

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company	)	
	)	
The Peoples Gas Light	)	
and Coke Company	)	Docket No. 11-0663
	)	and 11-0664 (cons.)
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	)	

REBUTTAL TESTIMONY  
OF  
EDWARD M. KORENCHAN

- 1 Q. Please state your name and business address.
- 2 A. Edward M. Korenchan, 130 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. Are you the same Edward M. Korenchan who previously submitted
- 4 testimony in this proceeding?
- 5 A. Yes, I submitted direct testimony in each of Docket Nos. 11-0663 and 11-
- 6 0664 prior to their consolidation, and supplemental direct testimony after their
- 7 consolidation.
- 8 Q. What is the purpose of your rebuttal testimony?
- 9 A. I am responding, on behalf of North Shore Gas Company (“North Shore”)
- 10 and The Peoples Gas Light and Coke Company (“Peoples Gas”) (together, the
- 11 “Utilities”) to the direct testimony of Illinois Commerce Commission
- 12 (“Commission”) Staff witness Ms. Dianna Hathhorn.
- 13 Q. Please summarize the conclusions of your rebuttal testimony.

14 A. The Utilities do not oppose Ms. Hathhorn's recommended adjustments to  
15 include Factor O Adjustments from the second Program Year, which were not  
16 available at the time the Utilities filed the Reconciliations and Reconciliation  
17 Adjustments for the third Program Year. These amounts (ICC Staff Exhibit 1.0,  
18 Line 128) are:

- 19 • \$77,133 charge for Peoples Gas Service Classification ("S.C.") No. 1
- 20 • \$108,201 charge for Peoples Gas S.C. No. 2
- 21 • \$21,903 charge for North Shore S.C. No. 1
- 22 • \$9,592 refund for North Shore S.C. No. 2

23 The Utilities also do not oppose Ms. Hathhorn's recommended  
24 adjustments (ICC Staff Exhibit 1.0, Line 128) to disallow certain amounts  
25 identified in the Utilities' Audit Report, for the third Program Year, including:

- 26 • \$19,439 refund for Peoples Gas S.C. No. 1
- 27 • \$7,062 refund for Peoples Gas S.C. No. 2
- 28 • \$502 refund for North Shore S.C. No. 1

29 Incorporating these adjustments into the calculations, the Utilities agree with Ms.  
30 Hathhorn's Cumulative Recoverable/Refundable Amounts through the third  
31 Program Year; however, the Utilities object to Ms. Hathhorn's recommendations  
32 to exclude wind down costs and also her exclusion of amounts arising from  
33 reconciliation of the final Reconciliation Adjustment (over/under recoveries),  
34 which concluded in 2012. As a result, her proposed Factor O Adjustments are  
35 understated and represent an incomplete final reconciliation of activities.

36 Q. What are the adjustments necessary to provide a complete accounting of  
37 all activities for Rider EEP?

38 A. NS-PGL Ex. 3.1 recalculates the Cumulative Recoverable/Refundable  
39 Amount and resulting Factor O Adjustments incorporating wind down costs and  
40 over/under recoveries from the final Reconciliation Adjustment.

- 41 • Line 2 represents the Cumulative Recoverable/Refundable amount for  
42 each Service Classification as filed in the Reconciliation and  
43 Reconciliation Adjustments for Peoples Gas' third Program Year.
- 44 • Lines 3 and 4 represent the Factor O Adjustments and adjustments  
45 proposed by Staff which Peoples Gas does not oppose.
- 46 • Line 5 represents the Cumulative Refundable Amounts per Commission  
47 Staff.
- 48 • Line 6 represents Peoples Gas' wind down costs that were not identified or  
49 quantified for inclusion in the third Program Year reconciliation, and were  
50 therefore addressed in supplemental direct testimony.
- 51 • Line 7 represents Peoples Gas' Refundable Amounts adjusted to include  
52 wind down costs.
- 53 • Line 8 represents total amounts refunded by Peoples Gas through the  
54 Rider EOA Reconciliation Adjustment arising from the third Program Year.
- 55 • Line 9 represents the difference between the Refundable Amounts as  
56 adjusted, and the amounts actually refunded through Rider EOA's  
57 Reconciliation Adjustment. Amounts on Line 9 represent Peoples Gas'  
58 proposed Factor O Adjustments by Service Classification.

59 Lines 12 through 19 represent similar calculations for North Shore.

60 Q. What are the Utilities' recommended Factor O Adjustments taking into  
61 consideration both the wind down costs and any over/under-recoveries or  
62 refunds arising from the third Program Year Reconciliation Adjustment?

63 A. The recommended Factor O Adjustments are:

- 64 • \$156,821 charge for Peoples Gas S.C. No. 1
- 65 • \$136,960 charge for Peoples Gas S.C. No. 2
- 66 • \$24,688 charge for North Shore S.C. No. 1
- 67 • \$5,737 refund for North Shore S.C. No. 2

68 Q. Please summarize the differences between the Factor O Adjustments  
69 calculated by Ms. Hathhorn and as calculated by the Utilities.

70 A. The two differences are (1) wind down costs, and (2) over/under-  
71 recoveries arising from the final Reconciliation Adjustment, which became  
72 effective September 1, 2011.

73 Wind down costs and timing of such costs are described in detail in NS-  
74 PGL Ex. 2.0, Supplemental Direct Testimony of Patrick E. Michalkiewicz. Mr.  
75 Michalkiewicz also explains, in that testimony and his rebuttal testimony (NS-  
76 PGL Ex. 4.0), why the recovery of such costs is appropriate in this proceeding.

77 Addressing the over/under-recoveries from the final Reconciliation  
78 Adjustment (reconciling the prior year's reconciliation) is a reasonable step under  
79 any cost recovery rider. Because of the necessity of any wind down or closing  
80 costs in retiring the a program that logically occur after the end of the program  
81 year, such as the Chicagoland Program's wind down, those closing costs, as

82 discussed in Mr. Michalkiewicz's testimony (NS-PGL Exs. 2.0 and 4.0), occur  
83 outside of the time period addressed by the rider. For an ongoing rider, it  
84 typically occurs as part of the next reconciliation filing. For a rider that  
85 terminated, such as Rider EEP, it is necessary to include this step in the final  
86 year or risk over/under-recoveries for which no adjustment mechanism exists.

87 Q. Commission Staff recommends collection of the Factor O amounts on a  
88 per-customer basis in the month following the Final Order in this proceeding. Do  
89 you agree?

90 A. Yes.

91 Q. Does this conclude your rebuttal testimony?

92 A. Yes, it does.