

North Shore Gas Company's I.
Attorney General Data Requests AG 22.012
Dated: January 28, 2013

OFFICIAL FILE

ICC DOCKET NO. 12-0511 / 12-0512
AIX Exhibit No. Ag cross Exhibit 5

Witness Christine Gregor
2/4/13 Reporter KW

REQUEST NO. AG 22.08:

Ref: NS-PGL Ex. 41.0, page 7 (Productivity Adjustment) Data page 7 of her Surrebuttal, KW

Ms. Gregor states, "I do not agree with Mr. Brosch's proposed productivity gain adjustments for several reasons" and she then responds to the productivity adjustment examples cited by Mr. Brosch in his testimony. Please provide the following additional information:

- a. What is Ms. Gregor's understanding of "productivity gains" as that term is used in her Surrebuttal Testimony?
- b. Explain whether Ms. Gregor believes that PGL and NSG management and non-management personnel can be expected to work diligently in 2013 and subsequent years toward achieving productivity gains, by continuously improving the Companies' methods of operations, finding new and innovative ways to control expenses, employing productivity to achieve new efficiencies in operations and negotiating favorable terms in the procurement of goods and services.
- c. Explain whether Ms. Gregor believes that any or all management efforts to achieve future productivity gains will fail to be successful.
- d. Provide copies of all studies, reports, analyses, projections, workpapers and other documents associated with or supportive of any affirmative response to part (c).
- e. Have any studies been conducted by Ms. Gregor or PGL/NSG to measure or evaluate the effectiveness of the Companies' management in achieving productivity gains?
- f. If your response to part (e) is affirmative, please provide complete copies of all documents associated with such efforts.
- g. Does Ms. Gregor believe that forecasted test year expenses should be based upon reasonable estimates of the expected impact of future inflation upon the goods and services that will be purchased by the Companies, reduced by reasonable estimates of future productivity gains that may be available to offset the impact of such future inflation upon goods and services purchased by the Companies? Why or why not?

RESPONSE:

See Peoples Gas' response to AG 22.08.

ICC Docket No. 12-0512
The Peoples Gas Light and Coke Company's Response to
Attorney General Data Requests AG 22.01-22.15
Dated: January 28, 2013

REQUEST NO. AG 22.08:

Ref: NS-PGL Ex. 41.0, page 7 (Productivity Adjustment). At page 7 of her Surrebuttal, Ms. Gregor states, "I do not agree with Mr. Brosch's proposed productivity gain adjustments for several reasons" and she then responds to the productivity adjustment examples cited by Mr. Brosch in his testimony. Please provide the following additional information:

- a. What is Ms. Gregor's understanding of "productivity gains" as that term is used in her Surrebuttal Testimony?
- b. Explain whether Ms. Gregor believes that PGL and NSG management and non-management personnel can be expected to work diligently in 2013 and subsequent years toward achieving productivity gains, by continuously improving the Companies' methods of operations, finding new and innovative ways to control expenses, employing productivity to achieve new efficiencies in operations and negotiating favorable terms in the procurement of goods and services.
- c. Explain whether Ms. Gregor believes that any or all management efforts to achieve future productivity gains will fail to be successful.
- d. Provide copies of all studies, reports, analyses, projections, workpapers and other documents associated with or supportive of any affirmative response to part (c).
- e. Have any studies been conducted by Ms. Gregor or PGL/NSG to measure or evaluate the effectiveness of the Companies' management in achieving productivity gains?
- f. If your response to part (e) is affirmative, please provide complete copies of all documents associated with such efforts.
- g. Does Ms. Gregor believe that forecasted test year expenses should be based upon reasonable estimates of the expected impact of future inflation upon the goods and services that will be purchased by the Companies, reduced by reasonable estimates of future productivity gains that may be available to offset the impact of such future inflation upon goods and services purchased by the Companies? Why or why not?

RESPONSE:

- a. The term "productivity gains" is used in Ms. Gregor's surrebuttal in combination with the word "adjustments", and refers to the "Productivity Gain Offset to

ICC Docket No. 12-0512
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Expense Increases" as reflected in AG Ex. 4.1, Schedule C-4 and AG 4.2, Schedule C-4.

- b. This subpart of the data request combines numerous complicated points into a single yes or no question. If the combined language is a quote from or paraphrase of language in a document, then Ms. Gregor would prefer to see it in context before commenting. Setting that aside, Ms. Gregor understands the language of this subpart to be a high level summary statement. From her perspective, Ms. Gregor believes that PGL and NSG management and non-management personnel generally can be expected to work diligently in 2013 and subsequent years toward achieving productivity gains. At a more specific level, what is expected of any given employee in any given position will vary, in terms of their job duties, their efforts, and results. Management personnel have defined duties, although they may be broad or include multiple areas. Non-management personnel may or may not have a role in planning or supervision of the areas in which they work. Ms. Gregor believes that the Utilities' personnel as a whole, in accordance with their respective duties, work to improve operations, to find new and innovative ways to control expenses, to increase productivity, and negotiate favorable terms in purchasing. The Utilities' budgets and forecasts are prepared based on the combined efforts of subject matter experts, who take into account, among other things, their knowledge and experience and other data regarding past and expected costs.
- c. Ms. Gregor is not in a position to know in the future which management particular efforts will be successful in increasing productivity as to any given task or area during any given period.
- d. N/A. Ms. Gregor is not aware of any "studies" or other similar documents that have been conducted or prepared as defined in this subpart. Various Utilities witnesses' testimony contains discussion of efforts to maintain and increase efficiency, but they are the witnesses on those specific subjects.
- e. Ms. Gregor is not aware of any "studies" as defined in this subpart. The Utilities' testimony and data request responses include voluminous data regarding the Utilities' costs.
- f. N/A
- g. No. This subpart of the data request also combines complicated points into a single yes or no question. The stated generalization is incomplete, because it only addresses aspects of inflation and productivity relating to "purchased" "goods and services" and not any of the other information that is used to develop the Utilities' budgets and forecasts. In brief, Ms. Gregor believes that the forecasted test year expenses generally should be based on the latest and best information available, which can include, among other things, the impact of future inflation as applicable, increases and/or decreases due to other known and measureable changes, such as new contracts with vendors, new actuary numbers, new regulations, additional compliance work, etc., and productivity changes as applicable.