

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

NORTH SHORE GAS COMPANY	:	
	:	
Proposed General Increase In Rates For Gas Service.	:	No. 12-0511
	:	and
THE PEOPLES GAS LIGHT AND COKE COMPANY	:	No. 12-0512
	:	Consol.
	:	
Proposed General Increase In Rates For Gas Service.	:	

Supplemental Direct Testimony of

LISA J. GAST

Manager
Financial Planning and Analysis
Integrys Business Support, LLC

On Behalf of
North Shore Gas Company
The Peoples Gas Light and Coke Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Witness Introduction**

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

4 A. My name is Lisa J. Gast. My business address is Integrys Energy Group, Inc.
5 (“Integrys”), 700 North Adams Street, P.O. Box 19001, Green Bay, WI 54307-9001.

6 **Q. Are you the same Lisa J. Gast who submitted direct testimony on behalf of The**
7 **Peoples Gas Light and Coke Company (“Peoples Gas”) and North Shore Gas**
8 **Company (“North Shore”) (together, “the Utilities”) in these consolidated dockets?**

9 A. Yes.

10 **B. Purpose of Supplemental Direct Testimony**

11 **Q. What is the purpose of your supplemental direct testimony in this proceeding?**

12 A. The purpose of my supplemental direct testimony is to present updated capital structure
13 and cost of capital schedules for each Utility to reflect financing adjustments that result
14 from the adjustments related to (1) for Peoples Gas only, costs associated with the
15 Accelerated Main Replacement Program and Chicago Department of Transportation
16 (“CDOT”) regulation and (2) for Peoples Gas and North Shore, rate case expenses and
17 costs associated with the cross bores program. The costs leading to these adjustments are
18 discussed by other of the Utilities’ witnesses.

19 **Q. How do the changes you have identified impact the Utilities’ capital structures and**
20 **costs of capital?**

21 A. Changes to income statement and balance sheet accounts result in corresponding changes
22 to equity capital and short-term debt. These changes in turn result in equity ratios that

23 diverge from the 50% target equity ratio. In order to adjust each Utility's equity balance
24 to achieve a 50% equity ratio, adjustments were made to forecasted dividends. In
25 addition, although the forecasted interest rates have not changed, changes in forecasted
26 monthly short-term debt balances result in an updated weighted cost of short-term debt.

27 **C. Summary of Conclusions**

28 **Q. Please summarize the conclusions of your supplemental direct testimony.**

29 A. As shown in Revised Schedule D-1 Cost of Capital Summary (NS-PGL Ex. 17.1P)
30 Peoples Gas calculates an updated cost of capital and rate of return on rate base for the
31 2013 test year of 7.49%, which reflects a capital structure consisting of 50.27% common
32 equity, 43.54% long-term debt and 6.19% short-term debt, a cost of equity of 10.75%, an
33 embedded cost of long-term debt of 4.58% and an embedded cost of short-term debt of
34 1.61%.

35 As shown in Revised Schedule D-1 Cost of Capital Summary (NS-PGL Ex. 17.1N) North
36 Shore calculates an updated cost of capital and rate of return on rate base for the 2013 test
37 year of 7.66%, which reflects a capital structure consisting of 50.42% common equity,
38 42.30% long-term debt and 7.28% short-term debt, a cost of equity of 10.75%, an
39 embedded cost of long-term debt of 4.95% and an embedded cost of short-term debt of
40 2.01%.

41 **D. Itemized Attachments to Supplemental Direct Testimony**

42 **Q. Please describe the attachments to your supplemental direct testimony**

43 A. I am submitting the following attachments:

<u>Exhibit No.</u>	<u>Schedule</u>
NS-PGL Ex. 17.1P	Revised Schedule D-1
NS-PGL Ex. 17.2P	Revised Schedule D-2
NS-PGL Ex. 17.1N	Revised Schedule D-1
NS-PGL Ex. 17.2N	Revised Schedule D-2

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45 **II. AUTHORIZED RATE OF RETURN**

46 **Q.** What are the updated costs of capital for Peoples Gas and North Shore?

47 A. The updated costs of capital for Peoples Gas and North Shore are 7.49% and 7.66%,
48 respectively.

49 **Q.** **Does this complete your supplemental direct testimony?**

50 A. Yes.