

DIRECT TESTIMONY

of

**Dianna Hathhorn
Accountant**

**Accounting Department
Financial Analysis Division
Illinois Commerce Commission**

**Petition Pursuant to Rider EEP of Schedule of Rates for Gas Service to
Initiate a Proceeding to Determine the Accuracy of the Rider EEP
Reconciliation Statement**

**North Shore Gas Company and
The Peoples Gas Light and Coke Company**

Docket Nos. 11-0663/11-0664 Consolidated

April 16, 2013

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SCHEDULES

Schedule 1.1 P	Rider EEP Reconciliation Summary-SC 1
Schedule 1.2 P	Rider EEP Reconciliation Summary-SC 2
Schedule 1.3 P	Adjustments for Inappropriate Rebate Payments
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Schedule 1.2 N	Rider EEP Reconciliation Summary-SC 2
Schedule 1.3 N	Adjustments for Inappropriate Rebate Payments

1 Witness Identification

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

3 **A.** My name is Dianna Hathhorn. My business address is 527 East Capitol
4 Avenue, Springfield, Illinois 62701.

5

6 **Q.** By whom are you employed and in what capacity?

7 **A.** I am an Accountant in the Accounting Department of the Financial
8 Analysis Division of the Illinois Commerce Commission (“Commission”).

9

10 **Q.** What is the function of the Accounting Department of the Illinois
11 Commerce Commission?

12 **A.** The Accounting Department’s function is to monitor the financial condition
13 of public utilities as part of the Commission’s responsibilities under Article
14 IV of the Public Utilities Act (“Act”) and to provide accounting expertise on
15 matters before the Commission.

16

17 **Q.** Please describe your background and professional affiliation.

18 **A.** I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
19 from Illinois State University in 1993. Prior to joining the Commission Staff
20 (“Staff”) in 1998, I worked as an internal auditor for another Illinois state

21 agency for approximately 3.5 years. I also have 1.5 years experience in
22 public accounting for a national firm.

23

24 **Q.** Have you previously testified before this Commission?

25 **A.** Yes, I have.

26

27 **Q.** What is the purpose of your testimony in this proceeding?

28 **A.** The purpose of my testimony is to report the results of my review of North
29 Shore Gas Company's ("North Shore") and The Peoples Gas Light and
30 Coke Company's ("Peoples Gas") (individually, the "Company" and
31 collectively, the "Companies") Energy Efficiency Program ("Rider EEP")
32 Reconciliation for the period July 1, 2010 through June 30, 2011
33 ("reconciliation period") as calculated by the Companies' witness Edward
34 M. Korenchan, in PGL Ex. 1.1 and NS Ex. 1.1, and the underlying
35 documents that support the calculations.

36

37 Peoples Gas and North Shore have 2-EEP rates each, one for SC1 (small
38 residential) and another for SC2 (general service).

39

40 **Q.** Are you sponsoring any schedules as part of your direct testimony?

41 **A.** Yes. I prepared the following schedules

42 Schedule 1.1 P Rider EEP Reconciliation Summary- SC 1

43	Schedule 1.2 P	Rider EEP Reconciliation Summary- SC 2
44	Schedule 1.3 P	Adjustments for Inappropriate Rebate Payments
45		
46	Schedule 1.1 N	Rider EEP Reconciliation Summary- SC 1
47	Schedule 1.2 N	Rider EEP Reconciliation Summary- SC 2
48	Schedule 1.3 N	Adjustments for Inappropriate Rebate Payments
49		

50 P denotes the schedule is for Peoples Gas, and N denotes a North Shore
51 Schedule.

52 Rider EEP Background

53 **Q.** Please describe the Reconciliation Adjustment, according to the terms of
54 Rider EEP.

55 **A.** Rider EEP provides that each year, on or before September 30, the
56 Companies must submit to the ICC an EEP statement of activity including
57 program descriptions, and a report reconciling the revenues accrued
58 through the application of the Rider for the previous monthly billing periods
59 ending with the June monthly billing period prior to such filing
60 (“Reconciliation Adjustment”). The Reconciliation Adjustments for the
61 Reconciliation Period July 1, 2010 through June 30, 2011 (“Reconciliation
62 Period” or “Year 3”) were in effect for the period October 1, 2011 through
63 June 30, 2012. This proceeding will determine if additional charges or
64 refunds to the Reconciliation Adjustments, known as Factor O-Ordered
65 Adjustments, are necessary.

66

67 **Q.** What is the status of the Enhanced Efficiency Program (“Program”)?

68 **A.** The Program was terminated June 30, 2011 at the end of the
69 reconciliation period that is the subject of this proceeding in accordance
70 with Section D of the Companies Rider EEP:

71 The Program shall terminate June 30, 2011, except for the
72 Reconciliation Adjustment required by Section B (2), the
73 requirements of Section C, and the requirements of Section
74 F.¹

75 Rider EEP remains in effect only for purpose of the distribution of
76 the Final Factor Os resulting in this proceeding.

77

78 Staff Reconciliation Schedules

79 **Q.** Please describe Schedules 1.1 P and N, Rider EEP Reconciliation
80 Summary- SC 1.

81 **A.** Schedules 1.1P and N presents Staff’s summary of costs, recoveries, and
82 carry over budget for service classification 1, based upon the Companies’
83 Direct Testimony Exhibits PGL Ex. 1.1 and NS Ex. 1.1, as well as
84 adjustments ordered by the Commission in the two prior reconciliation
85 cases, Docket Nos. 09-0436 Cons. (“Year 1”) and 10-0565 Cons. (“Year
86 2”)

87

¹ Sec. C-Reports and Reconciliations; Sec. F-Audit, ILL.C.C. NO. 28

88 **Q.** Please describe the adjustment at line 31, column (D), “Factor O-prior
89 periods”.

90 **A.** The Factor O-prior periods adjustment is necessary to reflect the result of
91 the prior reconciliation order from Year 2 which was not entered until after
92 the Companies filed their reconciliation adjustments in Year 3. The
93 Commission’s prior order, Findings and Ordering Paragraph (7), states;

94 (7) Staff proposed, and North Shore and Peoples Gas did not contest,
95 that the Factor O adjustments to the Reconciliation Adjustments be
96 collected or refunded through the final Factor O in the next and final
97 Rider EEP reconciliation proceeding (Dockets 11-0663/11-0664
98 (cons.))²

99 Accordingly, my adjustments are proper. I recommend the Commission
100 attach Schedules 1.1 P and N to the Final Order in this proceeding.

101

102 **Q.** Please describe the adjustment at line 10, column (F), “Year 3
103 Adjustments per Staff”.

104 **A.** The Year 3 Adjustments per Staff reflects the carry forward of my
105 adjustments from Schedules 1.3 P and N, that I discuss below. Note that
106 SC 2 for North Shore does not have a Year 3 Adjustment per Staff.

107

108 **Q.** Please describe Schedules 1.2 P and N, Rider EEP Reconciliation
109 Summary- SC 2.

² Order, Docket Nos. 10-0565/10-0566 Cons., May 16, 2012, p. 5

110 **A.** Schedules 1.2 P and N function in the same manner as Schedules 1.1 P
111 and 1, for service classification 2. I recommend the Commission also
112 attach Schedules 1.2 P and N to the Final Order in this proceeding.

113

114 Adjustments for Inappropriate Rebate Payments

115 **Q.** Please describe Schedules 1.3 P and N, Adjustments for Inappropriate
116 Rebate Payments.

117 **A.** Schedules 1.3 P and N present my adjustments to disallow from Rider
118 EEP expenses rebate amounts that the Companies determined were
119 inappropriately paid. The Companies provided the amounts by rate class
120 in response to Staff DR DLH-5.01. The Companies further stated in
121 response to Staff DR DLH-6.01, that North Shore and Peoples Gas would
122 not oppose Factor O adjustments for these amounts. The adjustments
123 carry from Schedules 1.3 P and N to line 5 of Schedules 1.1 P and N.

124

125 **Q.** Please summarize the results of your adjustments in Schedules 1.1, 1.2,
126 and 1.3 P and N.

127

128 **A.** Below is a summary of the Factor O adjustments.

		<u>Prior Period</u>	<u>Year 3</u>	<u>Total</u>
PG	SC 1	\$ 77,133	\$ (19,439)	\$ 57,694
	SC 2	108,201	(7,062)	101,139
		<u>108,201</u>	<u>(7,062)</u>	<u>101,139</u>
	Total Peoples Gas	<u>\$ 185,334</u>	<u>\$ (26,501)</u>	<u>\$ 158,833</u>
NS	SC 1	\$ 21,903	\$ (502)	\$ 21,401
	SC 2	(9,592)	-	(9,592)
		<u>(9,592)</u>	<u>-</u>	<u>(9,592)</u>
	Total North Shore	<u>\$ 12,311</u>	<u>\$ (502)</u>	<u>\$ 11,809</u>

129

130 **Q.** How should the Companies collect or refund these final Factor O
131 adjustments to Rider EEP?

132 **A.** For Peoples Gas SC 1, the Company should collect \$57,694 on a per
133 customer basis in the month following the Final Order in this proceeding.
134 For Peoples Gas SC 2, the Company should collect \$101,139 in the same
135 manner.

136 For North Shore SC 1, the Company should collect \$21,401 on a per
137 customer basis in the month following the Final Order in this proceeding.

138 For North Shore SC 2, a refund of (\$9,592) is due to ratepayers, to be
139 paid in the same manner.

140

141 Response to Companies Supplemental Direct Testimony

142 **Q.** The Companies filed supplemental direct testimonies NS-PGL Exs. 1.0
143 and 2.0 that reflect additional expenses of \$103,259 and \$7,179 for
144 Peoples Gas and North Shore, respectively, incurred post June 30, 2011.³

145 Are these amounts included in your Schedules 1.1 and 1.2 P and N?

146 **A.** No. These amounts have been identified by the Companies as being
147 incurred after June 30, 2011. However, the EEP terminated on June 30,
148 2011. The invoices provided by the Companies in supplemental DR
149 responses to DLH-1.02 confirm these costs were incurred well after the
150 program ended, some as late as July 2012. The Reconciliation
151 Adjustments and related Factor O's for this proceeding, however, must be
152 based upon the Reconciliation Period, which ended June 30, 2011.

153

154 Summary of Conclusions and Recommendations

155 **Q.** Please summarize your recommendations.

156 **A.** I recommend that the Commission adopt the reconciliation Schedules 1.1
157 P and 1.1 N and 1.2 P and N and attach these as Appendices to the Final
158 Order in these proceedings. I also recommend the Factor O-Ordered
159 Adjustments to the Reconciliation Adjustments be collected or refunded
160 through Rider EEP as a Factor O on a per customer basis in the month
161 following the Final Order in this proceeding.

³ NS-PGL Ex. 2.1, p. 2 and 5

162

163 For Peoples Gas SC1 and SC2, the Factor O proposed by Staff are
164 collections of \$57,694 and \$101,139, respectively. For North Shore SC1
165 and SC2, the Factor O proposed by Staff are collections of \$21,401 and
166 refunds of (\$9,592), respectively.

167

168 **Q.** Does this conclude your prepared direct testimony?

169 **A.** Yes, it does.

The Peoples Gas Light and Coke Company
 Rider EEP Reconciliation Summary-SC 1
 For the Period July 1, 2010 through June 30, 2011 (PY 3)

Peoples Gas SC 1

Line No.	Description (A)	Per Orders and Company Filings			Yr 3-per Co. per Company (E)	Yr 3-Adjustments per Staff (F)	Yr 3-as Adjusted per Staff (G)
		Yr 1 (B)	Yr 2 (C)	Yr 3 (D)			
1	<u>Carry Over - Prior Year</u>						
2	Carryover adjustment	0	(3,075,000)	(3,304,085)			(3,304,085)
3	RA Yr 1	0	(3,612)	106,537			106,537
4	Factor O -Yr 1	0	(16,000)	(16,000)			(16,000)
5	RA Yr 2	0	-	(3,612)			(3,612)
6	Factor O - Yr 2	0	-	77,133			77,133
7	Under/Over from prior years	0	<u>(3,094,612)</u>	<u>(3,140,027)</u>			<u>(3,140,027)</u>
8							
9	<u>Current Year</u>						
10	Expenses	1,000,047	3,947,759	3,946,289		\$ (19,366)	3,926,923
11	Revenues including from Reconciliation Adjustment	4,058,972	3,992,991	4,219,425		0	4,219,425
12		-	-	-		-	-
13	Exp. Less Rev	<u>(3,058,925)</u>	<u>(45,232)</u>	<u>(273,136)</u>		<u>(19,366)</u>	<u>(292,502)</u>
14		-	-	-		-	-
15	Interest	<u>(35,687)</u>	<u>(183)</u>	<u>(698)</u>		<u>(73)</u>	<u>(771)</u>
16	Under /Over Current Year	<u>(3,094,612)</u>	<u>(45,415)</u>	<u>(273,834)</u>		<u>(19,439)</u>	<u>(293,273)</u>
17							
18							
19	Cumulative (Refundable)/Recoverable Incl. Interest	<u>(3,094,612)</u>	<u>(3,140,027)</u>	<u>(3,413,861)</u>	<u>(3,490,994)</u>	<u>(19,439)</u>	<u>(3,433,300)</u>
20							
21							
22	<u>Disposition of Cumulative (Over)/Under Recovery</u>						
23							
24							
25	Carryover Adjustment	(3,075,000)	(3,304,085)	-			-
26	RA 1	(3,612)	106,537	(3,490,994)			(3,490,994)
27	RA 2		(3,612)				
28	Factor O- Yr 1	(16,000)	(16,000)				
29	Factor O - Yr 2		76,844				
30	Factor O - Yr 2	0	289				
31	Factor O - Yr 3-prior periods	0	-	77,133			77,133
32	Factor O - Yr 3-current activity	-	-	-		<u>(19,439)</u>	<u>(19,439)</u>
33							
34							
35	Cumulative (Refundable)/Recoverable Incl. Interest	<u>(3,094,612)</u>	<u>(3,140,027)</u>	<u>(3,413,861)</u>		<u>(19,439)</u>	<u>(3,433,300)</u>

Sources:

- Col. (B) Appendix to Docket Nos. 09-0436c and Company Exhibit 1.1
- Col. (C) Appendix to Docket Nos.10-0565c and Company Exhibit 1.1
- Col. (D) Company Exhibit 1.1
- Col. (E) Company Exhibit 1.1
- Col. (F) Staff Schedule 1.3 P
- Col. (G) Sum of Cols. (E) and (F)

The Peoples Gas Light and Coke Company
 Rider EEP Reconciliation Summary-SC 2
 For the Period July 1, 2010 through June 30, 2011 (PY 3)

Peoples Gas SC 2

Line No.	Description (A)	Per Orders and Company Filings			Yr 3-per Co. per Company (E)	Yr 3-Adjustments per Staff (F)	Yr 3-as Adjusted per Staff (G)
		Yr 1 (B)	Yr 2 (C)	Yr 3 (D)			
1	Carry Over - Prior Year						
2	Carryover adjustment	0	(1,645,699)	(3,017,502)			(3,017,502)
3	RA Yr 1	0	(3,794)	24,705			24,705
4	Factor O -Yr 1	0	-	-			-
5	RA Yr 2	0	-	(3,794)			(3,794)
6	Factor O - Yr 2	0	-	108,201			108,201
7	Under/Over from prior years	0	(1,649,493)	(2,888,390)			(2,888,390)
8							
9	Current Year						
10	Expenses	654,301	1,035,994	4,713,528		\$ (7,036)	4,706,492
11	Revenues including from Reconciliation Adjustment	2,284,772	2,270,248	2,298,487		0	2,298,487
12		-	-	-		-	-
13	Exp. Less Rev	(1,630,471)	(1,234,254)	2,415,041		(7,036)	2,408,005
14		-	-	-		-	-
15	Interest	(19,022)	(4,643)	9,135		(26)	9,109
16	Under /Over Current Year	(1,649,493)	(1,238,897)	2,424,176		(7,062)	2,417,114
17							
18							
19	Cumulative (Refundable)/Recoverable Incl. Interest	(1,649,493)	(2,888,390)	(464,214)	(572,415)	(7,062)	(471,276)
20							
21							
22	Disposition of Cumulative (Over)/Under Recovery						
23							
24							
25	Carryover Adjustment	(1,645,699)	(3,017,502)	-			-
26	RA 1	(3,794)	24,705	(572,415)			(572,415)
27	RA 2		(3,794)	-			-
28	Factor O- Yr 1	-	-	-			-
29	Factor O - Yr 2		107,797				
30	Factor O - Yr 2	0	404				
31	Factor O - Yr 3-prior periods	0	-	108,201			108,201
32	Factor O - Yr 3-current activity	0	-	-		(7,062)	(7,062)
33							
34							
35	Cumulative (Refundable)/Recoverable Incl. Interest	(1,649,493)	(2,888,390)	(464,214)		(7,062)	(471,276)

Sources:

- Col. (B) Appendix to Docket Nos. 09-0436c and Company Exhibit 1.1
- Col. (C) Appendix to Docket Nos.10-0565c and Company Exhibit 1.1
- Col. (D) Company Exhibit 1.1
- Col. (E) Company Exhibit 1.1
- Col. (F) Staff Schedule 1.3 P
- Col. (G) Sum of Cols. (E) and (F)

The Peoples Gas Light and Coke Company
 Adjustments for Inappropriate Rebate Payments
 For the Period July 1, 2010 through June 30, 2011 (PY 3)

Line No.	Description (A)	SC1 Amount (B)	SC 2 Amount (C)	Source (C)
1	Inappropriate Rebate Payments per Company	\$ -	\$ -	PGL Ex. 1.1, p. 2, line 6
2	Inappropriate Rebate Payments per Staff	19,366	7,036	(1)
3	Staff Proposed Adjustment	<u>\$ (19,366)</u>	<u>\$ (7,036)</u>	Line 1 - line 2

Source:

(1) Company Responses to Staff Data Requests DLH-5.01 and DLH-6.01

North Shore Gas Company
 Rider EEP Reconciliation Summary-SC 1
 For the Period July 1, 2010 through June 30, 2011 (PY 3)

North Shore SC 1

Line No.	Description (A)	Per Orders and Company Filings			Yr 3-per Co. per Company (E)	Yr 3-Adjustments per Staff (F)	Yr 3-as Adjusted per Staff (G)
		Yr 1 (B)	Yr 2 (C)	Yr 3 (D)			
1	Carry Over - Prior Year						
2	Carryover adjustment	0	(484,550)	(439,798)			(439,798)
3	RA Yr 1	0	8,358	845,550			845,550
4	Factor O -Yr 1	0	(42)	(42)			(42)
5	RA Yr 2	0	-	8,358			8,358
6	Factor O - Yr 2	0	-	21,903			21,903
7	Under/Over from prior years	0	(476,234)	435,971			435,971
8							
9	Current Year						
10	Expenses	340,450	1,716,572	353,048		\$ (500)	352,548
11	Revenues including from Reconciliation Adjustment	811,192	807,806	1,059,488		0	1,059,488
12		-	-	-		-	-
13	Exp. Less Rev	(470,742)	908,766	(706,440)		(500)	(706,940)
14		-	-	-		-	-
15	Interest	(5,492)	3,439	553		(2)	551
16	Under /Over Current Year	(476,234)	912,205	(705,887)		(502)	(706,389)
17							
18							
19	Cumulative (Refundable)/Recoverable Incl. Interest	(476,234)	435,971	(269,916)	(291,819)	(502)	(270,418)
20							
21							
22	Disposition of Cumulative (Over)/Under Recovery						
23							
24							
25	Carryover Adjustment	(484,550)	(439,798)	-			-
26	RA 1	8,358	845,550	(291,819)			(291,819)
27	RA 2		8,358				
28	Factor O- Yr 1	(42)	(42)				
29	Factor O - Yr 2		21,821				
30	Factor O - Yr 2	0	82				
31	Factor O - Yr 3-prior periods	0	-	21,903			21,903
32	Factor O - Yr 3-current activity	0	-	-		(502)	(502)
33							
34							
35	Cumulative (Refundable)/Recoverable Incl. Interest	(476,234)	435,971	(269,916)		(502)	(270,418)

Sources:

- Col. (B) Appendix to Docket Nos. 09-0436c and Company Exhibit 1.1
- Col. (C) Appendix to Docket Nos.10-0565c and Company Exhibit 1.1
- Col. (D) Company Exhibit 1.1
- Col. (E) Company Exhibit 1.1
- Col. (F) Staff Schedule 1.3 N
- Col. (G) Sum of Cols. (E) and (F)

North Shore Gas Company
 Rider EEP Reconciliation Summary-SC 2
 For the Period July 1, 2010 through June 30, 2011 (PY 3)

North Shore SC 2

Line No.	Description (A)	Per Orders and Company Filings			Yr 3-per Co. per Company (E)	Yr 3-Adjustments per Staff (F)	Yr 3-as Adjusted per Staff (G)
		Yr 1 (B)	Yr 2 (C)	Yr 3 (D)			
1	Carry Over - Prior Year						
2	Carryover adjustment	0	(206,251)	(240,619)			(240,619)
3	RA Yr 1	0	(7,905)	12,205			12,205
4	Factor O -Yr 1	0	-	-			-
5	RA Yr 2	0	-	505			505
6	Factor O - Yr 2	0	-	(9,590)			(9,590)
7	Under/Over from prior years	0	(214,156)	(237,499)			(237,499)
8							
9	Current Year						
10	Expenses	58,354	240,632	181,242		\$ -	181,242
11	Revenues including from Reconciliation Adjustment	270,040	263,858	273,069		0	273,069
12		-	-	-		-	-
13	Exp. Less Rev	(211,686)	(23,226)	(91,827)		-	(91,827)
14		-	-	-		-	-
15	Interest	(2,470)	(117)	(333)		-	(333)
16	Under /Over Current Year	(214,156)	(23,343)	(92,160)		-	(92,160)
17							
18							
19	Cumulative (Refundable)/Recoverable Incl. Interest	(214,156)	(237,499)	(329,659)	(320,067)	-	(329,659)
20							
21							
22	Disposition of Cumulative (Over)/Under Recovery						
23							
24							
25	Carryover Adjustment	(206,251)	(240,619)	-			-
26	RA 1	(7,905)	12,205	(320,067)			(320,067)
27	RA 2		505	-			-
28	Factor O- Yr 1	-	-	-			-
29	Factor O - Yr 2		(9,554)				
30	Factor O - Yr 2	0	(36)				
31	Factor O - Yr 3-prior periods	0	-	(9,592)			(9,592)
32	Factor O - Yr 3-current activity	0	-	-		-	-
33							
34							
35	Cumulative (Refundable)/Recoverable Incl. Interest	(214,156)	(237,499)	(329,659)		-	(329,659)

Sources:

- Col. (B) Appendix to Docket Nos. 09-0436c and Company Exhibit 1.1
- Col. (C) Appendix to Docket Nos.10-0565c and Company Exhibit 1.1
- Col. (D) Company Exhibit 1.1
- Col. (E) Company Exhibit 1.1
- Col. (F) Staff Schedule 1.3 N
- Col. (G) Sum of Cols. (E) and (F)

**North Shore Gas Company
 Adjustments for Inappropriate Rebate Payments
 For the Period July 1, 2010 through June 30, 2011 (PY 3)**

Line No.	Description (A)	SC1 Amount (B)	SC 2 Amount (C)	Source (C)
1	Inappropriate Rebate Payments per Company	\$ -	\$ -	NSG Ex. 1.1, p. 2, line 6
2	Inappropriate Rebate Payments per Staff	<u>500</u>	<u>-</u>	(1)
3	Staff Proposed Adjustment	<u><u>\$ (500)</u></u>	<u><u>\$ -</u></u>	Line 1 - line 2

Source:

(1) Company Responses to Staff Data Requests DLH-5.01 and DLH-6.01