

ICC Docket No. 12-05

**The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 8.01-8.20
Dated: October 19, 2012**

REQUEST NO. AG 8.19:

Ref: Schedule C-21, line 4; NSG Response to BAP 3.09, Attachment 1 (IBS Billings G&A Cross Charges and Depreciation). The Company's Schedule C-21 reflects significantly higher IBS cross charges and depreciation to Account 930.2 than was recorded in prior years. Additionally, the response to BAP 3.09, Attachment shows actual charges through June 2012 are much lower when annualized (times two) than the test year proposed levels. Please provide the following additional information:

- a. An updated BAP 3.09, Attachment 1, showing actual monthly charges through September of 2012.
- b. Provide a detailed explanation, and supporting documentation, for each element of the proposed test year increased amount, relative to your response to part (a).
- c. Provide a detailed explanation of all costs and benefits expected to be realized upon operation of the Work Asset Management System, indicating when the system is expected to be operational.
- d. Explain and quantify whether and where any operational benefits or cost savings from completion of the Work Asset Management System have been reflected in developing expense estimates for the test year.
- e. Provide a calculation of the monthly accruals of depreciation, carrying charges and other amounts included in the line "IBS Billed CC & Depreciation" on BAP 3.09, Attachment 1 for each month through September of 2012.
- f. Explain the source for each depreciation accrual rate and return on capital rate employed in calculating IBS Billed CC & Depreciation, with reference to any ICC Orders or other authority relied upon for such accrual and return rates.

RESPONSE:

- a. See Attachment 1.
- b. Peoples Gas does not forecast at the individual account level listed on Attach 01. However, Peoples Gas does budget individually for IBS Billed CC and Depreciation. Peoples Gas is under the forecasted 2012 total from schedule C-21 by \$665,673 annualized. IBS depreciation variance is attributable to the following: 1) differences in budgeted versus actual plant activity for the server asset grouping that became fully depreciated in 2010, 2) the 2011 mainframe asset review resulting in asset transfers and retirements, and 3) budgeted plant activity for data handling equipment of \$1.7M versus actual plant activity of \$105.9K in the time period of January 2012 through September 2012.
- c. The Work Asset Management System went into service in 2010. However, after implementation it was determined that certain functionality was missing and the WAM GAP Project was initiated. The current status of WAM GAP Project is as follows: The budget is on track for cost at completion of \$10 million. Approximately \$6.6M has been spent to date. The scope is on track to address the key system issues identified in the Gap report. The schedule was extended 6 months past the original target completion date of 12/31/2012 to allow sufficient lead time for development and testing of vendor enhancements. No additional

OFFICIAL FILE

ICC DOCKET NO. 12-0511/12-0512

ANS

Witness Christina Green

Date 2/4/13 **Reporter** KW

ICC Docket No. 12-0512

**The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 8.01-8.20**

Dated: October 19, 2012

costs were required. Costs are being spread over a longer time frame. The primary benefit is regulatory compliance reporting with secondary benefits of increased standardization of processes and better record retention.

- d. Operational benefits will be realized in the regulatory Compliance processes as well as Construction, Maintenance, and Permitting processes. Expect cost avoidance of potential ICC fines as a result of improved data integrity.
- e. The amounts in the line "IBS Billed CC & Depreciation" are made up of 3 types of entries. The first is the budgeted Return on Capital calculation (Attach 02). The second is the budgeted Depreciation calculation (Attach 02). The third is the residual depreciation calculations which is the difference between the depreciation expenses booked on IBS and the monthly budgeted depreciation entry (Attach 03). The allocation method use for the residual entries is the Intra-IBS (A99) allocation method that is allocated based on how all other IBS direct and allocated charges were assigned during that month.
- f. Per the Master Regulated AIA, the depreciation lives and methods (including AFUDC policies) utilized for Integrys Business Support which will be based on those previously approved for WPSC. Assets transferred from other entities will continue similar depreciation lives as they have previously been determined. The return on Integrys Support's net assets charged to each Client Company will be at a rate equal to the prevailing pre-tax weighted cost of capital authorized by the Commission having jurisdiction over the rates of that Client Company. See Attach 04 for the calculation of return on assets for Peoples Gas. In answering this request, the Company realized that it is using the pre-tax weighted cost of capital authorized in ICC Docket Nos. 09-0166/09-0167 Cons. A year-to-date correction will be made to use the pre-tax weighted cost of capital authorized in ICC Docket Nos. 11-0280/11-0281 Cons. An updated test year amount will be included in rebuttal.