity markets behave in an economically rational way (Aug 31, 2011 Tr. at 432-433), meaning that the Companies' misdirected focus on " what the other guy got" -- independent of risk assessments of the Companies themselves -- is not how the market defines required returns. Similarly, the Companies argue that investors seek regulation that is "fair, with a significant degree of predictability." NS-PGL BOE at 13, *quoting* NS-PGL Ex. 20.0 at 9:186-188. However, such expectations (assuming, *arguendo*, their relevance) do not mean returns should never decline. The Commission's decisions are fair and predictable if they can be relied on to reflect the relevant record evidence. If returns do not go down when the evidence indicates they should, there can be no expectation of fairness and predictability leading to an increase when the evidence indicates returns should decrease.

b. The Companies Incorrectly Assert that Analytical Judgment on Model Inputs and Post Hoc Modifications to Model Results Are Equivalent

The Companies defend Mr. Moul's after-the-fact modifications of model results by arguing that such subjective exercises are no worse than the judgment used in financial model analyses. The Companies allege that because cost of equity experts must choose the inputs to cost of equity estimation models, "the models are also highly subjective and amenable to manipulation." NS-PGL BOE at 5. That allegation is firmly at odds with the Commission's regular reliance on such model analyses as an alternative to methods it deems unduly subjective. *See, e.g., Re North Shore Gas*, Dockets 07-0241/07-0242 (cons.) Order, at 93-94 (Feb. 5, 2008). And the Companies cite no testimony to support their contrary conclusion. In any event, this argument directly contravenes the Companies' own cost of equity analyses, which relied on these very accepted financial models to derive the result that Mr. Moul then inflated with his *post hoc* manipulations.

The Companies build on that unsupported foundation in arguing that "the Commission has recognized that it cannot rely exclusively on the mathematical models, but must also consider other information that provides a context for the model results -- in other words, information that is relied on by actual investors, which of course includes the returns authorized for other utilities by this Commission and others." NS-PGL BOE at 5. However, as the Proposed Order recognized, there is a significant difference between an analyst's exercise of expert judgment in the choice of <u>inputs</u> to a financial model and Mr. Moul's additional subjective adjustments to the <u>outputs</u> of the model based on his subjective impressions of "market sentiment," "common sense," and "what is being done in the regulatory arena generally." Aug 31, 2011 Tr. at 431, 441. Mr. Moul's *post hoc* adjustments implicitly reject the Commission's determination that the market most reliably defines the Companies' cost of equity, and his adjustments cannot be validated by reference to the record or to any industry accepted economic or financial theory. See City-CUB Init. Br. at 31-34.

c. The Companies' Alternative Cost of Equity Estimates Lack Any Sound Evidentiary Basis

In a belated acknowledgment that its original cost of equity estimates cannot be sustained, the Companies offer the Commission a slate of new cost of equity estimates. NS-PGL BOE at 40-41. The Companies derived these estimates using selected pieces of various analyses in the record. They articulate no record-supported basis for the particular combinations of pieces they offer, but what is clear is that these cobbled-together combinations yield higher returns than the Proposed Order recommends, while backing away from the outlier recommendation of Mr. Moul's testimony.

One alternative relies on cost of equity estimates for Mr. Moul's riskier proxy group (the Combination Group), which includes utilities engaged in businesses with operational and business risks different from those of the Companies. NS-PGL BOE at 40; Corr. CUB-City Init. Br. at 38-39. The Companies combine that improper estimate with the results of a risk premium cost of equity estimation method that the Commission has regularly rejected as too subjective. NS-PGL BOE at 40; Corr. CUB-City Init. Br. at 48.

In devising another alternative, the Companies implicitly acknowledge that the Commission has previously rejected "Mr. Moul's leverage adjustment to his DCF and CAPM results and his size adjustment to his CAPM result." They now propose that the Commission remove the effects of those adjustments and approve a return of at least 10.24%. NS-PGL BOE at 40. However, the Companies' corrections to the analyses offered in Mr. Moul's testimony are selective and incomplete. The Companies' proposed alternative still reflects Mr. Moul's Risk Premium estimate, his use of his Combination Group as a proxy group, despite its dissimilar risk, and his CAPM result, which is based on flawed beta and market risk premium inputs. *See* City-CUB Init. Br. at 46-48. That selectivity was avoided in Mr. Thomas' more complete set of adjustments. Mr. Thomas' corrections were based on past Commission orders, and his analysis yielded a result supportive of the Proposed Order's recommendation. Also, without explanation, this utility alternative completely ignores the analyses of other experts in this case, analyses that the Proposed Order found reliable in its cost of equity determination.

d. The Companies Offer Nothing New in Their Defense of Mr. Moul's Original Cost of Equity Estimates

The Companies focus most of their criticism on the Proposed Order's adoption of Staff's recommendation. However, because Staff's recommendation "is, essentially, replicated by the recommendation of GCI's expert witness" (PO at 136), GCI responds to certain of the Companies' arguments that may be construed to apply to GCI's analyses. (As to certain other criticisms, GCI's distinct analyses and results are untouched by the Companies' arguments.)

To defend Mr. Moul's original, outlier recommendation, the Companies extend their campaign to redefine the proper bases of a cost of equity determination. They argue that the Commission must examine the reading habits of investors, looking at anything "relied on by actual investors," including "returns authorized for other utilities by this Commission and others," even though the Commission has repeatedly found such bare numbers do not meet applicable criteria of relevance. NS-PGL BOE at 5, *see also In re Commonwealth Edison Company*, ICC Docket 05-0597, Order at 154 (July 26, 2006) ("[A utility] may not simply adopt the cost of equity set for other utilities scattered around the country, for which the facts and circumstances are not necessarily similar."). The Commission should instead continue its practice of relying on results of the combined effects of the <u>actions</u> of all investors, as reflected in objective market data.

Notwithstanding the Companies' suggestion, GCI do not view their results from the financial models traditionally relied upon by the Commission as "the only reliable measures of the Utilities cost of capital for the test year" or "all-knowing" or "the only things the Commission should consider." NS-PGL BOE at 20-21. It is also unlikely that Staff or the Commission accept the Companies' extreme characterizations of Staff's wholly appropriate preference for the results of industry-vetted models using objective market data inputs, over subjective modifications of model results that cannot be validated by any industry accepted method. *See* City-CUB Init. Br. at 33-34.

The Companies accuse the Proposed Order of failing to consider whether the model results are "generally consistent with real world conditions." NS-PGL BOE at 21. Actually, the results are simply incompatible with the Companies' preferred characterization of market conditions. To the Companies, real world conditions are defined mainly by comparisons to unexamined equity returns of other utilities, many of which are more risky than the Companies, and Mr. Moul's subjective impressions of "market sentiment." *See* City-CUB Init. Br. at 34-37; Aug 31, 2011 tr. at 431, 441-442. The Proposed Order correctly rejected such speculative and irrelevant information as reflecting "real world conditions."

In fact, both City-CUB's and Staff's experts assessed the result of their analyses in the context of real world conditions. City-CUB expert Thomas analyzed how investors are likely to view an investment like NS-PGL. He found that current market conditions are leading investors to correctly perceive public utilities as less risky investments than other investments, meaning that companies like NS and PGL would have to earn a lower ROE. City-CUB Init. Br. at 3; GCI Ex. 5.0 at 31-32:686-711. Staff expert McNally's perspective on real world conditions was similar, and it also addressed the Companies' related false complaint that the decline in recommended returns for the Companies was unexplained:

> Further, as Mr. McNally pointed out, given the context of the current interest rate environment, with interest rates at the lowest they have been in 20 years, Mr. McNally's cost of common equity estimate is what a rational investor would expect. Finally, given the return authorized for the Companies in their last rate case and the approximately 115 basis point reduction both Mr. McNally and Mr. Moul estimated in the Companies' costs of common equity since that case, Mr. McNally's recommendation does "make common sense." In fact, given the above facts, it is Mr. Moul's 10.85% recommendation that is clearly inconsistent with the current market environment.

Staff Init. Br. at 69-70 (internal citations omitted).

The Companies assert that because cost of equity determinations are more art than science, the results of the Commission's traditional financial models should be subordinated to subjective views of whether the results "diverge from reality." NS-PGL BOE at 21-22. This argument simply re-packages the Companies' earlier argument for conforming any analysis to its preferred view of the financial markets or its expert's subjective impressions of "market sentiment." Next, the Companies distort Staff's testimony to make the astonishing argument that, because their return comparisons used a broad sample of other utilities' ROEs, "the measurement errors and inefficiencies cancel each other out, and the collective result is reliable."

NS-PGL BOE at 24-25. It is patently absurd to assert that the use of any sample, regardless of the characteristics of the data, will produce a reliable result. Only a sample of relevant data points of like variables are apt to have that effect. The Companies' expert had to acknowledge this fact when the risk and circumstances of the eight companies of his proxy group were juxtaposed with those on the comparison lists of the Companies' witnesses. *See* City-CUB Init. Br. at 35-36 (and testimony cited therein).

Finally, the Companies claim, as proof that the Proposed Order adopts an inappropriate cost of equity estimate, "the fact that the Commission has in each of the Utilities' last two rate cases authorized returns significantly higher than Staff's model results." NS-PGL BOE at 25. That makes as much sense as concluding that a scale is broken because it recorded an actual weight decrease. The Companies devote nearly as much time touting the models and results of past years and past rate cases as they do defending the evidence in this case. Notwithstanding the Companies' apparent preference for looking backward, the law requires that the Commission (a) act exclusively on the record before it in this case and (b) determine the cost of equity and set just and reasonable rates for the 2012 future test year chosen by the Companies.

The Companies also argue that Staff's recommendation is invalid because Staff relied on historical data. GCI's Mr. Thomas' analysis, however, began with the Companies' own analyses, modifying the results only to remove the effects of adjustments that the Commission has regularly rejected or that the law does not permit. Thus, it does not have the deficiencies the Companies allege are unique (in this record) to the Staff analysis. The resulting GCI recommended range encompasses the Staff result, but it does not include the Companies' outlier recommendation.

DCF. The Companies repeat their assertion that the DCF model is ill-suited to the current market environment. This allegation was put to rest long ago. In fact, the opposite is true and any adjustments that rely on that supposition are unwarranted. In a low-growth environment, most of a stock's cash flow value comes from the stock's dividends, rather than in undistributed stock price appreciation. In such circumstances, the explicit terms of the DCF formula that are based on observable stock prices capture more of the expected growth, making the estimate less vulnerable to more subjective growth inputs. GCI Ex. 5.0 at 21-22:478-485; *also* City-CUB Init. Br. at 44-45.

Risk Premium. As to their own analyses, the Companies argue first that the Commission should consider Mr. Moul's Risk Premium analysis. In their plea for the Commission to reconsider its policy rejecting the use of risk premium model results, the Companies do not argue that the Risk Premium analysis has been improved or that it offers anything unique and reliable. Conceding the validity of the Commission's conclusion that the risk premium method is too subjective, the Companies argue only that its subjective judgments do not distinguish it from other models -- which the Commission has found significantly less subjective. (The reference to recent legislation, which contained a bargained-for premium, does not aid the Companies' argument.)

CAPM. The Companies make two distinct arguments for consideration of Mr. Moul's CAPM result. First, they defend Mr. Moul's exclusive use of the single highest beta estimate in his model, based on its alleged unique transparency. NS-PGL BOE at 34. However, Mr. Moul does not allege that the other estimates, even if less transparent, are demonstrably less accurate. In all circumstances other than the beta estimate, Mr. Moul, along with the other experts in this case, favors the use of multiple sources rather than one.

Second, the Companies argue that use of the well-known Value Line beta is appropriate because "the object of the exercise is to determine the investor required return" and "investors rely on Value Line betas." NS-PGL BOE at 35. In fact, the Commission's objective is to determine the market-required return -- not subjective individual requirements that depend on what investors saw. The market-required return reflects the demands of all investors, including even investors who do not consult arcane beta estimates, or possibly any data at all. The Companies go so far as to suggest that it does not matter whether the estimates of beta (the relative risk underlying the Commission's risk-based return determination) are accurate, as long as investors rely on them. *Id*. This implicit acknowledgement that Value Line beta estimates are potentially unreliable determinates of risk further undermines Mr. Moul's reliance on them.

<u>Adjustments</u>. Finally, the Companies try to defend Mr. Moul's numerous adjustments to the results of his analyses. The Companies argue that without Mr. Moul's leverage adjustment, "the utility cannot earn its authorized return." That is untrue. A utility's return is based on the investment in the utility that is used to provide service. 220 ILCS 5/9-211. The prices paid in secondary market transactions among investors, where the amount invested in the utility is unaffected, do not directly affect either the amount invested in the utility or its return level.

The Companies assert that Mr. Moul's adjustment in this case is unlike all the other leverage adjustments the Commission has rejected. However, the Companies do not dispute the mathematical equivalence of Mr. Moul's leverage adjustment in this case to those the Commission has rejected in the past – that is, a leverage adjustment that allows a utility to earn on more investment than is actually invested in its rate base providing service. This is an equivalence the Commission understands: "Market value is not utilized in this calculation because it typically includes appreciated value (as reflected in its stock price) above the Utilities' actual capital investments." *In re North Shore Gas*, Dockets 07-0241/07-0242 (cons.) Order at

96 (Feb. 5, 2008). Authorization of a return on more than the amount actually used and useful in providing regulated service to customers would be unlawful. 220 ILCS 5/9-211.

The reasons for rejection of the size adjustment proposed by Mr. Moul are adequately addressed in the Proposed Order. No further discussion is required here. The record support was detailed in City-CUB's Initial Brief at 45-46.

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The Companies' challenges to the reasoning and findings of the Proposed Order are unpersuasive and unsupported by the record. The Proposed Order's cost of equity determination should either be reduced for the reasons explained in City-CUB's Brief on Exceptions or be adopted without increase.

VIII. RIDERS – NON-TRANSPORTATION

B. Rider VBA

CUB and the City adopt the Reply Brief on Exceptions of the Attorney General on behalf of the People of the State of Illinois with respect to Rider VBA.

X. RATE DESIGN

CUB and the City adopt the Reply Brief on Exceptions of the Attorney General on behalf of the People of the State of Illinois with respect to Rate Design.

Dated: November 30, 2011

Respectfully submitted,

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