

**The People of the State of Illinois'**  
**Responses to the Peoples Gas Light & Coke Company's and North Shore Gas Company's**  
**Sixth Set of Data Requests**  
**ICC Docket No. 12-0511/12-0512**  
**January 24, 2013**

**Data Requests Directed to Michael Brosch**

6.01 Mr. Brosch's Direct testimony on page 24 quotes the following sentence from page 2 of the December 2010 Direct testimony of Mark Lowry for San Diego Gas and Electric Company ("SDG&E") in a rate case filed before the Public Utilities Commission of the State of California: "The average trend in the productivity of all sampled gas distributors was found to be 1.18% growth per annum over the full 1999-2008 period and .99% per annum over the five most recent years."

- a) Does Mr. Brosch agree that attached hereto as Attach 01 is a genuine copy of Mr. Lowry's referenced Direct testimony? If not, why not? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

The People object to this request to the extent that it requires speculation. Mr. Brosch has no personal knowledge as to whether "Attach 01 is a genuine copy." Without waiving this objection, the People respond as follows. Yes. Attachment 1 appears to be the document that is referenced in footnote 15 of Mr. Brosch's Direct Testimony as Mark Lowry's productivity study testimony before the California PUC.

- b) Does Mr. Brosch agree that the "five most recent years" referenced in the above-quoted sentence were 2004-2008? If not, why not? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

Yes, as stated at Page 24, line 512 of Mr. Brosch's Direct Testimony.

- c) Does Mr. Brosch agree that, in that rate proceeding, SDG&E was proposing not only a base rate increase but also a post-test-year ratemaking mechanism for the three year period 2013-2015, under which the utility's revenue requirement would be adjusted each year to reflect increases in capital-related and other expenses? If not, why not? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

Yes. According to Mr. Lowry's testimony at page 1, "San Diego Gas & Electric ("SDG&E" or "the Company") is filing a general rate case ("GRC") in this proceeding. Since 1987, jurisdictional investor-owned energy utilities have been asked by California's Public Utilities Commission ("the Commission") to report on productivity trends in GRCs." Mr. Brosch has not investigated all aspects of San Diego Gas & Electric's 2012 test year GRC that was the subject of this rate case testimony, but understands that generally California utilities are subject to scheduled GRC filings on a cycle basis, with formulaistic and/or negotiated rate adjustments made applicable in the intervening non-GRC years and that SDG&E proposed such multi-year ratemaking in its application in the referenced electric and gas rate cases.

- d) Does Mr. Brosch agree that the analysis reported by Mr. Lowry excluded expenses for customer service, customer information, and uncollectible bills? If not, why not? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

Yes. According to Mr. Lowry's testimony at page 2, "We calculated the productivity trends of sampled utilities as providers of gas distributor services. These services were defined to include gas transmission, storage, distribution, customer accounts, sales, and general administration. The costs considered comprised operation and maintenance ("O&M") expenses and costs of plant ownership. Costs of gas production and purchases were excluded. We also excluded expenses for customer service and information and uncollectible bills from the index calculations because those expenses rose sharply over the sample period for many sampled utilities due to special circumstances beyond their control. The inclusion of these expenses complicates recognition of the long run productivity trends."

- e) Does Mr. Brosch agree that the analysis reported by Mr. Lowry excluded expenses for transmission by others? If not, why not? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

Yes. According to Mr. Lowry's testimony at page 7, "We excluded from the calculations any reported expenses for transmission by others, customer service and information ("CS&I"), and uncollectible bills. We consider expenses for transmission by others to be gas supply expenses. The CS&I expenses of gas utilities in California and several other states have risen sharply in recent years due to the growth of demand side management ("DSM") programs. DSM costs are not itemized for easy removal, and DSM "output" is difficult to measure accurately. The uncollectible bill expenses of gas distributors have risen rapidly in recent years due to high commodity prices and the recession. Inclusion of CS&I and uncollectible bill expenses would therefore complicate the calculation of long term productivity trends."

- f) In the analysis reported by Mr. Lowry, was productivity defined by dividing (i) the costs within the scope of the analysis, as calculated in

accordance with the analysis; by (ii) the number of utility customers? If not, how was productivity defined in that analysis? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

Yes, output quantities were defined as the number of customers being served. According to Mr. Lowry's testimony at page 7, "Our output specification is intended to measure the effect of output growth on cost. The trend in the output quantity was measured by the number of customers served. Our econometric research has shown over the years that this is the dominant output-related driver of gas distributor cost. Using the number of customers simplifies the research by avoiding a new econometric study to assign weights to a multi-category output quantity index."

- g) What changes in productivity at North Shore during the period of 1999-2008, if any, were identified by the study reported by Mr. Lowry? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

The study prepared by Mr. Lowry included North Shore Gas and Peoples Gas Light and Coke within the sampled gas distributors for productivity research, but did not quantify separate or utility-specific productivity rates for each of the sample companies. Instead, as stated at page 1 of Mr. Lowry's testimony, "To comply with the Commission's mandate SDG&E's parent company, Sempra Energy ("Sempra"), has retained Pacific Economics Group ("PEG") Research LLC to calculate productivity trends of SDG&E and other U.S. gas and electric power distributors."

- h) What changes in productivity at Peoples Gas during the period of 1999-2008, if any, were identified by the study reported by Mr. Lowry? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

See the response to part (g), above.

- i) Does the study reported by Mr. Lowry identify any ways in which the operations of North Shore or People Gas are or were inefficient? If so, please identify all such ways, and quantify them. Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

No. See the response to part (g), above.

- j) In the referenced SDG&E rate proceeding, what adjustments, if any, were ordered to the utility's proposed revenue requirement based on actual or predicted changes in productivity? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

When he last checked, Mr. Brosch was advised that no rate order has issued in the referenced SDG&E rate proceedings.

- k) In the referenced SDG&E rate proceeding, what adjustments, if any, were ordered to the utility's post-test year ratemaking mechanism based on actual or predicted changes in productivity? Please be specific and provide all citations or materials on which your answer is based.

**AG RESPONSE:**

When he last checked, Mr. Brosch was advised that no rate order has issued in the referenced SDG&E rate proceedings.