

PUBLIC  
DIRECT TESTIMONY  
of  
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Policy Division  
Illinois Commerce Commission

Petition for an order approving an agreement for the provision of facilities and services and the transfer of assets between affiliates pursuant to Sections 7-101 and 7-102 of the Illinois Public Utilities Act.

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

Docket No. 12-0299

June 12, 2013

<b>I. WITNESS QUALIFICATIONS .....</b>	<b>1</b>
<b>II. PURPOSE OF TESTIMONY AND BACKGROUND INFORMATION.....</b>	<b>3</b>
<b>III. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>4</b>
<b>IV. INTRODUCTION AND BACKGROUND .....</b>	<b>5</b>
A. AFFILIATED INTERESTS AND THE ACT.....	5
B. SUMMARY OF THE ITF AGREEMENT PROPOSED BY PEOPLES GAS AND NORTH SHORE.....	7
<b>V. ITF AGREEMENT IS NOT IN THE PUBLIC INTEREST .....</b>	<b>8</b>
A. QUESTIONABLE INTERACTIONS WITH CNG AFFILIATES BY PEOPLES GAS. ....	10
1. <i>Peoples Gas and Pinnacle</i> .....	11
2. <i>Peoples Gas and PNGV Corp.</i> .....	24
B. IMPROPER INTERACTIONS WITH AFFILIATES BY PEOPLES GAS AND NORTH SHORE.....	35
1. <i>Peoples Energy Home Services and the Pipeline Protection Plan</i> .....	35
2. <i>Peoples Gas and enovate</i> .....	38
C. ITF AGREEMENT HAS FUNDAMENTAL FLAWS. ....	42
1. <i>ITF Agreement allows for property transfers</i> .....	43
2. <i>ITF Agreement allows for use of property</i> .....	47
3. <i>ITF Agreement creates potential for preferential treatment.</i> .....	49
<b>VI. CONCLUSION .....</b>	<b>49</b>
Table 1 - List of Attachments .....	4
Table 2 - Peoples Gas' Charges to PNGV Corp.....	31

1 **I. Witness Qualifications**

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

3 A. My name is David Sackett. I am employed by the Illinois Commerce  
4 Commission, 527 East Capitol Avenue, Springfield, Illinois, 62701.

5  
6 **Q. What is your current job title?**

7 A. I am employed as an Economic Analyst in the Policy Program of the Policy  
8 Division of the Illinois Commerce Commission (“Commission” or “ICC”).

9  
10 **Q. What are your responsibilities within the Policy Division – Policy Program?**

11 A. I provide economic analysis and advise the Commission and other Staff  
12 members on issues involving the natural gas and electric utility industries. I  
13 review tariff filings and make recommendations to the Commission concerning  
14 those filings. I provide testimony in Commission proceedings. In selected cases,  
15 I may be called upon to act as an assistant to Commissioners or to  
16 Administrative Law Judges.

17  
18 **Q. State your educational background.**

19 A. I graduated from Kankakee Community College with an Associate of Science  
20 degree in Arts and Sciences in 1998. I graduated with highest honors from  
21 Illinois State University with a Bachelor of Science degree in Economics and  
22 History in 2000. I obtained a Master of Science degree in Applied Economics  
23 from Illinois State University in the Electric, Natural Gas and Telecommunications

24 Economics sequence in 2002.<sup>1</sup> I also completed an internship at the  
25 Commission in the Energy Division in 2001.

26

27 **Q. Describe your professional experience.**

28 A. Since July 2007, I have been an Economic Analyst in the Policy Program of the  
29 Commission's Energy Division. During that time I have participated in numerous  
30 docketed proceedings before the Commission. Of particular note has been my  
31 testimony dealing with affiliate issues. Most recently, I filed testimony in Nicor  
32 Gas Company's Operating Agreement docket (Docket No. 09-0301 consolidated  
33 with Docket No. 11-0046, in which Nicor Gas Company seeks approval of its  
34 reorganization), Docket Nos. 11-0280 and 11-0281 (Cons.) (North Shore Gas  
35 Company and The Peoples Gas Light and Coke Company rate proceedings),  
36 Docket Nos. 11-0561/0562/0563/0564/0565/0566 (Cons.) (the rate proceeding  
37 for certain Utilities Inc. water companies), Docket No. 11-0767 (the Illinois-  
38 American Water Company rate proceeding) and Docket Nos. 12-0511 and 12-  
39 0512 (Cons.) (North Shore Gas Company and The Peoples Gas Light and Coke  
40 Company rate proceedings).

41 Prior to joining the Commission, I was an instructor at Illinois State University  
42 from 2003 to 2006, where I taught various courses in economics and statistics to

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<sup>1</sup> "The Electricity, Natural Gas, and Telecommunications Sequence is a structured program that combines training in basic economic theory and statistical methods with specialized training in the theory, history and institutions of the economics of regulation." <http://www.econ.ilstu.edu/grad/program.htm>.

43 undergraduate students. I am a Major in the Marine Corps Reserve having  
44 served since 1993; I have completed two deployments to Iraq.

45

46 **II. Purpose of Testimony and Background Information**

47 **Q. What is the subject matter of your direct testimony?**

48 A. This testimony concerns North Shore Gas Company's ("North Shore") and The  
49 Peoples Gas Light and Coke Company's ("Peoples Gas") (jointly, "Companies")  
50 Petition for an order approving an agreement among Integrys Transportation Fuels,  
51 LLC, and all its subsidiaries (collectively, "ITF") and the Companies ("ITF  
52 Agreement") for the provision of facilities and services and the transfer of assets  
53 between affiliates pursuant to Sections 7-101 and 7-102 of the Illinois Public  
54 Utilities Act ("Act"). Petition, p. 1.

55 My testimony is in response to the direct testimony of Companies' witnesses Ms.  
56 Alana Renier (NS-PGL Ex. 1.0),<sup>2</sup> and Mr. Michael Wyrick (NS-PGL Ex. 2.0).<sup>3</sup>  
57 Specifically, my direct testimony focuses on the question of whether the proposed  
58 ITF Agreement would be in the public interest.

59

60 **Q. Do you have any attachments to your testimony?**

61 A. Yes. I have attached the following to my testimony:  
62

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<sup>2</sup> Ms. Renier is an employee of Integrys Business Support ("IBS") whose time in this case is paid for by ITF Companies response to Staff DR DAS-11.01.

<sup>3</sup> Mr. Wyrick is an employee of ITF whose time in this case is paid for by the Peoples Gas (Companies response to Staff DR DAS-11.02)

Att.	Source
A	Companies' Response to Staff DR DAS-2.05
B	Companies' Response to Staff DR DAS-1.02
C	Companies' Response to Staff DR DAS 4.02a
D	Companies' Response to Staff DR DAS-6.03
E	Companies' Response to Staff DR DAS-6.04
F	Comments of Integrys Transportation Fuels, LLC on AGLC's Proposed CNG Fueling Program, Georgia PSC Docket No. 32499
G	Companies' Response to Staff DR RWB-1.07
H	Companies' Response to Staff DR DAS-1.01
I	Companies' Supplemental Response to Staff DR DAS-2.01
J	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c. DAS-8.02
K	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c.DAS-11.01
L	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c.DAS-11.04
M	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c.DAS-10.01, Attachment 4 Confidential
N	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c DAS 7.01
O	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/0512c ENG-6.02 (selected pages)
P	Companies' Response to Staff DR RWB-1.05
Q	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c.DAS-7.02
R	Companies' Response to Staff DR RWB-1.12
S	Companies' Response to Staff DR RWB-2.4
T	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/2c.DAS-9.02
U	Companies' Response to Staff DR DAS-1.04
V	Companies' Response to Staff DR DAS-10.01
W	Companies' Revised Response to Staff DR DAS-11.04
X	Peoples Gas' Response to Staff DR Docket Nos. 12-0511/12-0512c. DAS-11.02
Y	Companies' Response to Staff DR DAS 7.01
Z	Companies' Response to Staff DR DAS 8.01
AA	Companies' Corrected Response to Staff DR DAS-7.01
AB	Companies' Supplemental Response to Staff DR DAS- 7.01
AC	Peoples Gas' Response to Staff DR DAS 9.01
AD	Peoples Gas' Response to Staff DR DAS-9.02
AE	Peoples Gas' Response to Staff DR DAS-10.02
AF	Companies' Response to Staff DR DAS-6.02

**Table 1 - List of Attachments**

63

64

65 **III. Summary of Conclusions and Recommendations**

66 **Q. Please summarize your conclusions and recommendations.**

67 A. I dispute Ms. Renier's claims that "[t]he proposed ITF Agreement is in the public  
 68 interest, and [that] the public would be inconvenienced by its approval." NS-PGL

69 Ex. 1.0, p. 11. I conclude that approving the ITF Agreement would not be in the

70 public interest. I have two bases for this conclusion. First, the Companies have  
71 a history of improper interactions with their affiliates in general and in particular  
72 with respect to natural gas vehicle fueling transactions. Second, I have concerns  
73 about certain issues in the terms of the agreement. I object to the agreement  
74 allowing property transfers to affiliates without further Commission oversight and  
75 to the ability to rent property to affiliates. Therefore, I recommend that the  
76 Commission not approve the proposed ITF Agreement. Furthermore, if the  
77 Commission accepts my recommendation, then the Commission should order  
78 the Companies to file a petition with testimony showing why it is in the public  
79 interest for property transfers to be allowed in the non-IBS AIA.

80

81 **IV. Introduction and Background**

82 **A. Affiliated Interests and the Act**

83 **Q. How does the Act govern the interactions between public utilities and their**  
84 **affiliated interests?**

85 A. While I am not an attorney, it is my understanding that the Act imposes  
86 requirements with respect to interactions between public utilities and their affiliates.  
87 For instance, Section 7-101 of the Act requires utilities seeking to enter into  
88 contracts with affiliates to obtain Commission *pre-approval*:

89 No management, construction, engineering, supply, financial or similar  
90 contract and *no contract or arrangement* for the purchase, sale, lease or  
91 exchange of any property or *for the furnishing of any service*, property or  
92 thing, *hereafter made with any affiliated interest*, as hereinbefore defined,  
93 *shall be effective unless it has first been filed with and consented to by the*  
94 *Commission* or is exempted in accordance with the provisions of this Section  
95 or of Section 16-111 of this Act. The Commission may condition such  
96 approval in such manner as it may deem necessary to safeguard the public

97 interest. If it be found by the Commission, after investigation and a hearing,  
98 that any such contract or arrangement is not in the public interest, the  
99 Commission may disapprove such contract or arrangement. Every contract  
100 or arrangement not consented to or excepted by the Commission as  
101 provided for in this Section is void.

102  
103 220 ILCS 5/7-101(3) (emphasis added).

104

105 **Q. Does this subsection apply equally to services provided by the utility to the**  
106 **affiliate as well as to services provided by the affiliate to the utility?**

107 A. Yes. While I am not an attorney, I understand that Section 7-101 applies to all  
108 transactions between utilities and their affiliates regardless of which entity  
109 provides services to the other unless they have been filed with and consented to  
110 by the Commission or are exempted in accordance with the provisions of Section  
111 7-101 or of Section 16-111 of the Act.

112

113 **Q. When you refer to Affiliated Interest Agreements (“AIA”) in your testimony, to**  
114 **what are you referring?**

115 A. AIAs refer to general agreements that allow for an on-going provision of services  
116 between affiliates. AIAs may also provide for sub-agreements to be entered into  
117 without subsequent Commission approval for the services approved by the  
118 Commission in the AIA and for charges in compliance with the terms of the AIA.

119

120 **Q. Are the Companies currently parties to any AIAs?**

121 A. Yes. The Commission has approved several AIAs for Peoples Gas and North  
122 Shore. The current general AIA that affects services between Peoples Gas, North  
123 Shore, and their affiliates is called the Services and Transfers Agreement (“STA”).

124 The STA was approved by the Commission in Docket No. 06-0540. Additionally,  
125 the Commission has approved another agreement to replace the STA, referred to  
126 by the Companies as the Non-IBS AIA, in Docket No. 10-0408. The Non-IBS AIA  
127 will go into effect once it receives approval from the state commission in Minnesota.  
128 NS-PGL Ex. 1.0, p. 5.

129

130 **B. Summary of the ITF Agreement Proposed by Peoples Gas and North**  
131 **Shore.**

132 **Q. The Companies describe the ITF agreement as “a narrowly tailored service**  
133 **agreement for services unique in the Integrys system to a new affiliated**  
134 **company.” NS-PGL Ex. 1.0, p.11. Do you agree with that description?**

135 A. No. All but one of the services included in the ITF Agreement are already  
136 allowed by the STA, to which ITF and the Companies are signatories. The  
137 Companies admitted that ITF is currently providing many of the services at  
138 Peoples Gas' CNG fueling station pursuant to the STA that it seeks to provide  
139 under the proposed ITF Agreement. See ICC Staff Ex. 1.0, Attachment A -  
140 Companies' response to DR DAS 2.05. The Memorandum of Understanding  
141 (“MOU”) between Peoples Gas and ITF indicates the services being provided by  
142 ITF pursuant to the STA, including operations and maintenance services. See  
143 ICC Staff Ex. 1.0, Attachment B - Companies' response to DR DAS 1.02.

144

145 **Q. Is there any service in the ITF Agreement that is not covered under the STA?**

146 A. Yes. That service would be “[t]he Operational Support functions of ‘ownership of  
147 facilities and real property on which facilities are located.’” See ICC Staff Ex. 1.0,  
148 Attachment C - Companies’ Response to DR DAS 4.02. “Ownership of facilities  
149 and real property” means allowing another party to use (rent) the property of  
150 another party.

151

152 **Q. Are there any other aspects of the proposed ITF Agreement that are not**  
153 **allowed under the STA?**

154 A. Yes. The Companies believe that “transactions not exempt under the  
155 Commission’s rules at 83 Ill. Admin. Code Part 310 require prior Commission  
156 approval. The dollar limit in that rule is \$500. That rule also includes a bidding  
157 procedure that may apply to certain transactions.” See ICC Staff Ex. 1.0,  
158 Attachment D - Companies’ response to DR DAS-6.03. Furthermore, the  
159 Companies believe that “Commission approval of the agreement would constitute  
160 the required approvals [for property transfers] under the Public Utilities Act.” See  
161 ICC Staff Ex. 1.0, Attachment E - Companies’ response to DR DAS-6.04. Thus,  
162 one effect of this agreement is to circumvent the Commission oversight of property  
163 transfers in excess of \$500 that would otherwise be required.

164

165 **V. ITF Agreement is not in the Public Interest**

166 **Q. Please summarize why you believe that approval of the ITF Agreement is not**  
167 **in the public interest?**

168 A. The ITF Agreement has faults, as I will detail below, but even disregarding those  
169 faults, given the Companies' long history of questionable behavior in their  
170 interactions with their affiliates in general and specifically with respect to natural gas  
171 fueling stations prevents any AIA between these parties from being in the public  
172 interest. The public interest would be served by increased oversight of the  
173 Companies, not less, as the proposed ITF Agreement would allow.

174

175 **Q. Has ITF ever taken a public position regarding the appropriate place for LDCs**  
176 **and their affiliates in the unregulated CNG fuel market?**

177 A. Yes. ITF has argued against the interference of the incumbent utility or its affiliate  
178 in CNG markets. In Georgia PSC Docket No. 32499, ITF intervened and filed  
179 comments.

180 [T]he involvement of the regulated utility or its affiliate in an unregulated  
181 market creates *thorny cross-subsidization and affiliate transaction issues for*  
182 *the Commission...*Integrys Fuels believes that certain services associated  
183 with the proposed CNG fuels program would be better handled by market  
184 participants that are neither the regulated entity nor an affiliate of that  
185 regulated entity. The Commission could avoid a number of thorny issues by  
186 simply limiting AGLC *or an AGLC affiliate from providing services that tend*  
187 *to be more competitive, such as service and maintenance services to the*  
188 *fuel stations and equipment upgrade service.*

189  
190 See ICC Staff Ex. 1.0, Attachment F - Comments of Integrys Transportation Fuels,  
191 LLC on AGLC's Proposed CNG Fueling Program, Georgia PSC Docket No. 32499,  
192 p. 5 (emphasis added).

193

194

195 **Q. Do you agree with ITF that the entry of a regulated utility or its affiliate into**  
196 **the unregulated CNG market creates “thorny cross-subsidization and affiliate**  
197 **transaction issues” for the Commission to consider?**

198 A. Yes. The entry of a regulated utility into the developing CNG market causes  
199 distortion. Furthermore, the involvement of an affiliate in that same market  
200 creates the definite potential for cross-subsidization or other anti-competitive  
201 issues. Given the history of these Companies' interactions with their affiliates,  
202 such an agreement is not in the public interest.

203

204 **A. Questionable interactions with CNG affiliates by Peoples Gas.**

205

206 **Q. Please indicate the instances of the Companies' questionable behavior to**  
207 **which you refer.**

208 A. There have been numerous instances of improprieties found by the Commission.  
209 The Commission has evaluated the record and found impropriety between the  
210 Companies and their affiliates Peoples Energy Home Services (Docket No. 11-  
211 0280/0281 (Cons.)) and enovate. (Docket No. 01-0701). Additionally, I have  
212 uncovered questionable behavior with respect to Peoples Gas and two affiliates  
213 in the CNG services industry – Pinnacle CNG Systems, LLC (“Pinnacle”) and  
214 PNGV Corp., which I will explain further below.

215

216 **1. Peoples Gas and Pinnacle**

217

218 **Q. What is history of the structural relationship between the Companies and**  
219 **ITF?**

220 A. Integrys created its subsidiary, ITF, “in August 2011 to invest in transportation  
221 fuel business opportunities.” The Companies report that Integrys “acquired two  
222 CNG infrastructure businesses, one comprised of Trillium USA Company and  
223 Trillium USA, LLC and the other comprised of Pinnacle CNG Company and  
224 Pinnacle CNG Systems, LLC.” NS-PGL Ex. 1.0, p. 3. These companies became  
225 subsidiaries of ITF. Thus, the Companies are affiliates of ITF and its subsidiaries,  
226 including Pinnacle CNG Systems, LLC (“Pinnacle”). See ICC Staff Ex. 1.0,  
227 Attachment G - Companies response to DR RWB 1.07.

228

229 **Q. Please describe your understanding of the evolution of the Peoples Gas /**  
230 **Pinnacle relationship.**

231 A I see three distinct periods of relationship between Peoples Gas and Pinnacle.  
232 First, there is the period of time before Integrys entered into negotiation to  
233 acquire Pinnacle and Trillium in which these firms were unrelated. The second  
234 period was during those negotiations in which these firms were “pending-  
235 affiliates.” The final (and current) period is the period as affiliates since the  
236 acquisition was complete.

237

238 **Q. How do the Companies characterize the nature of the relationship between**  
239 **the Companies and Pinnacle?**

240 A. Ms. Renier claims that “Pinnacle CNG Systems, LLC (“Pinnacle”) and Peoples  
241 Gas entered into an agreement *prior to* Integrys’ acquisition of Pinnacle and the  
242 other transportation fuels companies, *i.e.*, prior to Pinnacle becoming an affiliate  
243 of Peoples Gas.” She also claims that “Pinnacle and Peoples Gas are currently  
244 performing under this *arm’s length* agreement.” NS-PGL Ex. 1.0, pp. 3-4  
245 (emphasis added). Furthermore, Mr. Wyrick also emphasizes that, “this  
246 agreement pre-dated Pinnacle’s affiliation with Peoples Gas.” NS-PGL Ex. 2.0, p.  
247 3.

248

249 **Q. Do you agree that the contract between Pinnacle and Peoples involving the**  
250 **fueling station is “arm’s length”?**

251 A. No. A series of events in 2011 cause me to reject the claim that the Peoples-  
252 Pinnacle contract was arm’s length.

253

254 **Q. Please describe the chain of events.**

255 A. Integrys, the holding company of Peoples Gas, entered into non-disclosure  
256 agreements (“NDA”) on May 18, 2011 with Pinnacle and Trillium, another  
257 company involved in CNG filling stations, in preparation for a merger. See ICC  
258 Staff Ex. 1.0, Attachment G. Three weeks later, on June 9, 2011, Peoples sent  
259 an RFP for services for a CNG filling station to Pinnacle, Trillium, and a third  
260 independent company, Dual Fuel Systems. Pinnacle and Peoples Gas signed a

261 contract for services for the CNG filing station on August 31, 2011. See ICC Staff  
262 Ex. 1.0, Attachment H– Companies’ response to DR DAS 1.01. The very next  
263 day, on September 1, 2011, Integrys acquired Pinnacle and Trillium (see *id.*) I  
264 believe this string of events is tied together.

265

266 **Q. What is it about this chain of events that causes you to reject the “arm’s**  
267 **length” claim?**

268 A. Peoples Gas entered into a contract with a company that its parent company  
269 would acquire the very next day. Additionally, all the negotiations with Pinnacle  
270 regarding the Pinnacle Agreement were completed *after* the NDA was signed –  
271 *after* Pinnacle and Peoples Gas were “pending affiliates.” I think it is not  
272 plausible that the pending affiliation had no effect on the timing and process of  
273 selecting Pinnacle to construct the CNG station.

274

275 **Q. Was there any advantage for the Peoples Gas–Pinnacle agreement being**  
276 **signed before finalizing the merger with Pinnacle?**

277 A. Yes. If the merger was finalized first, then under the Act, the Peoples Gas–  
278 Pinnacle contract would clearly have had required either Commission approval  
279 for such an agreement or provision of the services at cost to Pinnacle under the  
280 STA. 220 ILCS 5/7-101(3).

281

282 **Q. Is there any other aspect of this acquisition that concerns you?**

283 A. Yes. The Companies did not notify the Commission when ITF was added to the  
284 STA. The STA requires that the Companies notify the Commission when adding  
285 a party to the STA. According to Paragraph 2. Notices to Article X

286 REGULATORY REQUIREMENTS of the STA:

287 Peoples Gas and North Shore shall notify the Commission each time a new  
288 Party becomes eligible to receive or provide Services and Facilities or  
289 transfer or acquire assets under this Agreement.

290 a. This notice shall be by means of a letter to the following or any successor  
291 to the following: Commission's Manager of Accounting, Manager of the  
292 Energy Department, Public Utilities Bureau Chief, the Executive Director and  
293 an informational filing in the Commission docket in which this Agreement  
294 was approved.

295 b. Such notice shall include: (i) a description of the anticipated transactions  
296 between Peoples Gas or North Shore and the new Party; (ii) a revised  
297 organizational chart showing all Parties and their subsidiaries; (iii) a list of  
298 the Board of Directors and officers of the new Party; (iv) a statement of  
299 whether Peoples Gas and North Shore expect the new Party to be a  
300 Providing Party, Receiving Party Transferring Party or Acquiring Party; and  
301 (v) a statement regarding the expected quantity of transactions that Peoples  
302 Gas or North Shore expects to conduct with the new Party.

303  
304 Thus, the Companies lack of notice is not in compliance with the STA.  
305

306 **Q. How do you see this lack of notice affecting the issue of Commission**  
307 **approval of the ITF Agreement?**

308 A. The failure to provide notice is an example of the Companies failing to take  
309 appropriate actions regarding their interactions with their affiliates. If the  
310 Companies cannot follow the requirements of the AIA already in place, the  
311 Commission should not approve a new agreement granting them even more  
312 privileges.

313

314 **Q. Has the service contract for the CNG filling station been at issue in any**  
315 **other cases before the Commission?**

316 A. Yes. In Peoples Gas' most recent rate case, Docket No. 12-0512, Staff witness  
317 Seagle and I proposed adjustments to remove the CNG station from Peoples  
318 Gas' rate base (ICC Docket No. 12-0511/0512 (Cons.), NS-PGL Ex. 44.0, p. 2),  
319 arguing that the costs had not been prudently incurred. ICC Docket No. 12-0512,  
320 ICC Staff Ex. 6, pp. 31-36, Staff Ex. 16.0, p. 13; Staff Ex. 21.0. Peoples Gas  
321 eventually withdrew the CNG station from its rate base proposal in that docket.  
322 ICC Docket No. 12-0511/0512 (Cons.), NS-PGL Ex. 44.0, p. 2. Much of the  
323 evidence Staff presented in that case is relevant here because it shows that  
324 Peoples Gas favored its pending-affiliate, Pinnacle, in its Request for Proposals  
325 ("RFP") process, as I will discuss further below.

326  
327 **Q. Do you have other concerns about the contracting process followed for the**  
328 **CNG fueling station contract?**

329 A. Yes. The RFP process appears to have been conducted in a manner to favor  
330 Pinnacle. The RFP was narrowly circulated to two of the Companies' soon-to-be  
331 affiliates (one of which did not respond to the RFP) and one independent firm,  
332 Dual Fuels Systems. Dual Fuels Systems did not normally perform one of the  
333 services required in the RFP, and its lack of response concerning that service  
334 resulted in the bid's rejection. In addition, the response period allowed was quite  
335 short, which could have contributed to the incomplete response by the  
336 independent bidder.

337

338 **Q. Did Peoples Gas allow sufficient time for the RFP response?**

339 A. No. Peoples Gas set the RFP response date for June 22, 2011, which allowed  
340 13 days for the RFP response. RFP, p. 8 Both bids were late. Pinnacle  
341 submitted its bid on Friday, June 24, 2011. Dual Fuel Systems submitted its bid  
342 on Monday, June 27, 2011. See ICC Staff Ex. 1.0, Attachment I - Companies'  
343 Response to DR DAS-2.01.

344

345 **Q. Has Peoples Gas defended the legitimacy of the contract bidding process?**

346 A. Yes. In the Company's recent rate case, Peoples Gas witness Mr. Hoops stated  
347 that, "[t]his project was competitively bid and bids were received from two  
348 vendors." Docket Nos. 12-0511/0512 (Cons.), NS-PGL Ex. 28.0, p. 11.

349

350 **Q. How do you respond to Mr. Hoops?**

351 A. The fact that Peoples ultimately received two bids, only one of which was  
352 complete, does not show that the RFP was competitive. On the contrary, the fact  
353 that Peoples Gas *only* received two bids is consistent with the process *not* being  
354 competitive.

355

356 **Q. How else did Mr. Hoops defend the solicitation process?**

357 A. Mr. Hoops claimed "Peoples Gas followed all business processes as with any

358 other project in bidding for this project.”<sup>4</sup>

359

360 **Q. What is your response to this claim?**

361 A. This statement was misleading because it suggests that People Gas followed a  
362 set procedure for developing the list of recipients for its RFPs – also known as a  
363 “bid list.” However, Peoples Gas admitted that “[t]here are no documented  
364 procedural steps used during the creation of the bid list.” See ICC Staff Ex. 1.0,  
365 Attachment J – Peoples Gas’ response to DR DAS 8.02a, Docket Nos. 12-  
366 0511/0512 (Cons.).

367

368 **Q. How did Peoples Gas determine the list of recipients for its RFPs?**

369 A. Peoples Gas provided a “bid list” of firms to IBS Supply Chain Services to send  
370 the RFP. However, for the CNG station RFP process, that bid list included only  
371 three firms. See ICC Staff Ex. 1.0, Attachment J - Peoples Gas’ Response to DR  
372 DAS-8.02, Docket Nos. 12-0511/0512 (Cons.).

373 The “bid list” was compiled by a group of four individuals, two of whom now work  
374 for ITF, the holding company for the winning bidder – Pinnacle; one of those is  
375 Mr. Wyrick, now a witness for the Companies in this case. *Id.*; see ICC Staff Ex.  
376 1.0, Attachment J - Peoples Gas’ Response to Staff DR DAS-8.02c, Docket Nos.  
377 12-0511/0512 (Cons.). This is a conflict of interest. Peoples Gas never

---

<sup>4</sup> ICC Docket Nos. 12-0511/0512 (Cons.), NS-PGL Ex. 28.0, p. 11.

378 considered any additional firms. Neither did it conduct an internet search to find  
379 other qualified firms. See ICC Staff Ex. 1.0, Attachment K - Peoples Gas  
380 Response to DR DAS-11.01, Docket Nos. 12-0511/0512 (Cons.). Rather it used  
381 only three firms with which it had prior involvement.

382

383 **Q. You indicate that one vendor did not provide a complete bid. Would you**  
384 **elaborate on this point?**

385 A. Yes. Dual Fuel Systems, the independent vendor, did not provide a bid on the  
386 operation and maintenance for the facility, which the RFP required. Docket Nos.  
387 12-0511/0512 (Cons.), NS-PGL Ex. 28.0 Rev., p. 11. The RFP required a  
388 proposal for operations and maintenance support, including all planned and  
389 unplanned maintenance and repair, 24-hour monitoring and fault detection, and  
390 the ability to remotely assist fueling customers. See ICC Staff Ex. 1.0,  
391 Attachment K - Peoples Gas' Response to DR DAS-11.01, Attachment 1, pp. 14-  
392 15, Docket Nos. 12-0511/0512 (Cons.). On January 15, 2013, Mr. Eric Schwab,  
393 the CEO and General Manager of Dual Fuels Systems, indicated in a telephone  
394 conversation with me that Dual Fuels Systems does not provide 24-hour  
395 monitoring and fault detection or the ability to remotely assist fueling customers.

396

397 **Q. Was there a need to include operations and support services in the RFP?**

398 A. I do not believe there was a legitimate need. Peoples Gas could have had a  
399 separate RFP process for the operation of its station, allowing additional entities  
400 to submit bids for other aspects of the RFP. My belief is supported by the fact

401 that the winning bidder, Pinnacle, never operated the station, therefore, there  
402 was no legitimate reason to disqualify Dual Fuel Systems from consideration for  
403 not providing a bid for a part of the RFP that the winning bidder was never called  
404 on to perform. Additionally, Pinnacle also provided a bid that was incomplete in  
405 that it did not provide cost estimates for all listed services. See ICC Staff Ex. 1.0,  
406 Attachment L - Peoples Gas' Response to DR DAS-11.04, Attachment 01,  
407 Docket Nos. 12-0511/0512 (Cons.). As Peoples Gas witness Mr. Wyrick  
408 indicated "[t]he agreement [for which there was the RFP was] for the construction  
409 of a fueling station. The agreement covered the construction of the station only  
410 and not operations." NS-PGL Ex. 2.0, p. 3. ITF now operates the station. See  
411 ICC Staff Ex. 1.0, Attachment B - Companies' response to DR DAS-1.02.

412

413 **Q. What other factors may have influenced the selection of the bid?**

414 A. An internal document regarding the RFP Award Analysis Procedures of IBS  
415 Supply Chain Services, which conducts the RFP process, states that BEGIN  
416 CONF. \*\*\* [REDACTED]

417 [REDACTED]

418 [REDACTED] \*\*\*

419 END CONF See ICC Staff Ex. 1.0, Attachment M - Peoples Gas' Response to  
420 DR DAS-10.01, Attachment 04, pp. 1-2, Docket No. 12-0511/0512 (Cons.)

421 (emphasis added). BEGIN CONF \*\*\* [REDACTED]

422 [REDACTED]

423 \*\*\*\*\*

424 \*\*\*\*\* \*\*\* END CONF

425

426 **Q. Were there any other factors that may have influenced the RFP process?**

427 A. Yes. Peoples Gas pursued and received a grant from the City of Chicago (“City”)  
428 to build the CNG station. In May 2009, Peoples Gas submitted for pre-approval  
429 of its grant with the City. At that time, Peoples Gas estimated that the cost of the  
430 station would be \$692,400, and it asked for funding of the entire amount. See  
431 ICC Staff Ex. 1.0, Attachment N - Peoples Gas’ Response to DR DAS-7.01,  
432 Attachment 01, p. 4, Docket Nos. 12-0511/0512 (Cons.). Peoples Gas  
433 eventually signed a grant agreement<sup>5</sup> that dictated the terms and conditions  
434 under which the grant funds would be provided to Peoples Gas. See ICC Staff  
435 Ex. 1.0, Attachment O - Peoples Gas’ Response to DR ENG-6.02 Attachment 01  
436 (selected pages), Docket Nos. 12-0511/0512 (Cons.). The fact that Peoples Gas  
437 thought it would get the station without spending any of its own money may have  
438 induced it to move ahead. However, its initial estimate was understated, and  
439 total project costs rose to \$1,550,092.<sup>6</sup>

440

441 **Q. Did Peoples Gas have a compressed time-line that would preclude a**  
442 **second, longer RFP process or a second RFP with a broader dispersion**

---

<sup>5</sup> This agreement was with Gas Technology Institute, a grant partner with the City.

<sup>6</sup> Rate base amount (\$857,692) plus grant amount (\$692,400).

443 **once it received only one complete bid?**

444 A. No. The stated project completion date was December 20, 2011. RFP, p. 1.  
445 However, construction on the CNG station did not begin until November 22,  
446 2011. See ICC Staff Ex. 1.0, Attachment H – Companies’ Response to DR DAS-  
447 1.01f. The station was not functionally operational until April, 6 2012. See ICC  
448 Staff Ex. 1.0, Attachment P – Companies’ Response to DR RWB-1.05c.  
449 Furthermore, Peoples Gas states that: “[t]he station construction RFP date was  
450 set by the project group with the goal of meeting or exceeding the in service  
451 requirements set forth in the grant agreement. The grant agreement did not  
452 preclude the requirement of any selected vendor to meet an earlier work  
453 completion date.” See ICC Staff Ex. 1.0, Attachment Q – Peoples Gas’ Response  
454 to DR DAS-7.02, Docket Nos. 12-0511/0512 (Cons.). Finally, Peoples Gas was  
455 never penalized by the City or the Gas Technology Institute for not completing  
456 the station before December 20, 2011. *Id.* It is worth noting that Peoples Gas  
457 had been considering this project for *more than two years* before it sent out its  
458 RFP. There was ample time for it to find other qualified firms. The compressed  
459 RFP timeline could have been influenced and rushed by the impending acquisition  
460 of Pinnacle and the additional affiliate contracting requirements that affiliation  
461 would cause.

462

463 **Q. What do you conclude about the RFP process?**

464 A. Competitive pressures on Pinnacle were removed by sending the RFPs to two  
465 “pending” affiliates and an independent company that did not provide all the

466 “required” services. And the Company failed to conduct any research to find any  
467 other possible firms outside of those already known to Peoples Gas. A good  
468 faith effort to have a competitive RFP process would have required a broader  
469 solicitation with more time to respond.

470

471 **Q. Could the affiliate status of Pinnacle affect its bid and subsequent selection**  
472 **by Peoples Gas?**

473 A. Yes. It would be reasonable for Pinnacle to have had an expectation that when it  
474 submitted its bid, it would be an affiliate of Peoples Gas before it began  
475 construction, which, in fact, is precisely what occurred. Therefore, Pinnacle may  
476 have been able to offer a lower bid with some expectation that, despite language  
477 in the contract indicating the bidder would be responsible for cost over-runs,  
478 Peoples Gas might not hold it responsible for cost over-runs or other financial  
479 penalties that might arise. The initial bid by Pinnacle was for \$888,775. See ICC  
480 Staff Ex. 1.0, Attachment H – Companies Response to DR DAS-1.01g. The total  
481 amount that Peoples Gas paid to Pinnacle was \$1,375, 2088.95.<sup>7</sup> Thus, the  
482 amount paid to Pinnacle rose more than 54% above the price of the bid. Peoples  
483 Gas proposed in its rate case to include the increase in the amount paid to  
484 Pinnacle in rate base in that proceeding, with no change-order costs absorbed by  
485 Pinnacle. Also, when it selected its “pending affiliate,” Pinnacle, as the winning

---

<sup>7</sup> In 2011, Peoples Gas billed Pinnacle \$834,945.00 plus a final payment \$540,263.95. ICC Staff Ex. 1.0, Attachment R – Peoples Gas’ response to DR RWB 1.12; ICC Staff Ex. 1.0, Attachment S – Peoples Gas’ response to DR RWB 2.4.

486 bidder, Peoples Gas was reasonably certain that Pinnacle would be an affiliate  
487 *before any work commenced.* Indeed, affiliation occurred the day after the  
488 contract was signed.

489

490 **Q. Mr. Hoops characterized the effect of the current affiliate status of Pinnacle**  
491 **and Peoples Gas on the selection of Pinnacle as the winning bidder by**  
492 **stating: “[t]he fact that the company that was selected, then became an**  
493 **affiliate, does not change these facts.” ICC Docket Nos. 12-0511/0512**  
494 **(Cons), NS-PGL Ex. 28.0, p. 11. Does this apply to enforcement of terms of**  
495 **the contract to include cost over-runs?**

496 A. The agreement between Peoples Gas and Pinnacle has been described as an  
497 “arms length agreement.” NS-PGL Ex. 1.0, pp. 3-4. However, I find this to be  
498 misleading on many fronts, including the enforcement of terms of the contract.

499 Peoples Gas states:

500 [T]he construction agreement was entered into by two unrelated, unaffiliated  
501 companies under an arms-length agreement. The indemnification terms just  
502 like the other terms are not only standard for Peoples Gas but are also at  
503 least as protective to Peoples Gas as one would find elsewhere in the  
504 market. The terms of the agreement speak for themselves and *are fully-*  
505 *enforceable by both parties just as they would be* if the agreement had been  
506 entered into between Peoples Gas and an entity that became an affiliate five  
507 years after signing the agreement or *if Peoples Gas had entered an*  
508 *agreement with another unaffiliated contractor that Peoples Gas considered*  
509 *for the work such as Dual Fuels.*

510

511 See ICC Staff Ex. 1.0 Attachment T – Peoples Gas’ Response to Staff DR Docket  
512 Nos. 12-0511/2c.DAS-9.02 (emphasis added).

513

514 All work performed under the contract was performed by Pinnacle while it was an  
515 affiliate with Peoples Gas. Any cost over-runs or change orders would have to  
516 be negotiated by both firms *as affiliates*. ICC Staff Ex. 1.0, Attachment U –  
517 Companies’ response to DR DAS 1.04. If the performing party had been the  
518 unaffiliated Dual Fuel Systems, then Peoples Gas would have had an economic  
519 incentive to not allow Dual Fuel Systems to pass along those added costs to the  
520 Company. However, since Pinnacle was already an affiliate, passing along  
521 additional costs and negotiating for change orders might allow the regulated  
522 affiliate to pass those costs on to ratepayers and shield Integrys from such costs.

523

524 **Q. What do you conclude from the evidence provided here concerning the**  
525 **record of actions by Peoples Gas in its relations with Pinnacle?**

526 A. Peoples Gas’ actions reflect favoritism toward its affiliate at the expense of its  
527 customers and subversion of the intent of the PUA that is not consistent with the  
528 public interest.

529

530 **2. Peoples Gas and PNGV Corp.**

531 **Q. Have you found other questionable interactions between Peoples Gas and**  
532 **another of its CNG affiliates?**

533 A. Yes. During the investigation into the facts surrounding this case, specifically the  
534 relationship between Peoples Gas and Pinnacle, I found a reference to another  
535 station that pre-dated the current CNG station that was “operated” by Peoples  
536 Natural Gas Vehicle Corporation (“PNGV Corp.”). I found evidence of disregard  
537 for the terms of the AIAs approved by the Commission. This disregard provides

538 additional support for not providing the Companies the privileges that would be  
539 provided to them through approval of the AIA.

540

541 **Q. Please give some background on PNGV Corp.**

542 A. Peoples NGV Corp. was incorporated in the State of Illinois on September 9,  
543 1993 (Peoples Energy Corp. ("Peoples Energy") FY 98 10-K) and was a wholly-  
544 owned subsidiary of Peoples Corp. "Peoples NGV Corp. is a participant in a  
545 partnership that was formed to develop on-site fueling services for natural gas-  
546 powered fleet vehicles. Neither the partnership nor any of its partners is  
547 regulated as a public utility." Peoples Energy FY 94 10-K. Later, this description  
548 was updated to reflect its new CNG station: "Peoples NGV Corp. operates a  
549 fueling station for natural gas fueled vehicles, and it is a participant in a  
550 partnership that was formed to develop on-site fueling services for natural gas-  
551 powered fleet vehicles. Neither the partnership nor its partners are regulated as a  
552 public utility." Peoples Energy FY 97 10-K. According to a response to a Staff  
553 Data Request "PNGV Corp. did not have employees." ICC Staff Ex. 1.0,  
554 Attachment V - Companies' response to Staff DR DAS-10.01f. PNGV Corp.  
555 "operated the station" using Peoples Gas employees. ICC Staff Ex. 1.0,  
556 Attachment W - Companies' revised response to Staff DR DAS-11.04c.

557

558 **Q. You testified earlier that your attempts to evaluate the interactions between**  
559 **Peoples Gas and PNGV Corp were met with conflicting responses by the**

560 **Companies. Please provide an example of the Companies' conflicting**  
561 **responses.**

562 A. The responses about the entity that operated the CNG fueling station at the  
563 same location that the current station discussed in the pervious section is a good  
564 example. Peoples Gas initially stated: "Peoples Gas has never owned *or*  
565 *operated* a public CNG station prior to the current Division St. facility. A former  
566 unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did  
567 *operate* a public station at the Peoples Gas Division St. facility, 1241 W. Division  
568 St. While exact dates of operation are unknown, the facility was operated from  
569 the late 1990s to early 2000s. The station was closed because PNGV Corp  
570 ceased to exist." See ICC Staff Ex. 1.0 Attachment X - Peoples Gas' response to  
571 DR DAS-11.02 Docket Nos. 12-0511/0512 (Cons.) (emphasis added). The  
572 Company subsequently admitted it did own the facility. As shown below, this  
573 station was "operated" by an affiliate for which Peoples Gas provided  
574 unauthorized services below cost.

575

576 **Q. Did Peoples Gas change its position regarding whether non-tariffed**  
577 **services were provided by Peoples Gas to PNGV Corp.?**

578 A. Yes. Peoples Gas replied that it had not provided such services. See ICC Staff Ex.  
579 1.0, Attachment Y – Companies' response to DR DAS 7.01f. Subsequent to my  
580 request for clarification, (See ICC Staff Ex. 1.0, Attachment Z – Companies'  
581 response to DR DAS 8.01), Peoples Gas revised its response to the first question

582 to indicate that it had provided non-tariffed services to PNGV Corp. See ICC Staff  
583 Ex. 1.0, Attachment AA – Companies’ corrected response to DR DAS 7.01f.

584

585 **Q. What non-tariffed services did Peoples Gas provide to PNGV Corp.?**

586 A. At a minimum, Peoples Gas provided PNGV Corp. with the “use of the land that  
587 the station was on,” (See ICC Staff Ex. 1.0, Attachment AA – Companies  
588 corrected response to Staff DR DAS-7.01f), labor rebill, and provision of supplies.  
589 See ICC Staff Ex. 1.0, Attachment AB – Companies corrected response to Staff  
590 DR DAS-7.01h. “Labor Rebill” is characterized as “that work was completed by  
591 Peoples Gas employees on behalf of PNGV Corp., and these charges were  
592 billed to PNGV. The type of services performed include operational and general  
593 and administrative activities provided by support staff from Marketing, Accounting  
594 and Legal departments. See ICC Staff Ex. 1.0, Attachment V – Companies’  
595 response to DR DAS 10.01.

596

597 **Q. Why do you say “at a minimum” Peoples Gas provided these three**  
598 **services?**

599 A. I say this because there were many other services that Peoples Gas provided for  
600 PNGV Corp. during the construction of the CNG station, as I outline below.  
601 While these were not on-going services, they were clearly services, even though  
602 Peoples Gas did not directly charge for those services.

603

604 **Q. Do the non-tariffed services provided by Peoples Gas to PNGV Corp.**  
605 **require approval by the Commission?**

606 **A.** While I am not an attorney my understanding is that they do. However, as shown  
607 below, Peoples Gas went beyond its Commission-approved agreement in  
608 providing non-tariffed services to its affiliate.

609

610 **Q. How did Peoples Gas disregard its approved agreement?**

611 **A.** First, as shown below, Peoples Gas provided services that were not authorized  
612 under Commission-approved AIAs; the authority that Peoples Gas claims to  
613 provide such services simply does not exist. Second, even if the service had  
614 been authorized by the Commission, Peoples Gas never charged the correct  
615 amount to PNGV Corp. for these services as required under the agreement  
616 approved by the Commission.

617

618 **Q. What authority did Peoples Gas assert for providing these non-tariffed**  
619 **services to PNGV Corp.?**

620 **A.** Peoples Gas asserted that “[t]he Commission approved for Peoples Gas and its  
621 affiliates an intercompany services agreement in Docket 55071.”<sup>8</sup> See ICC Staff  
622 Ex. 1.0, Attachment AA – Companies’ Corrected Response to DR DAS 7.01.

---

<sup>8</sup> The Services and Transfers Agreement approved in Docket 06-0540 replaced that agreement. ICC Staff Ex. 1.0, Attachment AA – Companies’ Corrected Response to DR DAS- 7.01.

623 Specifically, Peoples Gas indicated the following provided such authority under  
624 other “general corporate services”:

625

626 To make available executive, accounting, engineering, operating,  
627 maintenance, transportation, advertising, public relations, management,  
628 marketing, shareholder record, investigatory, research, data processing and  
629 *other general corporate services*;

630

631 . . .  
632 The requested party shall charge the requesting party an amount equal to  
633 the reasonable cost of performing any of the acts requested and performed  
634 in the manner described in Paragraph 1 hereof. For purposes of this  
635 Agreement, the words *“reasonable cost” shall mean that amount of money*  
636 *which will make the requested party whole for all costs and expenses*  
637 *relating to the performance of such acts.*

638

639 Docket 55071, Paragraph 1(a); ICC Staff Ex. 1.0, Attachment AA – Attachment to  
640 the Companies’ Corrected Response to DR DAS- 7.01 (emphasis added).

641

641 **Q. Does the “reasonable cost” from the agreement quoted above definition**  
642 **provide a valuation for rental of property?**

643 A. No. The definition of reasonable cost states “all costs and expenses relating to  
644 the performance of such acts.” There is no mention of the value of any land.

645

646 **Q. In your opinion, is there any authority providing for anything similar to “the**  
647 **use of land” under “other general corporate services”?**

648 A. No. Traditionally, corporate support services are generally those services that a  
649 holding or service company provides to its subsidiaries that pertain to corporate  
650 functions such as payroll, HR, and executive management. The Commission’s  
651 Rules define Corporate Support as “corporate oversight and governance

652 involving administrative services (including travel administration, security,  
653 printing, graphics, custodial services, secretarial support, mail services, and  
654 records management), financial management services (including accounting,  
655 treasury, internal audit, tax, and financial reporting and planning), data  
656 processing, shareholder services, human resources, employee benefits,  
657 regulatory affairs, legal services, lobbying, and non-marketing research and  
658 development activities. Corporate support also includes strategic planning.” 83 Ill.  
659 Admin. Code § 550.10. This definition provides a clear indication that the “use of  
660 land” is not included in “other general corporate services.”

661

662 **Q. How is to the “use of land” treated in previous AIAs?**

663 A. The “use of land” is distinct from those services as the Companies have listed in its  
664 intercompany services agreement, quoted above. The service that Peoples Gas  
665 describes in its response to DR DAS-7.01f, “use of the land that the station was  
666 on,” appears to be the exact service that is *not* in the STA, and unique to the ITF  
667 AIA – use of property. Recall that the only service that the Companies cannot  
668 currently provide under the STA is use of property. In fact, the Companies  
669 acknowledge that there is no distinction between the service provided by Peoples  
670 Gas for PNGV Corp. and the use of property requested in the ITF Agreement. See  
671 ICC Staff Ex. 1.0, Attachment AC – Companies’ response to DR DAS 9.01.  
672 Apparently this service was allowed before the STA.

673

674 **Q. Did Peoples Gas bill PNGV Corp. for the use of the land and the station?**

675 A. No. While Peoples Gas claimed that “Peoples Gas billed PNGV Corp. for rent for  
 676 use of the land that the station was on”, it is apparent that the charge represents  
 677 the costs incurred by Peoples Gas for the construction of the station. Peoples  
 678 Gas provided detailed information on what was included in the “Rental Expense”  
 679 charge. See ICC Staff Ex. 1.0, Attachment AD – Attachment to Companies  
 680 response to Staff DR DAS-9.02. That information is provided in Table 2 -  
 681 Peoples Gas' Charges to PNGV Corp. set forth below:

Charges associated with the CNG Refilling Station at Peoples Gas		
Station Facilities and Installation		\$172,607.45
Islands and Paving		\$114,146.13
Sidewalk		\$3,000.00
Security		\$21,875.89
Total Charges		\$311,629.47
Rate of Return-Per Dkt. # 95-0032	X	12.9180%
Yearly Rental Expense		\$40,256.29
Monthly Rental Expense		\$3,354.69

**Table 2 - Peoples Gas' Charges to PNGV Corp.**

682  
 683  
 684 All the inputs to the total charge are one-time, construction-related charges to  
 685 which a rate of return is applied to determine the rental charge. Peoples Gas

686 admitted that “the yearly rental expense amount represents only a return on  
687 investment for costs incurred by Peoples Gas for construction of the station.” See  
688 ICC Staff Ex. 1.0, Attachment AE – Peoples Gas’ response to DR DAS-10.02.  
689 Thus, Peoples Gas never charged PNGV Corp. for the “use of the land that the  
690 station was on,” despite its assertions to the contrary.

691

692 **Q. Did Peoples Gas recover its investment for the construction of the station**  
693 **from PNGV?**

694 A. No. By my estimate PNGV Corp. paid only \$278,439.27 in rental expense to  
695 Peoples Gas between October 1996 and September 2003.<sup>9</sup> Thus, Peoples Gas  
696 spent \$311,629.47 on this project, but never recovered the original cost *or*  
697 *recovery of any of the financing costs of the facility.* Peoples Gas might have  
698 protected itself and its customers by requiring PNGV to sign a lease of sufficient  
699 term to protect itself from the failure of PNGV Corp.’s risky venture. However,  
700 Peoples Gas could produce no lease and either had no recourse to PNGV Corp.  
701 assets or made no claim on them when PNGV Corp. ceased operations. Such a  
702 favorable arrangement, with no risk for stranded capital investment for the tenant  
703 when the nascent market did not develop, would not likely have been offered to  
704 an unaffiliated party. The arrangement between PNGV Corp. was inappropriate.  
705 Peoples Gas never should have entered into this type of arrangement without

---

<sup>9</sup> To reach this total, I used the amount provided by Peoples Gas for the years which it had records (FYs 1997, 1999, 2001-2003) and used the same monthly rental expense (\$3354.69) for each month that was not provided (FY1998, 2000).

706 holding its affiliate responsible until all costs were recovered. It is unlikely that  
707 Peoples would have offered non-affiliates the deal it provided to PNGV Corp. As  
708 it turned out, PNGV Corp. closed shop before Peoples Gas recovered the  
709 construction costs, much less a financing charge or rent, for the CNG station.  
710 ICC Staff Ex. 1.0, Attachments AD – Peoples Gas’ response to DR DAS 9.02  
711 and V – Companies’ response to Staff DR DAS 10.01.

712

713 **Q. Was Peoples Gas interactions with PNGV Corp. a violation of the Act?**

714 A. Yes. While I am not an attorney, it is my understanding that Peoples Gas  
715 violated the Act when it provided unauthorized services for its affiliate. It further  
716 violated the Act when it failed to charge its affiliate for the full, reasonable cost of  
717 providing these services.

718

719 **Q. Does Peoples Gas assert that it was receiving recovery of rental services**  
720 **through any other mechanism?**

721 A. Yes. Peoples Gas states that “[c]harges for ongoing rental services are not  
722 included as part of the calculation for rent expense. Instead, those charges  
723 would be included in the labor rebill charges.” See ICC Staff Ex. 1.0, Attachment  
724 AA – Companies’ corrected response to DR DAS 7.01 and Attachment V –  
725 Companies’ response to DR DAS 10.01. However, the services that Peoples  
726 Gas describes as “Labor Rebill” are property management services, and not the  
727 rent on the property. The fact that the charges vacillate between \$194.51 and  
728 \$15,370.54 per month (See ICC Staff Ex. 1.0, Attachment AA – Attachment to

729 the Companies' corrected response to DR DAS 7.01h) supports that conclusion.

730 In addition, the value of the land (i.e. rent) would not change from month-to-

731 month.

732

733 **Q. Are there other costs that should have been included in the “rental**  
734 **expense”?**

735 A. A reasonable cost of the rental service would include the cost of the foregone rent  
736 that could have been charged to another third party for the use of this land.

737 Presumably, that rent would also have included a risk premium.

738

739 **Q. How did Peoples Gas explain the rate base addition of the facility?**

740 A. When asked to explain “whether these costs were included in rate base by Peoples  
741 Gas,” Peoples Gas responded that this “[d]etail is not available.” ICC Staff Ex. 1.0,  
742 Attachment AE – Peoples Gas' response to DR DAS 10.02. Also, Peoples Gas  
743 has provided no explanation as to why the station would *not* have been added to  
744 rate base.

745

746 **Q. Please summarize your conclusions regarding the evidence about the PNGV**  
747 **Corp. CNG station.**

748 A. Again, while I am not an attorney, Peoples Gas provided services not authorized by  
749 its AIA for which it did not receive full, reasonable cost compensation. The  
750 Companies could not address whether it was added to rate base in 1995, but

751 offered no reason why it would not have been. Even if Peoples Gas ratepayers  
752 never paid for this station construction, Peoples Gas is not allowed to subsidize its  
753 affiliates. The interactions between Peoples and PNGV support my conclusion that  
754 the proposed ITF Agreement is not in the public interest and should be rejected.

755

756 **B. Improper interactions with affiliates by Peoples Gas and North Shore.**

757 **1. Peoples Energy Home Services and the Pipeline Protection Plan**

758

759 **Q. Has the Commission ever ruled against the Companies regarding improper**  
760 **behavior with affiliates?**

761 A. Yes. In addition to these two instances of likely improprieties with Pinnacle and  
762 PNGV Corp., which have both occurred without Commission action at this point,  
763 there have been at least two other instances of impropriety by the Companies  
764 which the Commission has clearly reviewed the record and found against them.  
765 The most recent example of this is the Companies and their affiliate IBS and the  
766 interaction of these firms with Peoples Energy Home Services ("PEHS"). The  
767 second example is the interaction of Peoples Gas with enovate.<sup>10</sup>

768

769 **Q. Please describe the relationship between the Companies, Peoples Energy**  
770 **Home Services, and its Pipeline Protection Plan?**

---

<sup>10</sup> Partially owned with Enron.

771 A. Peoples Gas and North Shore Gas entered into an arrangement to sell a  
772 warranty plan called Pipeline Protection Plan (“PPP”) that belonged to an affiliate,  
773 PEHS<sup>11</sup>. The warranty was originally marketed, billed and serviced by utility  
774 employees. Eventually, the solicitation and billing were provided by IBS, the  
775 Companies’ affiliated service company. Final Order, Docket Nos. 11-0280/0281  
776 (Cons.), January 10, 2012, p. 89.

777

778 **Q. What was the Commission’s finding in the Companies’ 2011 rate cases,**  
779 **Docket Nos. 11-0280/0281 (Cons.), regarding the issue of solicitation**  
780 **charges to PEHS?**

781 A. In that case the Commission determined that IBS had not charged PEHS for  
782 solicitation expenses, and ordered an adjustment:

783

784 The Commission agrees with Staff and accepts Staff witness Sackett’s  
785 proposed adjustment to the expenses billed to the Companies from their  
786 affiliated service company IBS. The evidence supports the conclusion that  
787 IBS failed to charge PEHS for services IBS performed for it related to the  
788 PPP according to its effective affiliate agreements and failed to credit the  
789 Companies for those revenues. This failure by IBS to recognize revenues  
790 for services it provides to certain affiliates does, in fact, have the end result  
791 of IBS over charging the Companies for services provided by IBS to the  
792 Companies. We find that Staff’s adjustment based on the margin of  
793 \$656,267 and \$116,361 that PEHS makes on PPP for Peoples Gas and  
794 North Shore reasonable.

795

796 Final Order, Docket Nos. 11-0280/0281 (Cons.), January 10, 2012, p. 93.

797

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<sup>11</sup> Like PNGV Corp., this is another example of an affiliate without employees created to offer non-utility products to the public.

798

799 **Q. What were the Commission's finding in the Companies' 2011 rate cases,**  
800 **Docket Nos. 11-0280/0281 (Cons.), regarding the issue of charges for repair**  
801 **services provided by the Companies on behalf of PEHS.**

802 A. The Commission determined that the Companies had under-charged its affiliates  
803 for repair services, leading to higher rates for ratepayers, and ordered an  
804 adjustment. The Commission also required that the Companies charge their  
805 affiliate the same repair charges that ratepayers were paying:

806

807 The STA requires that the Utilities charge their affiliates the pricing  
808 mechanism approved by the Commission or, if none exists, the FDC of  
809 providing that service. We find that since the Companies have not charged  
810 the FDC of providing the repair service, we are now placed in a position to  
811 approve an alternate pricing mechanism. The Commission agrees with Staff  
812 and finds that its adjustments are reasonable. The Utilities shall charge  
813 PEHS the same rate that they charge ratepayers. Further, the full amount of  
814 these repairs should be included in the test year for Peoples Gas and North  
815 Shore respectively.

816

817 Final Order, Docket Nos. 11-0280/0281 (Cons.), January 10, 2012, p. 97.

818

819 **Q. What was the Commission's finding in the Companies' 2011 rate cases,**  
820 **Docket Nos. 11-0280/0281 (Cons.), regarding the issue of an investigation**  
821 **of the Companies' interactions with affiliates?**

822 A. The Commission found that the Company has acted improperly with their  
823 affiliates to the detriment of ratepayers and ordered an investigation to prevent  
824 continuing subsidization of affiliates by ratepayers. The Commission ordered an  
825 investigation, as requested by Staff, stating:

826 The Commission agrees with Staff and finds that *the Utilities have not*  
827 *properly interacted with their affiliates* as evidenced by our conclusions in the  
828 above related sections. Staff's proposal for further Commission investigation  
829 of the Utilities' interactions with their affiliates is warranted and in the public  
830 interest. We believe that the investigation is necessary to prevent  
831 ratepayers from continuing to subsidize the affiliates.  
832

833 Final Order, Docket Nos. 11-0280/0281 (Cons.), January 10, 2012, p. 98 (emphasis  
834 added).

835

836 **2. Peoples Gas and enovate**

837

838 **Q. Are you aware of another occurrence of improper affiliate interaction these**  
839 **Companies?**

840 A. Yes. As part of the Commission review of the Peoples Gas' gas costs in Docket  
841 No. 01-0707, the Commission found that that Peoples Gas interacted with its  
842 affiliate, enovate, in such a manner that increased gas costs to PGA customers  
843 while funneling profits to enovate. As part of a settlement in Docket No. 01-0707,  
844 Peoples Gas agreed to, among other things, a \$100 million reimbursement to  
845 ratepayers.

846

847 **Q. Did the Commission summarize Peoples Gas' interactions with enovate?**

848 A. Yes. The Commission found that enovate was an affiliated interest, as defined by  
849 the Act. The Commission stated:

850

851 Enron NA and PERC each formed a subsidiary for the purpose of owning  
852 interest in another limited liability company. Enron NA formed Enron  
853 Midwest, LLC ("Enron Midwest" or "Enron MW"); PERC formed Peoples  
854 Midwest, LLC ("Peoples Midwest"). (Staff Ex. 7.00 at 8). These two entities

855 then formed enovate, LLC to facilitate a profitsharing arrangement that gave  
856 PEC/PERC 50% of all of the profits Enron Midwest gleaned through various  
857 business dealings with PGL.

858 Peoples Midwest and Enron Midwest formally created enovate, LLC  
859 ("enovate") by a Limited Liability Company ("LLC") Agreement dated April  
860 26, 2000. (PGL Ex. N at 3). According to the agreement, Peoples Midwest  
861 and Enron Midwest each invested approximately \$100,000 in enovate. In  
862 return, each entity received, 50% of the profits from enovate. (PGL Ex. N at  
863 3, Staff Ex. 9.00 at 9, Attachment C; Tr. 800). When Enron Midwest  
864 transacted business with PGL during the time period in question, 50% of  
865 Enron Midwest's profits were credited to enovate. Thus PEC/PERC received  
866 that 50% of Enron Midwest's profits. (Staff Ex. 9.00 at 15-16; 7.00 at 11).  
867 Enron Midwest was the managing partner of enovate because it possessed  
868 the skills, resources and expertise to operate enovate efficiently and  
869 profitably. (Tr. 812-13).

870  
871 Final Order, Docket No. 01-0707, March 18, 2006, p. 15 (emphasis added).  
872

873 **Q. Did the Commission find Peoples Gas' interactions with enovate violated**  
874 **the Act?**

875 A. Yes. The Commission found Peoples Gas and enovate interacted outside an  
876 agreement approved by the Commission. PGL filed for Commission permission  
877 to enter into a contract with enovate, but then filed a Motion to Dismiss that  
878 proceeding, which was granted. Final Order, Docket No. 01-0707, March 18,  
879 2006, p. 16 (emphasis added).

880  
881 However, PGL continued to directly transact business with enovate. PGL  
882 also transacted business with enovate indirectly, through Enron NA/Enron  
883 Midwest. At no time did the Commission approve any affiliate interest  
884 agreement between PGL and enovate.

885 Evidence adduced during this reconciliation proceeding outlines transactions  
886 between PGL and enovate. PGL witness Mr. Morrow testified that during the  
887 time period in question, enovate purchased "Hub services" from PGL  
888 pursuant to an operating statement on file with the Federal Energy  
889 Regulatory Commission ("FERC"). (PGL Ex. N at 5). enovate also used  
890 PGL's gas distribution system. Without PGL's gas distribution system,  
891 enovate would not have been able to conduct the transactions set forth

892 herein. enovate also sold gas directly to PGL in the “Trunkline Deal” and  
893 transaction 16/22. These transactions will be discussed below. enovate  
894 further conducted other transactions with PGL through Enron Midwest. *To*  
895 *reiterate, none of enovate’s transactions with PGL were made with*  
896 *Commission approval of an affiliated interest contract.*

897  
898 *Id.*  
899

900 **Q. Did the Commission find that Peoples Gas acted improperly with enovate?**

901 A. Yes. The Commission determined that Peoples Gas interacted with its affiliate,  
902 enovate, improperly resulting in imprudent and unreasonable gas charges:

903 Peoples Gas Light and Coke Company had not acted reasonably and  
904 prudently in its purchases of natural gas and other activities that affected  
905 that amounts collected through Gas Charges in its fiscal year 2001;

906 . . .  
907 *pursuant to the Settlement Agreement and Addendum, a refund of \$100*  
908 *million is to be distributed* in the manner set forth above as part of the  
909 consideration paid in global settlement of this docket, as well as I.C.C.  
910 Docket Nos. 01-0706, 02-0726, 02-0727, 03-0704, 03-0705, 04-0682, 04-  
911 0683.

912  
913 Final Order, Docket No. 01-0707, March 18, 2006, p. 144. (emphasis  
914 added).

915 In fact, the Commission has used this case as an example of improper utility-  
916 affiliate behavior:

917 The Commission would be remiss, however, if it ignored the fact that the  
918 temptation on the part of unregulated affiliates to impose improper charges  
919 upon regulated affiliates is great. (See, e.g., docket 01-0707, generally). The  
920 Commission is required by law to ensure that this temptation does not create  
921 something that harms rate-paying consumers.

922  
923 Order, Docket No. 11-0721, May 29, 2012, p. 87 (emphasis added).  
924

925 **Q. Do you think that Peoples Gas’ interactions with enovate are relevant to**  
926 **this case?**

927 A. Yes. Peoples Gas not only acted improperly, it acted without permission, and I  
928 believe it is likely based on its history that it will do this again given the  
929 opportunity. Peoples Gas also misled the Commission regarding its interactions  
930 with enovate. In its previous petition before the Commission, Peoples Gas  
931 asserted that its interactions with enovate would be proper:

932 9. All transactions with enovate would be at arms length. Peoples would  
933 keep records of all transactions for regulatory review.

934 10. The Master Contract will not interfere with Peoples' operation of its public  
935 utility business or with the performance of its duties to the public. Moreover,  
936 the Master Contract will allow Peoples to optimize its gas supply and  
937 capacity assets. Transactions which optimize Company assets will result in  
938 a positive revenue stream that will either be automatically flowed to  
939 customers through the operation of the Company's Rider 2, Gas Charge, or  
940 will operate to recover fixed costs.

941 11. The Master Contract is in the best interests of Peoples and the  
942 customers it serves. Accordingly, this Petition should be reasonably granted,  
943 and the public will be inconvenienced thereby.

944  
945 Petition, Docket No. 00-0760, p. 3.  
946

947 **Q. Were the actions with enovate at arm's length?**

948 A. No. Despite its assertion that all interactions were to be at "arm's length," the  
949 Commission found that Peoples Gas treated enovate and its affiliates with  
950 preferential treatment. Importantly, the Companies make this same assertion  
951 regarding its early interactions with Pinnacle to include the Pinnacle Agreement.  
952 NS-PGL Ex. 1.0, pp. 3-4. The Commission should use caution in relying on  
953 these same assertions here.

954

955 **Q. What other conclusions can you draw from Peoples Gas' withdrawal of the**  
956 **petition and subsequent provision of services to enovate?**

957 A. Here is another example of Peoples Gas providing a service without approval by  
958 the Commission as it did with PNGV Corp. Peoples Gas has been misleading in  
959 its requests for AIAs and should not be given more latitude now.

960

961 **Q. Have the Companies undergone change in ownership since they were**  
962 **found to be acting improperly with enovate?**

963 A. Yes. The holding company, Peoples Energy Corporation, was acquired by  
964 Integrys in 2007.

965

966 **Q. Since they were acquired by Integrys, have the Companies to had improper**  
967 **interactions with their affiliates?**

968 A. Yes. Peoples Gas has still done several things that bear relevance here since it  
969 was acquired by Integrys. First, in its interactions with Pinnacle, Peoples Gas  
970 demonstrated favoritism and imprudence. Second, the Companies have  
971 interacted with PEHS in a manner that led to higher costs to ratepayers. These  
972 both occurred *after* the takeover by Integrys, which occurred in 2007. Thus, this  
973 is evidence the pattern of mismanagement continues.

974

975 **C. ITF Agreement has fundamental flaws.**

976 **Q. How do you propose to evaluate the ITF Agreement?**

977 A. I think it is beneficial to ask two questions about the ITF Agreement. First, what is  
978 the incremental authority granted by the ITF Agreement that is not currently allowed  
979 under the STA? Second, why are the Companies asking for this approval if they

980 are not planning to do these things? The logical conclusion is that they intend to do  
981 those incremental things under the new agreement. There is no other reason to  
982 propose this agreement; it would be unnecessary.

983

984 **Q. Does the ITF Agreement have any fundamental flaws?**

985 A. Yes. In addition to the record of improper behavior between the Companies and its  
986 affiliates supporting rejection of the ITF agreement, the agreement itself has  
987 fundamental flaws that require its rejection. In particular, the ITF Agreement allows  
988 for property transfers and use of property. Additionally this agreement could lead to  
989 preferential treatment of an affiliate relative to non-affiliated third parties.

990

991 **1. ITF Agreement allows for property transfers**

992

993 **Q. Are property transfers allowed between the Companies and their affiliates**  
994 **under the STA, which currently governs Company-affiliate relations?**

995 A. Yes. Property transfers are allowed under Article V the STA. The Article states:

996

#### V ASSET TRANSFERS

997 1. An Acquiring Party may acquire from a Transferring Party, and the  
998 Transferring Party may transfer to the Acquiring Party, real property  
999 or interests in real property. To the extent required by Section 7-101  
1000 or 7-102 of the Act, such transfer shall be subject to prior  
1001 Commission approval. The Transferring Party shall not transfer any  
1002 assets to the Acquiring Party if the consummation of the transfer will  
1003 result in a failure of Peoples Gas or North Shore to comply with the  
1004 federal income tax requirements for Local Furnishing Bonds.  
1005

1006

1007 **Q. What are the sections of the Act referenced in Article V of the STA?**

1008 A. The first section of the Act referenced in Article V of the STA is Section 7-101.

1009 While I am not an attorney, the relevant part of this section states:

1010

1011

Sec. 7-101. Transactions with affiliated interests

1012

(3) No management, construction, engineering, supply, financial or

1013

similar contract and no contract or arrangement for the purchase,

1014

sale, lease or exchange of any property or for the furnishing of any

1015

service, property or thing, hereafter made with any affiliated interest,

1016

as hereinbefore defined, shall be effective unless it has first been filed

1017

with and consented to by the Commission or is exempted in

1018

accordance with the provisions of this Section or of Section 16-111 of

1019

this Act. The Commission may condition such approval in such

1020

manner as it may deem necessary to safeguard the public interest. If

1021

it be found by the Commission, after investigation and a hearing, that

1022

any such contract or arrangement is not in the public interest, the

1023

Commission may disapprove such contract or arrangement. Every

1024

contract or arrangement not consented to or excepted by the

1025

Commission as provided for in this Section is void.

1026

1027

220 ILCS 5/7-101.

1028

1029 Although I am not an attorney, I believe that this means that interactions with

1030 affiliates generally require prior Commission approval. Section 7-101(4) allows the

1031 Commission to write general rules to make exception to Section 7-101(3).

1032

1033 **Q. What section of the Commission's rules governs these types of**

1034 **transactions?**

1035 A. Part 310.60 of the Commission's rules address contracts and arrangements

1036 between affiliates. This rule states:

1037 Section 310.60 Contracts with Affiliated Interests Which Need Not be  
1038 Filed or Approved  
1039 [T]he Commission hereby waives, as to all public utilities, the filing  
1040 and necessity for approval of contracts and arrangements ... in cases  
1041 [including] . . .  
1042 contracts or arrangements where the total obligation to be incurred  
1043 thereunder shall not be in excess of five hundred dollars (\$500);  
1044  
1045 83 Ill. Admin. Code 310.60.  
1046

1047 **Q. Do the Companies acknowledge this rule applies to this situation?**

1048 A. Yes. As I indicated above, the Companies believe that “transactions not exempt  
1049 under the Commission's rules at 83 Ill. Admin. Code Part 310 require prior  
1050 Commission approval. The dollar limit in that rule is \$500. That rule also includes a  
1051 bidding procedure that may apply to certain transactions.” See ICC Staff Ex. 1.0,  
1052 Attachment D – Companies’ response to DR DAS 6.03a. There is no dispute,  
1053 therefore, about whether the Companies are precluded from property transfers  
1054 without Commission approval. The only dispute lies in whether it is in the public  
1055 interest to waive this approval.

1056

1057 **Q. Do the Companies believe that the ITF Agreement gives them the right to**  
1058 **conduct property transfers without further Commission review or approval?**

1059 A. Yes. The Companies believe that “Commission approval of the agreement would  
1060 constitute the required approvals [for property transfers] under the Public Utilities  
1061 Act.” See ICC Staff Ex. 1.0, Attachment E – Companies response to DR DAS  
1062 6.04a.

1063

1064 **Q. What concern do you have with removing subsequent Commission oversight**  
1065 **for all property transfers between the Companies and ITF?**

1066 A. Approval of the ITF Agreement would provide blanket approval of transfers  
1067 between the Companies and ITF, but I believe there is a danger that Integrys will  
1068 find transactions profitable to it that are not in the public interest. While the  
1069 amount charged for properties is a concern as outlined below, I am also  
1070 concerned with *timing* of the transfer. In particular, it would be profitable for  
1071 Integrys to have a facility transferred when initial startup losses have ended and  
1072 it has become profitable. Under such circumstances ratepayers would absorb  
1073 the losses, and the affiliate would receive the profits.

1074

1075 **Q. Would anything else affect the timing of the transfer?**

1076 A. The Companies could sell property outside of test year periods for rate cases to  
1077 avoid any gain from the sale benefiting ratepayers as Peoples Gas appears to  
1078 have done with the timing of its interactions PNGV Corp.

1079

1080 **Q. Is there any reconciliation by the Commission on these types of transfers?**

1081 A. No. And there is no reconciliation or hindsight by the Commission. While the  
1082 Commission and Staff get reports and audits, there is no reconciliation of these  
1083 transactions charges. For the Commission to undo any transfer that it deems not  
1084 in the public interest, it would have to order an investigation into the facts. Much  
1085 time would pass and the damage would be done. Additionally, this would put the  
1086 burden of proof on Staff, not on the Companies, where it belongs.

1087

1088 **Q. Would these transfers occur frequently?**

1089 A. No. Given that there is only one station at this time and that these stations take  
1090 more than a year to complete, these objectionable transfers will likely be  
1091 infrequent. Therefore, continued preview by the Commission is more appropriate  
1092 than what the Companies propose.

1093

1094 **Q. Would allowing property transfers to occur under the ITF Agreement without  
1095 Commission approval be in the public interest?**

1096 A. No, I do not believe that allowing transfers is in the public interest.

1097

1098 **Q. Would removing property transfers from the ITF Agreement result in an AIA  
1099 that is in the public interest?**

1100 A. No. Due to the Companies' history, discussed above, they should not be allowed  
1101 any increased latitude under the ITF Agreement.

1102

1103 **2. ITF Agreement allows for use of property**

1104

1105 **Q. Does the ITF Agreement allow the use of property?**

1106 A. Yes, the ITF Agreement allows for "the use of property." As stated above, the only  
1107 service which ITF and the Companies are prohibited from doing under the STA is  
1108 use of property. ICC Staff Ex. 1.0, Attachment C - Companies' response to Staff  
1109 DR DAS 4.02a.

1110

1111 **Q. Would allowing use of property ownership to occur under the ITF Agreement**  
1112 **without Commission approval be in the public interest?**

1113 A. No. Given that Peoples Gas has improperly rented a facility or land to PNGV  
1114 Corp., there is good reason cause to not allow this. Also, my objections  
1115 contained in the sections on property transfers indicate that this in not a service  
1116 we want the Companies to provide.

1117

1118 **Q. Would removing use of property from the ITF Agreement result in an AIA that**  
1119 **is in the public interest?**

1120 A. No. The Companies have a history that cannot be ignored and they should not  
1121 be rewarded with increased latitude of any sort. Furthermore, removing this  
1122 service makes the ITF Agreement have no services that are not allowed under  
1123 the currently approved STA. Thus, there would be no point in having the  
1124 agreement at all.

1125

1126 **Q. Will transfers and use of property be a non-issue if the Commission denies**  
1127 **the ITF Agreement?**

1128 A. No. While the ITF Agreement is clearly not in the public interest, it is also clear  
1129 that the services allowed (property transfer and use) will be allowed under the  
1130 agreement that will replace the STA, the Non-IBS AIA, which the Commission  
1131 has already approved in Docket No. 10-0408. (Companies response to Staff DR  
1132 DAS-6.02a)ICC Staff Ex. 1.0, Attachment AF.

1133

1134 **Q. Do you have a recommendation to address this eventuality?**

1135 A. Yes. If the Commission accepts my recommendation to not approve the  
1136 proposed ITF Agreement, then the Commission should order the Companies to  
1137 file a petition with testimony showing why it is in the public interest for property  
1138 transfers to be allowed in the non-IBS AIA.

1139

1140 **3. ITF Agreement creates potential for preferential treatment.**

1141

1142 **Q. Do you have concerns that the ITF Agreement may result in preferential**  
1143 **treatment?**

1144 A. Yes. I have concerns that the ITF Agreement may result in preferential treatment  
1145 regarding an affiliate that competes with other CNG service providers. It is likely  
1146 that there are other, non-affiliated parties that provide similar services. However,  
1147 the Companies may preferentially contract with ITF instead of going to the  
1148 market for those services. If they solicit via an RFP, they may not make a good  
1149 faith effort to solicit bids. The construction of the CNG station gives credence to  
1150 this notion.

1151

1152 **VI. Conclusion**

1153 **Q. What do you conclude about the ITF Agreement?**

1154 A. Given the Companies' long history of questionable behavior and improper  
1155 actions, I conclude that allowing decreased oversight and increased flexibility in  
1156 the ITF Agreement render it not in the public interest. Additionally, I conclude  
1157 that the ITF Agreement has flaws that render it not in the public interest because  
1158 it allows for property transfers and property ownership between Peoples and its  
1159 affiliates.

1160

1161 **Q. What do you recommend regarding the ITF Agreement?**

1162 A. I recommend that the ITF Agreement not be approved. I do not think that any  
1163 modification is sufficient to protect the public interest. Furthermore, if the  
1164 Commission accepts my recommendation to not approve the proposed ITF  
1165 Agreement the Commission should order the Companies to file a petition with  
1166 testimony showing why it is in the public interest for property transfers to be  
1167 allowed in the non-IBS AIA.

1168

1169

1170 **Q. Does this conclude your prepared direct testimony?**

1171 **A. Yes.**

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS 2.05**

Regarding the Companies' response to Staff DR DAS-1.02(f) which asks, "If the station is operated by employees of an affiliate, please explain under what agreement this is done. Please provide a citation." The Companies responses identify services that IBS and Peoples Gas perform for ITF are authorized, but have not identified under which part of which agreement ITF is authorized to provide services to Peoples Gas. Please do so.

**Response:**

ITF may provide services to affiliated companies under a Services and Transfers Agreement. Please see Attachment 2 of the response to Staff data request DAS 1.02(f), Article IV, which includes as services administrative services, which includes real estate management; purchasing services, which includes warehousing and inventory management; and operational services.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 2

**Data Request: DAS 1.02**

Regarding the Companies' witness Mr. Wyrick's direct testimony that the fueling station constructed by Pinnacle under its agreement with Peoples Gas "recently opened for external fueling" (NS-PGL Ex. 2.0, p. 3), please provide the following information:

- a. Please state when the fueling station opened for external fueling? Please provide the full date.
- b. Please state who owns that station.
- c. Please state who owns the land on which the station is located.
- d. Please explain who operates the station now.
- e. Please explain if the station is operated by union employees.
- f. If the station is operated by employees of an affiliate, please explain under what agreement this is done. Please provide a citation.
- g. Please provide all contracts related to operation of this fuel station.
- h. Please explain how the price of fuel charged at the station is determined.
- i. For each month since the station opened for public business since opening, please indicate how many non-utility vehicles have been fueled, the amount of fuel sold and the revenue received
- j. How are the revenues accounted for, above-the-line or below-the-line?

**Response:**

- a. August 29, 2012.
- b. Peoples Gas.
- c. Peoples Gas.
- d. Integrys Transportation Fuels, LLC ("ITF") is responsible for the primary operation and maintenance of the station. Peoples Gas is responsible for routine on-site daily activities and Integrys Business Support, LLC ("IBS") and Peoples Gas employees perform these responsibilities.
- e. The ITF employees providing operating and maintenance services for this station are not currently part of any union or collective bargaining unit. The IBS employees are not currently part of any union or collective bargaining unit. The Peoples Gas employees responsible for routine activities are members of a collective bargaining unit.
- f. Integrys Business Support, LLC provides services to ITF under an affiliated interest agreement under which it provides services to non-public utility subsidiaries of Integrys Energy Group, Inc. Please see Attachment 1, Exhibit B, item 1, which includes as services: "Facility management services for owned and leased facilities, excluding power plants. This includes operations and maintenance of structures, capital improvements, interior space planning, security and janitorial." Peoples Gas provides services to affiliated companies under a Services and Transfers Agreement. Please see Attachment 2, Article IV, which includes as services administrative services, which includes real estate management; purchasing services, which includes warehousing and inventory management; and operational services.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 2

- g. Please see the attachments to subpart (f) of this data response and the attachment to this subpart (g). Note that the facility construction agreement was provided in the response to Staff data request RWB 1.03.
- h. ITF is responsible for fuel pricing. The minimum pricing is calculated each month similar to other CNG stations that ITF operates. Pricing is taken by applying Peoples Gas' published tariff for Rate 2, Meter Class 3, and using the monthly published commodity charges. The final price includes all taxes and additional portions for capital and operation cost recovery. A sample calculation for the month of September is attached.
- i. Two non-utility customers are under contract to use the facility, with agreements effective August 29, 2012, and September 28, 2012. This response will be supplemented.
- j. Above-the-line.

## Memorandum of Understanding – Peoples Gas CNG Station Operation

### Scope

This document describes the expectations regarding the operation of the CNG equipment located at 1241 W. Division Street, Chicago, IL and the external fueling station at 1126-36 N. Elston Avenue, Chicago, IL. Both are owned by Peoples Gas Light & Coke Co. (PGL) and operated/maintained by Integrys Transportation Fuels LLC (ITF). Generally, the expected level of service includes all necessary duties to provide 24 hour monitoring, operation, planned and unplanned maintenance, and all customer service.

### **ITF Responsibilities include**

- Handle all customer calls and service requests (internal and external) on 24 hour basis
- Handle payment transactions on public dispenser including acceptance of Visa, Master Card, and Wright Express fleet cards
- Complete all proactive maintenance and schedule with local PGL representative to minimize local operational disruption
- Complete all scheduled maintenance and schedule with local PGL representative to minimize local operational disruption
- Respond to station call out on customer phone or automated control system within 3 minutes
- Respond to unscheduled maintenance needs and begin repair within 2 hours of reported problem
- Maintain adequate local and centralized inventory of consumable items and maintenance parts to respond to expected planned and unplanned maintenance.
- Provide monthly usage reports
- Adjust CNG fueling prices at the external dispenser as agreed upon with PGL according to a schedule and/or plan
- Arrange for and perform testing to maintain weights and measure certifications
- Maintain dispenser(s) located at fueling station

### **PGL Responsibilities**

- Provide for a PGL employee to be an onsite contact for work arrangements and to approve work charges in a timely manner
- Payment of all utilities, licensing, or any other required fees for operation
- Perform routine site upkeep including landscaping, trash removal, and snow plowing
- Maintain and manage site security hardware and associated networking infrastructure installed for the fueling station including cameras, switch gear, NVR, and IR stacks
- Maintain structures within the fueling station including concrete fuel island, canopy, curbs and trash enclosure
- Perform daily and weekly inspection tasks and simple fluid checks

### **Station IFRIS Accounting**

RC	Proc1	Prod	HC
P58	7300	200	Your Own

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS 4.02a**

Regarding the Companies' responses to Staff DR DAS-2.05 which indicates that ITF currently provides services to Peoples Gas under the STA, please provide the following information:

- a. What services are allowed in the ITF agreement that are not authorized under the STA?
- b. Is Peoples Gas authorized to sell property to include land under the STA? Please provide a citation.
- c. Is Peoples Gas authorized to sell property to include land under the proposed ITF agreement? Please provide a citation.

**Response:**

- a. The Operational Support functions of "ownership of facilities and real property on which facilities are located" is in the ITF agreement and not in the Services and Transfers Agreement.
- b. Article V of the Services and Transfers Agreement provides that transfers of real property or interests in real property are subject to prior Commission approval when required by Section 7-101 or 7-102 of the Public Utilities Act.
- c. Yes, "Operational Support" would authorize transactions involving transfers of interests in real property. See, e.g., pages 7-8 of Ms. Renier's direct testimony describing possible lease arrangements.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS-6.03**

Regarding the Companies' responses to Staff DR DAS-4.02a(b), which states: "Article V of the Services and Transfers Agreement provides that transfers of real property or interests in real property are subject to prior Commission approval when required by Section 7-101 or 7-102 of the Public Utilities Act." Please provide the following information regarding this response:

- a. Do the Companies believe that under the STA they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of \$5 million or less?
- b. Do the Companies believe that under the STA they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?
- c. Do the Companies believe that under the STA they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of \$5 million or less?
- d. Do the Companies believe that under the STA they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?

**Response:**

- a. Peoples Gas and North Shore believe transactions not exempt under the Commission's rules at 83 Ill. Admin. Code Part 310 require prior Commission approval. The dollar limit in that rule is \$500. That rule also includes a bidding procedure that may apply to certain transactions.
- b. Yes, unless exempt under Commission rules adopted pursuant to 83 Ill. Admin. Code Part 310 (please see the response to subpart (a)).
- c. Yes, unless exempt under Commission rules adopted pursuant to 83 Ill. Admin. Code Part 310 (please see the response to subpart (a)). Section 7-102 references exemptions under other sections of the Act, which would include Section 7-101.
- d. Yes, unless exempt under Commission rules adopted pursuant to 83 Ill. Admin. Code Part 310 (please see the response to subpart (a)). Section 7-102 references exemptions under other sections of the Act, which would include Section 7-101.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS-6.04**

Regarding the Companies' responses to Staff DR DAS-4.02a(c), which states, "Operational Support" would authorize transactions involving transfers of interests in real property." Please provide the following information regarding this response:

- a. Do the Companies believe that under the ITF Agreement they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of \$5 million or less?
- b. Do the Companies believe that under the ITF Agreement they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?
- c. Do the Companies believe that under the ITF Agreement they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of \$5 million or less?
- d. Do the Companies believe that under the ITF Agreement they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?
- e. Please explain how the fair market value of property being sold would be determined.
- f. Please explain how the fully distributed costs of property being sold would be determined.
- g. Please explain how the fair market value of property being leased would be determined.
- h. Please explain how the fully distributed costs of property being leased would be determined.

**Response:**

- a. North Shore and Peoples Gas believe Commission approval of the agreement would constitute the required approvals under the Public Utilities Act.
- b. Please see the response to subpart (a).
- c. Please see the response to subpart (a).
- d. Please see the response to subpart (a).
- e. Seeking bids or appraisals are common ways of determining the fair market value of real property that North Shore and Peoples Gas expect may be used.
- f. North Shore and Peoples Gas note that the proposed agreement does not use the phrase "fully distributed cost." For a utility, the cost would be the amount included or includable in utility rate base as adjusted for deferred taxes that exist respective of those assets.
- g. Please see the response to subpart (e). Also, for an interest in real property, such as a leasehold interest, publicly available data for the relevant real property market may be a source.
- h. Please see the response to subpart (f). For a utility, the cost would be the amount included or includable in utility rates as an amount in rate base or expense, depending on whether the lease is a capital lease or not.

**BEFORE THE GEORGIA PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**ATLANTA GAS LIGHT COMPANY'S            )**  
**2011 UNIVERSAL SERVICE FUND        )**   **Docket No. 32499-U**  
**FACILITIES EXPANSION PLAN            )**

**COMMENTS OF INTEGRYS TRANSPORTATION FUELS, LLC**  
**ON AGLC'S PROPOSED CNG FUELING PROGRAM**

Integrys Transportation Fuels, LLC (“Integrys Fuels”) appreciates the efforts of the Georgia Public Service Commission (“Commission”) and Atlanta Gas Light Company (“AGLC”) to stimulate the CNG fuels market in Georgia. Integrys Energy Group, Inc., the parent of Integrys Fuels, has a broad interest in natural gas markets being the holding company for a number of regulated natural gas utilities and unregulated market players. Just last month, Integrys Fuels became the owner of Trillium USA and Pinnacle CNG Systems, two established businesses with 20 years experience in the CNG fuels market. This provides Integrys Fuels with a broad-based capability at all stages of the CNG fuels market, from fuel station design and development, to the provision of fueling, compression and storage equipment for owners of fuel stations, to the service and maintenance of those stations.

Because the Trillium/Pinnacle deal closed only this past month, Integrys Fuels has not had the opportunity to have been involved in this proceeding until now. Nevertheless, Integrys Fuels looks forward to contributing to the growth of the Georgia market and respectfully submits the following general comments on AGLC’s proposal.

I.       COMMENTS

**A. Using Universal Service Funds to Subsidize CNG Fuel Stations Will Distort the Market, Which Presents the Commission With the Difficult Decision of Whether to Use Those Funds to Jump-start the CNG Fuels Market.**

Integrus Fuels believes that markets develop best where they are left alone. Integrus Fuels agrees, therefore, with the comment of Clean Energy Fuels (“Clean Fuels”) that using money from the Universal Service Fund (“USF funds”) to subsidize CNG fuel stations in Georgia will distort this developing market. Market distortions would be greatest in the geographical area close to any subsidized fuels station. Developers will avoid placing stations near subsidized fueling stations because they no doubt will find it difficult to compete with the subsidized stations.<sup>1</sup> Other distortions could occur from one or more entities gaming the program or from the involvement of the regulated utility and its affiliate(s).

Nevertheless, in certain limited instances a narrow, targeted government stimulus can jump-start markets that might not otherwise develop. Accordingly, whether significant portions of AGLC’s proposed program should be adopted or rejected in its entirety (or near entirety), as argued by Clean Fuels, is a difficult question for the Commission. To the extent that the Commission adopts a substantial part of the proposed program, the Commission should allow the market to develop as freely as possible by:

- Avoiding the use of the USF to subsidize private access CNG fuel stations;
- Limiting the amount of market power any single entity can gain through the program;
- Limiting the involvement of AGLC or any AGLC affiliate in the CNG fuels market; and
- Eliminating the higher of cost or market buy-out provision for all non-affiliates of AGLC and replacing it with net depreciated cost at the time of the buy-out.

<sup>1</sup> Integrus Fuels believes that providing funds directly to fleet or individual vehicle owners for conversion of vehicles to CNG fuel capability would stimulate the CNG market in Georgia while reducing the lasting impact on subsequent fuel station development from subsidized fuel stations. Therefore, options for the Commission to consider would be to use some or all of the Phase 1 funds intended for CNG fuel stations for vehicle conversions, or to eliminate all Phase 2 funding of additional fuel stations and instead utilize funds for vehicle conversions.

**B. To the Extent That the Commission Decides to Use the USF in the CNG Fuels Market, the Commission Should Adopt Safeguards to Protect the Market.**

Consistent with the theme of allowing markets to develop on their own, Integrys Fuels is concerned that the inflow of funds could distort or even undermine the fuels market, the proposed program could allow one entity to gain too much control of (or “game”) the emerging market, and the regulated utility or its affiliate could create the potential for cross-subsidies or pro-affiliate market distortions. When Georgia took the lead in deregulating natural gas sales, the General Assembly directed the Commission to determine whether “adequate market conditions exist” within given segments of the market based on such criteria as the number and size of competitors in that segment, the extent to which competitive service is available, and the presence of regulated affiliates in the market. *See, e.g.*, O.C.G.A. §46-4-155(c) [customer service to marketers], §46-4-156(b) [delivery group], and §46-4-157 [temporary directives]. Similarly, if the Commission goes forward with aspects of the proposed program, the Commission should incorporate similar safeguards for the developing CNG fuels market.

1. No USF Funds Should Be Used to Subsidize Private Access CNG Fuel Stations

Whereas the use of USF funds for public access fuel stations might possibly be in the public interest, it is very difficult to see how using USF funds for the development of private access stations would advance the public interest. In fact, such use might undermine the development of public access stations across the state. Thus, where a developer may desire to build a CNG fuel station in a location near an existing or potential fleet operator, if a private access station were built with USF funds in the same area to serve that fleet operator, the public access station might have a significantly lower chance of economic success. Therefore, to the extent that USF funds are used to fund any CNG stations, they should be limited to public access

stations.

2. The Commission Should Limit the Amount of Market Power Any Single Entity Can Gain From the Program

In the unregulated natural gas market, the Commission must scrutinize whether any one market player gains too much dominance. One clear criterion for when market conditions are not competitive is when “90 percent of firm retail customers in a specific delivery group are served by three or fewer marketers.” O.C.G.A. §46-4-157(c). Other criteria are not as clear cut, requiring the Commission to weigh various indicators of market power, such as market share, ease of entry, and regulated affiliate status. *See* O.C.G.A. §§46-4-155, 156, and 157.

Integritys Fuels recommends that the Commission place similar screens on the ability of any single entity to use USF funds to develop market power. There appear to be three main ways that this could be done - by limiting 1) the amount of USF funds that could flow to projects any one entity owns or operates, 2) the number of USF-funded stations any one entity can control, and/or 3) the projected volumes that are supported by such entity’s access to USF funds. Thus, the Commission could limit the amount of funds flowing to the combined stations owned or operated by any single entity to 25 percent of the funds being distributed through the program. This would encourage competitors to enter the market. Of course, an entity could then attempt to game the system by investing lower amounts in any particular station. For example, if Developer 1 invests 60% of the capital needed for three different service stations, Developer 2 could limit its investment to 20% in any individual station and thereby gain control of three times as many stations as Developer 1. Adding a second limit, i.e., by limiting the number of USF-funded stations any entity can control to 25 percent of the total number of stations being funded would reduce the likelihood of gaming the program. So also, an entity might try and skew the system to gain control of higher volume stations and a limit on the use of funds based on the total

projected volume may also be needed.

3. The Commission Should Closely Scrutinize the Involvement of Any AGLC Affiliate in the CNG Fuels Market

As the laws, regulations and history of the natural gas sales market in Georgia make clear, the involvement of the regulated utility or its affiliate in an unregulated market creates thorny cross-subsidization and affiliate transaction issues for the Commission. For example, O.C.G.A. §46-4-156(b)(4) provides that “the affiliation of providers” can be an indicator of market power while O.C.G.A. §46-4-157(c) provides that market affiliates should be considered as one entity for determining whether a market is operating competitively. So also, the Commission has adopted numerous requirements to govern affiliate transactions. Integrys Fuels believes that certain services associated with the proposed CNG fuels program would be better handled by market participants that are neither the regulated entity nor an affiliate of that regulated entity. The Commission could avoid a number of thorny issues by simply limiting AGLC or an AGLC affiliate from providing services that tend to be more competitive, such as service and maintenance services to the fuel stations and equipment upgrade service. With respect to the latter, as station sales volumes grow, equipment would need to be expanded to support that growth or CNG fill rates would degrade. It is not apparent in the proposed program how upgrade decisions would be made but such decisions could involve an inherent incentive to favor an affiliated station operator.

4. The Commission should replace (for all non-affiliates of AGLC) the higher of cost or market buy-out provision and replace it with a provision based on the net depreciated cost at the time of the buy-out.

The provision setting the price to buy out the remaining interest in a station at the higher

of market value or net depreciated cost makes sense in the context of a purchase by an affiliate of AGLC but not for a non-affiliate. The prospect of setting market value at the time of the buy-out will create an inherent ambiguity as to how to set market value and if at least a portion of the market value for a particular station was created by the buyer, the buyer would be forced to pay for its own ingenuity. This certainly is not a free-market concept. Additionally, an independent third party might need to be hired to determine the market value, which undoubtedly would drive up the overall cost of the program (and buy-out). The Commission could avoid this thorny issue by setting the buy-out price at the net depreciated cost of the equipment/ownership being bought out.<sup>2</sup>

## II. CONCLUSION

WHEREFORE, Integrys Fuels respectfully requests that the Commission consider the above-referenced comments.

This 6th day of October, 2011.

Respectfully submitted,

---

Alan R. Jenkins

JENKINS AT LAW, LLC  
*Counsel for Integrys Transportation Fuels, LLC*  
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Marietta, Georgia 30062  
(770) 509-4866  
[aj@jenkinsatlaw.com](mailto:aj@jenkinsatlaw.com)

<sup>2</sup> Integrys Fuels understands that a 16-year amortization is being proposed for book depreciation purposes.

The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 2

**Data Request: RWB 1.07**

Referring to Article 7.1 of the proposed ITF Agreement, the agreement states that the ITF Agreement shall become effective upon the issuance of all approvals or waivers from each and all of the Commissions. Regarding this Article, please respond to the following:

- a) Please identify each and all of the Commissions from which the agreement requires approval or waiver.
- b) Please provide the docket number or other identifying number for the approval or waiver proceedings required to obtain approval or waiver from each and all of the Commissions identified in (a) above.
- c) Please provide the schedule for each proceeding identified in (b) above. If schedules have not been set, please indicate the anticipated date for the ultimate decisions regarding the Petition from those Commissions. Update this response when schedules are implemented or changed.
- d) Please provide a contact person's name, address, phone number, and e-mail address in each State's public utility commission concerning the ITF Agreement approval.
- e) Please provide copies of all petitions, pleadings, testimony, discovery, and other documents filed by the parties to the matter in each proceeding identified in (b) above. Update this response when additional filings or documents are served.
- f) Please provide a detailed explanation of why the Proposed ITF Agreement will not be effective until all requested approvals or waivers are issued by each and all of the Commissions. Why would the approval of the Illinois Commerce Commission not be sufficient to effectuate the Proposed ITF Agreement in Illinois?

**Response:**

- a) The agreement requires approval from the Minnesota Public Utilities Commission ("MPUC") and the Public Service Commission of Wisconsin ("PSCW"). The agreement is covered by existing waivers from the Michigan Public Service Commission ("MPSC").
- b) PSCW Docket 6690-AU-115. MPUC Docket AI-12-409. There is no required MPSC proceeding and, therefore, no docket.
- c) No schedule is set at the PSCW, and North Shore and Peoples Gas do not have a basis for estimating when their affiliate (Wisconsin Public Service Corporation) will receive a PSCW order. There is no statutory deadline by which the PSCW must act. North Shore and Peoples Gas will revise this response when information is available. Before the MPUC, Staff comments are due June 25 and company (Minnesota Energy Resources Corporation) reply comments are due July 6.
- d) For the PSCW:  
Ms. Jodee J. Bartels  
Public Service Commission of Wisconsin

North Shore Gas Company  
The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 2

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P.O. Box 7854  
Madison, Wisconsin 53707-7854  
Telephone: (608)267-9859  
email: jodee.bartels@wisconsin.gov

For the MPUC:  
Ms. Michelle St. Pierre  
Minnesota Department of Commerce  
85 7th Place East Suite 500  
St Paul, MN 55101-2198  
651-296-0260  
Michelle.Stpierre@state.mn.us

e) Please see the attachments.

f) Two principal reasons exist for delaying the effectiveness of the agreement until all states that must approve it have acted. First, if the Integrys companies agree to modify the agreement in response to comments during a proceeding or must modify the agreement in response to a Commission order, that modification would need to go before the other state commissions for review and approval. Implementing the agreement prior to completing the process in all states would complicate that process. Moreover, if one of the states expressed significant reservations about or declined to approve the agreement, Integrys would need to assess how to proceed. The experience with the agreement that North Shore and Peoples Gas filed in Docket 08-0682 illustrates the potential issue. North Shore and Peoples Gas withdrew their petition for approval of the agreement after the MPUC did not approve it. They then filed a new agreement in Docket 10-0408. Second, it is administratively more efficient for the Integrys utilities to operate under common sets of affiliate agreements. While exceptions exist, using common affiliated interest service agreements makes it easier to place accurate accounting in place and for employees to understand the applicable regulatory requirements.

STATE OF MINNESOTA  
BEFORE THE  
MINNESOTA PUBLIC UTILITIES COMMISSION

David C. Boyd	Commissioner
J. Dennis O'Brien	Commissioner
Phyllis A. Reha	Commissioner
Betsy Wergin	Commissioner

In the Matter of the Petition of Minnesota  
Energy Resources Corporation For Approval  
of an Affiliated Interest Agreement

Docket No. G007,011/AI-12-\_\_\_\_\_

**PETITION**

**INTRODUCTION**

Pursuant to Minn. Stat. § 216B.48, Minn. R. 7825.2200, and ORDER INITIATING REPEAL OF RULE, GRANTING GENERIC VARIANCE, AND CLARIFYING INTERNAL OPERATING PROCEDURES in Docket No. E,G-999/CI-98-651 (Sept. 14, 1998), Minnesota Energy Resources Corporation (“MERC”) submits to the Minnesota Public Utilities Commission (“Commission”) this petition for approval of an Affiliated Interest Agreement (“Agreement”) by and among Integrys Transportation Fuels, Inc. (“ITF”) and its subsidiaries and the state-regulated utility subsidiaries of Integrys Energy Group, Inc., including MERC. The Agreement will govern the provision of inter-company services related to the compressed natural gas (“CNG”) fueling business that will be provided by and among affiliates within the Integrys holding company system, other than services provided by Integrys Business Support, LLC (“IBS” or “Integrys Support”), the centralized service company within the Integrys holding company system. The IBS Affiliated Interest Agreement approved by the Commission in Docket No. G007,011/AI-07-779 will continue to govern Integrys Support’s provision of shared services to MERC and the other

regulated entities within the Integrys holding company system. Additionally, the Gas Supply Procedures approved by the Commission in Docket No. G007,011/AI-06-1416 will remain in effect and work in conjunction with Integrys Support's gas purchasing services under the IBS Affiliated Interest Agreement.

This filing includes the following attachments:

- Attachment 1: Filing information required by Minn. R. 7825.2200, subp. B, and the Commission's September 14, 1998 Order in Docket No. E,G-999/CI-98-651;
- Attachment 2: Current organizational chart for the Integrys system;
- Attachment 3: Copy of Affiliated Interest Agreement, with Appendices A-B;
- Attachment 4: Summary of Consideration Received
- Attachment 5: Verification of Filing.

**I. Summary of Filing**

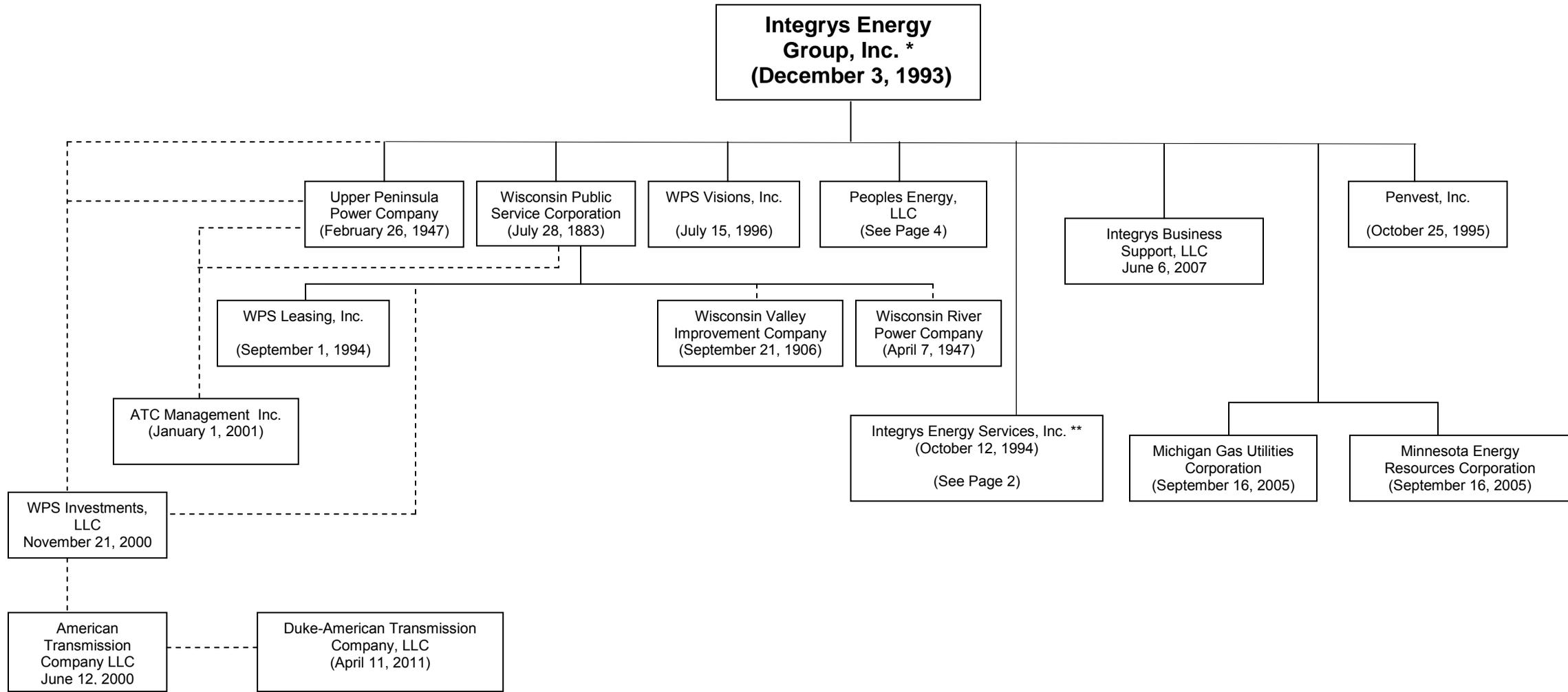
Pursuant to Minn. R. 7829.1300, subp. 1, a one-paragraph summary of the filing is attached.

**II. Service**

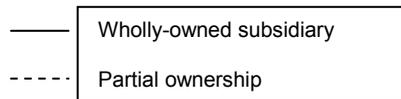
Pursuant to Minn. R. 7829.1300, subp. 2, MERC has served a copy of this Petition on the Office of the Attorney General – Residential Utilities Division. The summary of the filing has been served on all parties on the attached service list.

## **Attachment 2**

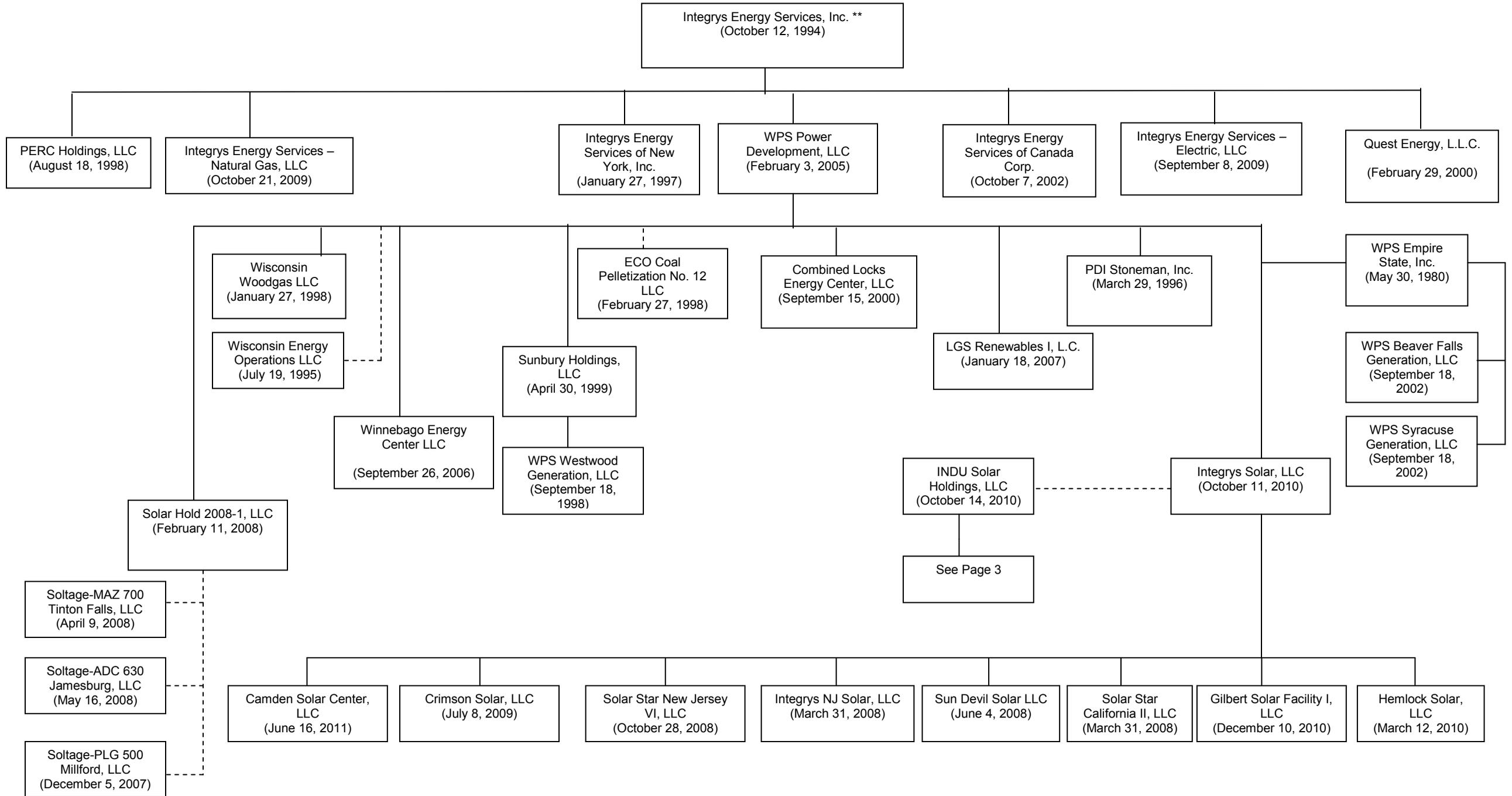
## Integrys Energy Group, Inc. Organizational Chart (as of January 1, 2012)



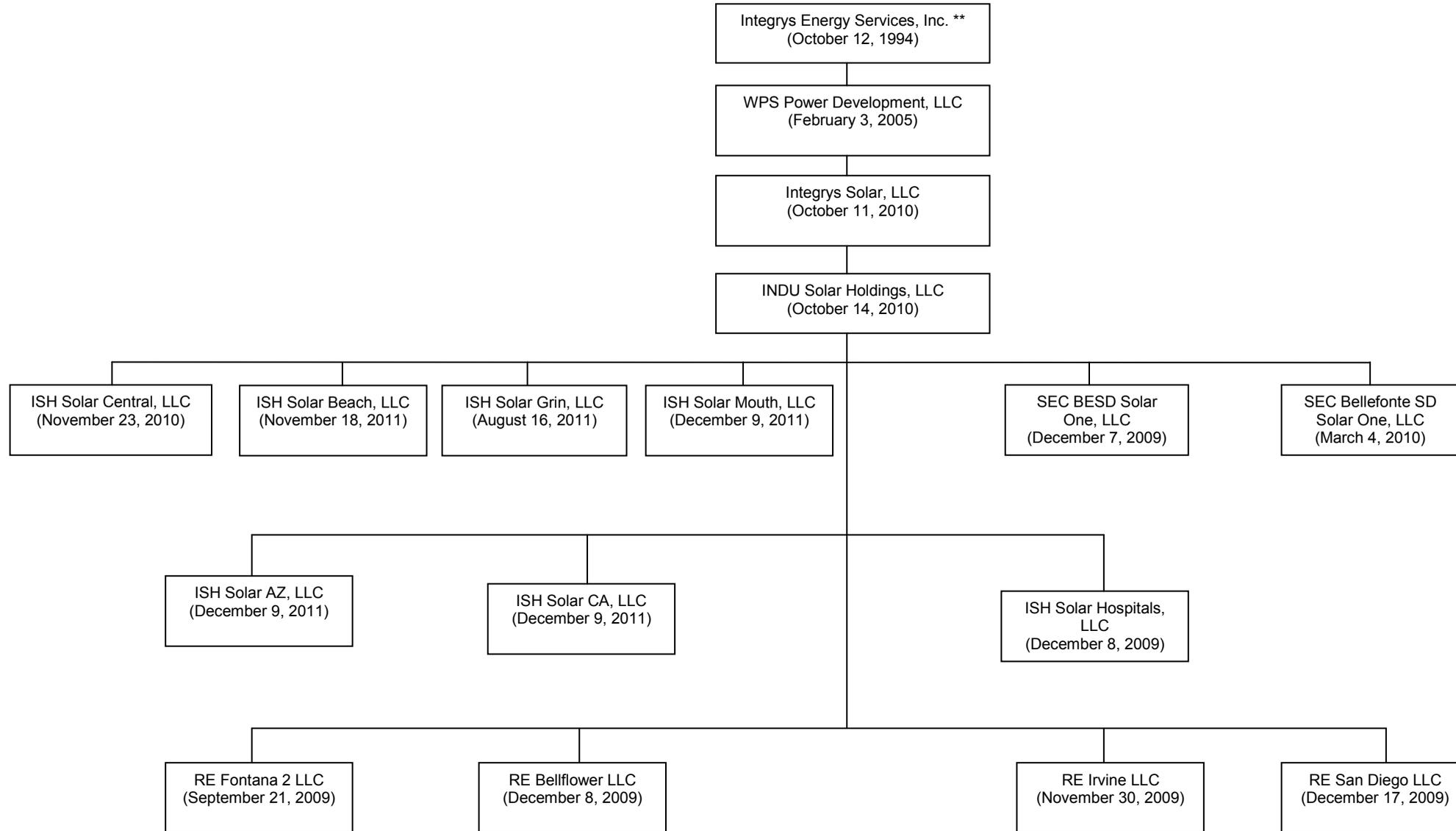
\* Holding company structure became effective on September 9, 1994.  
 \*\* FSG Energy Services is a division of Integrys Energy Services, Inc.



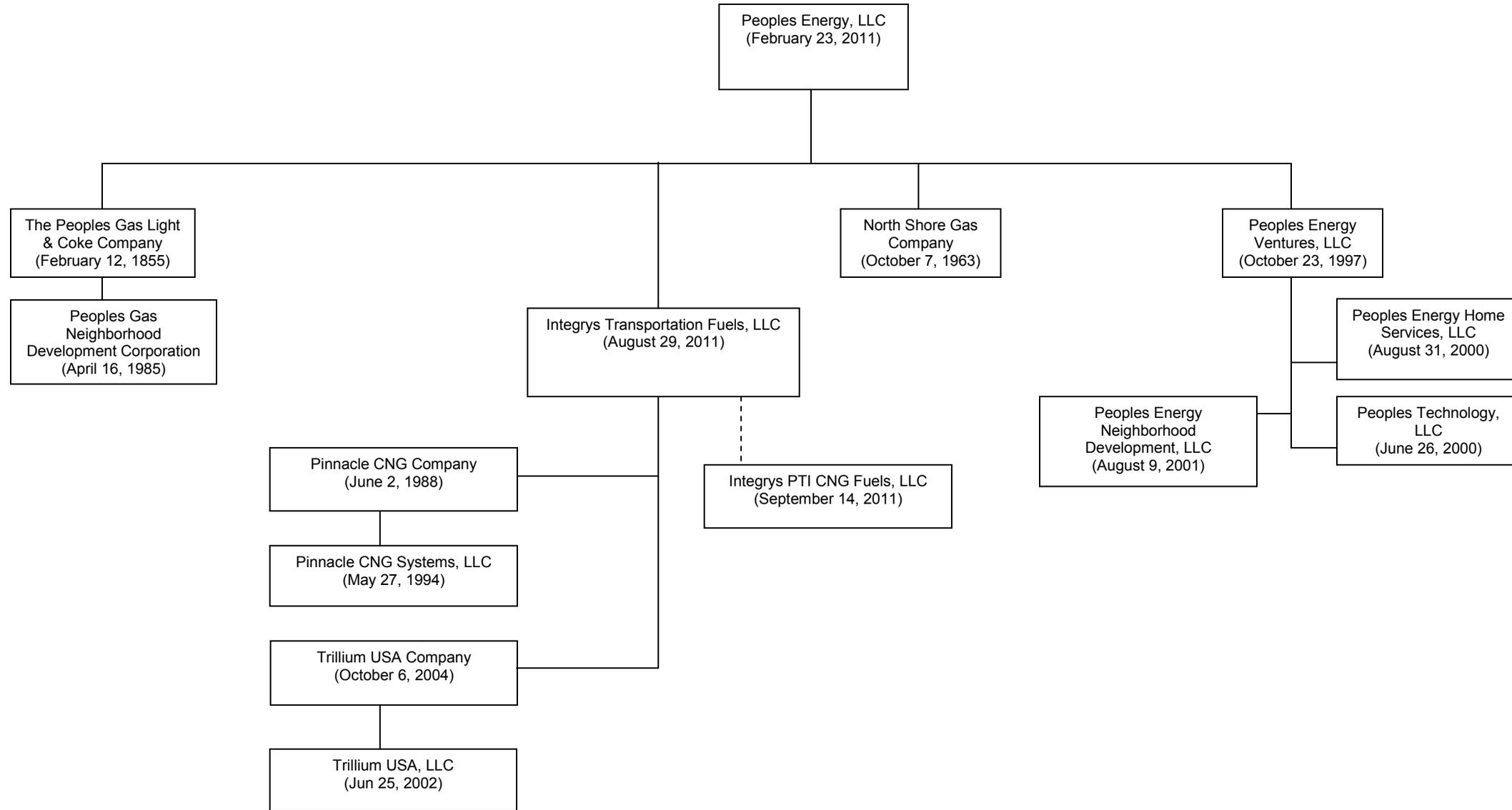
## Integrys Energy Group, Inc. Organizational Chart (as of January 1, 2012)



# Integrys Energy Group, Inc. Organizational Chart (as of January 1, 2012)



# Integrys Energy Group, Inc. Organizational Chart (as of January 1, 2012)



**Data Request: DAS 1.01**

Regarding the Companies' witness Ms. Renier's direct testimony that the companies entered into an agreement with Pinnacle "prior to Pinnacle becoming an affiliate of Peoples Gas" (NS-PGL Ex. 1.0, p. 4), please provide the following information:

- a. Please explain when Pinnacle and Peoples Gas entered into the agreement for this construction? Please provide the full date.
- b. Please explain when Pinnacle and Peoples Gas became affiliates? Please provide the full date.
- c. Please explain when Pinnacle and Integrys first entered into discussions about becoming affiliates? Please provide the full date.
- d. Please provide all documents that the Companies sent and received related to the acquisition of Pinnacle, both before and after the acquisition.
- e. Please explain whether Peoples Gas submitted an RFP to solicit bids to build the fueling station before it entered into this "arms-length agreement". If so, please provide the RFP along with all submitted bids.
- f. Please state the full date construction under the contract commenced.
- g. Please explain how the price of the work conducted under the "arms-length agreement" was determined?
- h. Please explain whether the test year from the 2011 rate case (Docket No. 11-0281) included any costs or revenues from that construction work performed under the Pinnacle-Peoples Gas agreement. If these costs or revenues were included, please explain how much, in what accounts, and where they were included in Schedule C-13?
- i. Please explain whether the test year from the 2012 rate case (Docket No. 12-0512) includes any costs or revenues from work performed under the Pinnacle-Peoples Gas agreement. If these costs and revenues are included, please explain how much, in what accounts, and where they were included in Schedule C-13?

**Response:**

- a. Peoples Gas entered into the contract on August 30, 2011.
- b. Integrys acquired Pinnacle, and Pinnacle became an affiliate of Peoples Gas, on September 1, 2011.
- c. Integrys Energy Group, Inc. ("Integrys") entered into a non-disclosure agreement ("NDA") with Trillium USA, LLC, Trillium USA Company, Pinnacle CNG Systems, LLC, and Pinnacle CNG Company. Integrys signed the NDA on May 18, 2011, and the other parties signed it on May 17, 2011. The NDA followed Integrys' initial discussion with Pinnacle and Trillium as part of Integrys' efforts to learn about the compressed natural gas business. The discussion prior to entering into the NDA was not about a merger or acquisition. The May 2011 NDA provided for discussions about an acquisition by Integrys.
- d. North Shore and Peoples Gas object to this data request as beyond the scope of this proceeding and unlikely to lead to the discovery of relevant evidence.
- e. Integrys Business Support, LLC, on behalf of Peoples Gas, prepared an RFP and submitted it directly to three companies. Please see Attachment 1. Those companies were Dual Fuel Systems Inc., Pinnacle CNG Company, and Trillium USA Company. Please see the

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 2

attached responses from Dual Fuel Systems Inc. (Attachment 2) and Pinnacle CNG Company (Attachment 3). Trillium USA Company did not submit a bid on the project.

f. Primary construction began November 22, 2011.

g. The final Purchase Order amount of \$1,052,080 was determined by combining Pinnacle's revised bid amount of \$887,775 with estimated costs of certain site work that was not fully known at the time of the Purchase Order. The uncertain costs were largely for site concrete, landscaping, and fencing that are largely dictated by City of Chicago Landscaping review. This review took place during engineering and permit work included in the agreement. Please see the attachment.

h. No, there were no costs or revenues in the test year from the 2011 rate case.

i. No, there were no costs or revenues in the test year from the 2012 rate case included in Schedule C-13. Rate base includes approximately \$800,000 related to the agreement.



## **Request for Proposals (RFP)**

Request to Solicit Proposals and the  
Interest and Qualifications of Potential Bidders for:

**Compressed Natural Gas Public Refueling Station  
Located at: 1241 W. Division Street, Chicago, IL**

### **Scope of Work:**

Work with The Peoples Gas Light and Coke Company (Peoples Gas) project manager in connection with the installation of a CNG Public fueling station:

1. design facility and prepare site design drawings;
2. submit applications and obtain all permits and permitting approvals from the City of Chicago, including building, zoning and landscaping, on behalf of Peoples Gas;
3. comply with all requirements under the federal grant;
4. obtain materials and equipment;
5. be responsible for general contractor and trades for site construction, including installation of CNG compressor and public dispensers;
6. tie public fueling station into existing Peoples Gas time-fill station at Division Street; and

Assure the station is functional by December 20, 2011.

**INTEGRYS BUSINESS SUPPORT, LLC**  
**On Behalf of**  
**The Peoples Gas Light and Coke Company**



IntegrYS  
Business  
Support Supply  
Chain Services  
700 N. Adams  
Street Green  
Bay, WI 54307

INTEGRYS BUSINESS SUPPORT, LLC on behalf of its subsidiary The Peoples Gas Light and Coke Company ("Company") is seeking proposals to provide turn-key engineering design and construction solutions for a public compressed natural gas refueling station project ("Project"). The purpose of the notice is to invite potential interested and qualified bidders to submit proposals and qualifications.

Recipients of this RFP are required to provide information as attached that addresses the minimum and specific requirements outlined in this RFP. Based on the information received from the submittals, Company will select a preferred supplier of these services and will begin negotiations of the necessary agreements immediately.

The schedule for responding to this RFP is included as attached. Please note that early responses are encouraged. Company reserves the right to modify this timeline in order to meet the Company's requirements.

## **1.0 INTRODUCTION**

### **1.1 Introduction to Integrys Energy Group, Inc.**

Integrys Energy Group, headquartered in Chicago, Illinois, is a holding company with regulated and non-regulated energy delivery companies in the United States and Canada. Together, the Integrys family of companies serves more than 2 million customers. Our subsidiaries and people are creating a premier and growing energy company.

The seven regulated utilities consist of:

- **The Peoples Gas Light and Coke Company**, a natural gas utility serving more than 840,000 customers in the City of Chicago.
- **Wisconsin Public Service Corporation**, a regulated electric and natural gas utility serving approximately 429,000 electric customers and 312,000 natural gas customers in northeastern Wisconsin and an adjacent portion of Michigan's Upper Peninsula.
- **Minnesota Energy Resources Corporation**, a natural gas utility serving approximately 207,000 customers throughout Minnesota.
- **Michigan Gas Utilities Corporation**, a natural gas utility serving approximately 166,000 customers in Lower Michigan.
- **North Shore Gas Company**, a natural gas utility serving approximately 158,000 customers in the northern suburbs of Chicago.
- **Upper Peninsula Power Company**, an electric utility that serves approximately 52,000 customers in Michigan's Upper Peninsula.
- **Wisconsin River Power Company**, a hydroelectric utility located in South Central Wisconsin in which Wisconsin Public Service Corporation has a 50% owner of Wisconsin River Power Company.

The non-regulated subsidiaries include:

- **Integrys Energy Services, Inc.** Integrys Energy Services is the non-regulated subsidiary of Integrys Energy Group, Inc. It is a diversified energy company offering energy supply, risk management, and energy information management to meet our customers' energy needs. The company sells natural gas, electricity, alternate fuel products, real-time energy management services, and project development and management. Customers include aggregated residential and small commercial, large commercial and industrial customers in deregulated markets throughout the United States.

### **1.2 Introduction to RFP**

Company is issuing this Request for Proposals ("RFP") to 1) identify those firms that are interested and qualified to provide turn-key engineering design and construction solutions for a public compressed natural gas refueling station project; and 2) obtain a fixed-price turnkey proposal for the design and construction of a CNG fueling station.

### **1.3 RFP Development Costs – Company Right of Refusal**

Any cost associated with the response to this RFP shall be borne completely by the respondent and not subject to any reimbursement by Company. Response to this RFP does not guarantee any Responder a contract nor does it commit

Company to any obligation to contract with a contractor/supplier. Company reserves the right to accept or reject any response to this RFP.

**1.4 Exceptions to RFP**

It is Company's intent to answer all Responders' questions completely so that all ambiguous issues are resolved prior to the due date so the Responder can provide a submittal without exceptions. However, if the Responder must take exception or provide a clarification, the Responder must include a list of any exception taken to the required information or concerns outlined in this RFP. Exceptions must refer to specific paragraphs. Responders are cautioned that Company in its sole discretion may or may not accept any exceptions taken.

**1.5 Purpose of RFP – Long Term Intentions**

The principal purpose of this RFP is to find interested firms that have the qualifications, experience and availability to provide turn-key engineering and construction services. However, the Company also desires to obtain a competitive proposal from which Company and the winning Respondent can negotiate and enter into a service agreement to operate and maintain the refueling station.

**1.6 Information Being Requested**

Company will evaluate the RFP responses collectively and individually to determine the Responder's qualifications and the competitiveness of each Respondent's proposal.

**1.7 Confidentiality**

The information contained herein and this project are to be considered proprietary and confidential information and may not be communicated in whole or in part to any person except employees of the Respondent with a need to know in order to prepare a response to the RFP. Respondent must execute and return within three days of receiving this RFP the Confidentiality Agreement attached as Exhibit 1.

**2.0 DESCRIPTION OF PROJECT**

**2.1 General Description.**

See Exhibit 2.

**2.2 Environmental Considerations.**

Peoples Gas' Division Street site is located on the site of a former manufactured gas plant. It has been extensively remediated but may contain subsurface contamination related to the former manufactured gas plant at a level below 3 ½ feet. The site remains subject to monitoring and possible testing as may be required by the United States Environmental Protection Agency. In designing the facility and planning the work, Respondent needs to address whether protective measures, if any, should be taken by any individual coming on to or performing work, whether additional costs will be incurred particularly if facilities such as footings are to be installed at or below 3 ½ feet below grade, and that the

Respondent should seek the advice of a professional consultant regarding these matters.

### **3.0 INSTRUCTIONS FOR RESPONDING TO THE RFP**

#### **3.1 Who May Respond**

Only those firms that have been selected by Company shall be allowed to respond. Respondent shall send an email to confirm its willingness to respond to the RFP. Company may require Respondent, **if necessary**, to meet with or participate in a teleconference with the Project Evaluation Committee for a formal RFP response presentation.

#### **3.2 RFP Response Contact**

All communications are to be sent via email to: or via the address below. Respondents to this RFP shall designate a single point of contact for receipt of all subsequent information.

Commercial Contact:  
Attn: Larry Wolden, Manager, Contract Administration  
LWWolden@integrysgroup.com  
920/433-1200  
Supply Chain Services  
700 N. Adams Street  
Green Bay, WI 54307

Technical Contact:  
Attn: Mike Wyrick, Gas Engineer  
MSWyrick@peoplesgasdelivery.com  
773-395-7472

#### **3.3 RFP – Submittal Information**

The following outline will assist in the development of individual responses for the Company. This outline contains the minimum information to be included in the RFP response.

##### **3.3.1 Company History and Technical Qualifications**

- **Firm Profile:** Include a brief company description including a date founded, history, size, product portfolio, and locations. Also include an explanation of why the Firm or team is the best qualified to perform services associated with the Projects. Identify any other firm qualifications relevant to the proposed work.
- **Firm Qualifications:** State how the proposing firm's individual experience and/or technical business expertise will enhance the success of Integrys Energy Group through successful project design and engineering services. Include education and experience that is relevant to the proposed typical project work.

- **Previous Experience:** Describe the proposing firm's experience in performing CNG station build and associated project design work, engineering studies and other engineering support consulting services. Also, provide experience in building and permitting of CNG refueling stations in the City of Chicago and projects subject to federal grants and related reporting and compliance.

**3.3.2 Firm Information:**

- Name
- Parent Company
- Primary Contact Name (includes phone numbers, e-mail address)
- Experience
- Address
- Phone
- Fax

**3.3.3 Current Projects:**

- Type
- Scope of Work
- Timeline for completion

**3.3.4 Similar CNG and Engineering Consultation Projects:**

- Name of Project(s)
- Contact Person (includes name, phone number)

**3.4 Distribution of RFP Responses**

Responses to this RFP will be available to the Project Evaluation Committee and will be treated as confidential information.

**4.0 RESPONSE REVIEW PROCESS AND SCHEDULE**

**4.1 RFP Evaluation**

The evaluation criteria used by the Project Evaluation Committee will include the following.

- Submitted RFP Responses
- RFP Response Presentations
- Price
- Experience
- Ability to meet requirements

**4.2 Schedule**

Below is the anticipated timeline for the RFP and RFP process for the above described scope of work. Company reserves the right to modify this timeline in order to meet Company requirements.

<b>Description</b>	<b>Key Dates</b>
RFP to Selected Bidders	June 9, 2011

Pre-bid Meeting 1:00 pm CST at Division Street 1241 W Division St Chicago, IL 60642 Contact Mike Wyrick 773/395-7472	June 17, 2011
RFP Responses due	June 22, 2011
Bid Evaluation Complete / Award Notice	June 29, 2011
Contract Negotiation Complete; Contract Execution	July 15, 2011
Project Work Begins	August 1, 2011
Project Work Complete	December 20, 2011

#### **4.3 Clarifications to RFP Responses**

To fully comprehend the information contained within a response to this RFP, the Project Evaluation Committee may seek further clarification on that response. The clarification will be requested of the Responder in the form of an e-mail with a response back in the form of an e-mail.

## **MUTUAL CONFIDENTIALITY AGREEMENT**

Integritys Business Support LLC, having a place of business at 130 E. Randolph, Chicago, Illinois for itself and its Affiliates, as defined below, (“Integritys”) and [INSERT COUNTER PARTY], having a place of business at [INSERT COUNTERPARTY LOCATION], for itself and its Affiliates (“Company”) (collectively, the “Parties” and each, a “Party”), enter into this Mutual Confidentiality Agreement, (“Agreement”) as of [DATE, MONTH, YEAR], (the “Effective Date”).

**WHEREAS**, the Parties intend to enter, or have entered, into discussions regarding a possible, actual or existing business relationship (the “Purpose”) and intend to disclose, or have disclosed, to each other information, which may include Confidential Information, as defined herein.

**NOW THEREFORE**, in consideration of the mutual promises the Parties are making to each other herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. **Confidential Information.** For purposes of this Agreement, “Confidential Information” means: all information or data disclosed by or on behalf of either Party (the “Disclosing Party”) to the other Party (the “Recipient”) pursuant to this Agreement and in connection with the Purpose, including, but not limited to, pricing, business plans, specifications, designs, drawings, data, financial information, product information, software, prototypes, customer information or other business and/or technical information, and all copies and derivatives containing such Confidential Information, in any form or medium, tangible or intangible, communicated in writing, orally, or through visual observation. Confidential Information that is in tangible form shall be subject to this Agreement only if it is clearly identified as confidential or proprietary when disclosed to the Recipient. Confidential Information not in tangible form shall be subject to this Agreement only if its proprietary nature is first announced, and then reduced to writing and furnished to the Recipient within fifteen (15) days of the initial disclosure.

2. **Employees and Advisors.** The terms “Disclosing Party” and “Recipient” include each Party’s respective directors, officers, and employees, (collectively, “Employees”), and Affiliates that disclose to, or receive Confidential Information from, the other Party under this Agreement. For purposes of this

Agreement, the term “Affiliates” means any entity that now or in the future, directly or indirectly, controls, is controlled with or by, or is under common control with a Party. A Party may also disclose the other Party’s Confidential Information to its Employees, consultants, contractors, accountants and attorneys (collectively, “Advisors”), with a need to know, provided that the Parties agree to bind their Advisors to terms at least as restrictive as those contained in this Agreement, advise them of their obligations and indemnify the Disclosing Party for any breach of those obligations by such Advisors.

3. **Use of Confidential Information.** Each Party acknowledges the value of the other’s Confidential Information and agrees to protect Confidential Information from disclosure to others, using the same degree of care used to protect its own confidential or proprietary information and in any case a degree of care equal to or greater than generally accepted industry standards. The Parties each further agree:

(a) to use the Confidential Information only in connection with the Purpose;

(b) to restrict disclosure of the Confidential Information to its Employees, Advisors and Affiliates, with a “need to know” (a person has a “need to know” when that person requires the Confidential Information to perform his or her responsibilities in connection with the Purpose); and

(c) not to disclose the Confidential Information to any third party without the Disclosing Party’s prior written consent, except as otherwise provided in this Agreement.

4. **Exceptions.** The obligations of the preceding paragraph 3 shall not apply to any Confidential Information which:

(a) was independently developed by or for the Recipient without reference to the Confidential Information; or

(b) was in the Recipient’s possession before execution of this Agreement, provided that the source of such information, to Recipient’s knowledge, was not bound by an obligation of confidentiality regarding such information; or

(c) is or becomes generally available to the public

through no fault of, or without violation of any duty of confidentiality of, the Recipient; or

(d) is received from a third party without, to the knowledge of the Recipient, violation of a duty of confidentiality; or

(e) is approved for release by written authorization of the Disclosing Party, but only to the extent of such authorization; or

(f) is required to be disclosed in response to a valid order or requirement of a court, authorized agency of government, law, regulation, or other legal process, including, but not limited to, any state or federal energy regulatory agency or commission, but only to the extent and for the purposes of such required disclosure. The Recipient agrees to give the Disclosing Party prompt notice of any such demand for disclosure, where legally permissible to do so, and further agrees to reasonably cooperate with the Disclosing Party's efforts to secure an appropriate protective order.

5. **Breach.** The Parties agree that any breach or threatened breach of any provision of this Agreement may cause the Disclosing Party irreparable harm for which it may have no adequate remedy at law. The Parties further agree that in such case, in addition to any other rights and remedies available to it, the Disclosing Party shall be entitled to seek injunctive or any other equitable relief available to remedy or prevent any breach or threatened breach of this Agreement. Any cost or expenses incurred by the prevailing Party to enforce this Agreement (including attorney's fees, expert witness fees, and costs and expenses of investigation and litigation) shall be borne by the other Party, and the Recipient shall indemnify, hold harmless and reimburse upon demand Disclosing Party for all costs expenses, losses, damages, claims, suits and proceedings arising out of such actual or threatened breach. In the event that the Disclosing Party seeks injunctive relief under this Par. 5, the Recipient agrees to waive any bond requirement which may otherwise apply to such a proceeding.

6. **No Commitment.** Neither the execution of this Agreement nor the disclosure of Confidential Information by the Parties shall constitute or imply any commitment, promise, or inducement to make any purchase or sale or to enter into any additional agreement of any kind.

7. **No Exclusivity.** The Parties may conduct similar discussions or perform similar work to the Purpose contemplated herein with and for other Parties, provided that those discussions or work do not violate

this Agreement.

8. **No Intellectual Property Rights/No Warranties.** No patent, copyright, trademark, trade secret, or other intellectual proprietary right is licensed, granted or otherwise transferred by execution of this Agreement or by disclosure of any Confidential Information hereunder. **THE DISCLOSING PARTY HEREBY DISCLAIMS ALL WARRANTIES REGARDING THE CONFIDENTIAL INFORMATION, INCLUDING ALL WARRANTIES WITH RESPECT TO INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS AND ALL WARRANTIES AS TO THE ACCURACY OR UTILITY OF SUCH CONFIDENTIAL INFORMATION.**

9. **Term and Termination.** This Agreement applies to Confidential Information the Parties disclose to one another beginning on the Effective Date. Either Party may terminate this Agreement at any time upon thirty (30) days written notice to the other. Each of the Parties shall have the obligation of confidentiality until the later of two (2) years from the date of (i) termination of this Agreement or (ii) termination or expiration of any agreement that references, incorporates or is otherwise subject to the confidentiality provisions of this Agreement, unless the Parties mutually agree in writing to maintain the confidentiality for a longer period of time.

10. **Return of Confidential Information.** The Parties shall consider all Confidential Information the property of the Disclosing Party. If the Disclosing Party requests in writing, the Recipient shall promptly either return all Confidential Information (or any designated portion thereof), including all copies, to the Disclosing Party or destroy such Confidential Information and provide the Disclosing Party written certification of such destruction upon request.

11. **Assignment.** Neither Party may assign or otherwise transfer this Agreement without the prior written consent of the other; provided, however, that either Party may assign or transfer this Agreement to its Affiliates, successors-in-interest, or an entity that acquires direct or indirect control of substantially all of the assets of that Party upon written notice to, but without the consent of, the other Party. Any assignment in violation of this paragraph shall be void. This Agreement shall be binding upon the Parties' respective successors and permitted assigns.

12. **Severability.** If any provision of this Agreement shall be held invalid or unenforceable, that provision shall be deemed deleted from this Agreement and replaced by a valid and enforceable provision which, so far as possible, achieves the Parties' original intent. The remaining provisions of this Agreement

shall continue in full force and effect.

13. **Authority.** Each Party warrants that it has authority to enter into this Agreement.

14. **Entire Agreement.** This Agreement represents the entire understanding between the Parties with respect to the subject matter hereof and supersedes all prior communications, agreements and understandings relating to the subject matter of this Agreement.

15. **Amendment.** The provisions of this Agreement may not be modified, amended, or waived, except by a written instrument signed by both of the Parties.

16. **No Waiver.** Failure of either of the Parties to enforce any provision, right or remedy under this Agreement shall not constitute a waiver of such provision, right or remedy.

17. **Compliance with Law.** This Agreement and performance hereunder shall be governed by the laws of the State of Illinois, excluding its conflicts of law provisions. The Parties shall comply with all applicable laws, including export laws and regulations of the United States with respect to technical data, if any, received under this Agreement.

18. **Execution.** Each Party agrees that a facsimile of its signature printed by a receiving fax machine may be regarded as an original signature and that this Agreement may be executed in counterparts.

19. **Notice.** All notices demands and other communications required or permitted to be given under this Agreement shall be in writing and transmitted by certified United States Mail or other recognized courier guaranteeing delivery to the Parties at the following respective addresses:

If to INTEGRYS:

IntegrYS Business Support, LLC  
Attn: Vice President, Legal Services  
130 E. Randolph, 19<sup>th</sup> Fl.  
Chicago, Illinois 60601

If to *[INSERT COUNTERPARTY]*

*[INSERT COUNTERPARTY INFO]*

**IN WITNESS WHEREOF**, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date set forth above.

INTEGRYS BUSINESS SUPPORT, LLC

*[INSERT COUNTER PARTY]*

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**Exhibit 2**

**Fuel Station Requirements**

The following list of requirements indicates the minimum acceptable fueling station as well as several optional features that should be priced. The proposal should be for fixed-price, turnkey service.

Where the Respondent believes that best practices dictate a design that exceeds the level of the minimum requirements listed here, the Respondent should propose per best practices and clearly indicate the changed requirement. If possible the respondent should also include the cost impact of the change.

The Respondent should indicate the manufacturer and model of all major equipment. All equipment and materials used in the proposal should be new except where indicated to the contrary in the requirements below.

<b>Minimum Requirements</b>	
Fueling Island	Island with drive-through access and raised curbs. Sufficient space for two dual-hose dispensers. A site layout drawing is attached showing approximate size and layout of dispenser island.
Dispenser	One (1) Dual-hose, Dual-pressure (3000 and 3600 psig) dispenser allowing fueling at both pressures on either side of fueling island. Piping to support addition of a second identical dispenser in the future. One card-reader system; preferably integrated into the dispenser but we are open to a stand-alone card reader.
Compressor package	One (1) compressor with at least 150 BHP electric motors including necessary electrical components (motor starter, controls, transformer, etc.) designed for a minimum of 289 scfm at 20 psig inlet, +/- 10%. Weather-proof enclosure with steel deck. Sound-attenuated enclosure to 78 dB at 10 feet. Gas connection for a portable compressor package as a backup means of compression (Company to supply portable compressor)
Dryer	Single-tower with regeneration.
Storage	A minimum of 100 DGE of available storage @ 4500 psig using ASME storage vessels.
Time-fill Integration	Integrate existing field of 30 time-fill posts at site. Time-fill posts will be metered as a unit but separately from the fast-fill dispenser(s). Supplier is responsible for connection and integration of the existing posts but should not include adding or modifying any time-fill posts.
Priority and ESD Controls	Pneumatic Priority Panel with Emergency Shutdown Devices and controls. Integration of time-fill field with fast-fill dispensers.
Existing compressor	A 50 HP compressor exists at the site to serve the Company's time-fill posts. Respondent shall include the cost of disconnection the existing compressor and integrating the new compressor package to serve the time-fill field.

<b>Minimum Requirements</b>	
Site Work	Respondent's scope of work will include all concrete work, curb cuts, and relocation or replacement of fencing. Details of the site work will be provided at the pre-bid conference.
Design	Supplier will be responsible for generating the detailed design drawings and specifications, which Company will review and approve. Supplier will be responsible for project management.
Permitting	Permitting will be the responsibility of Respondent. Company will provide support as required but any fees or other costs will be the responsibility of Respondent. Respondent will follow all City ordinances and permitting requirements including landscaping, building, CDOT and zoning requirements.
Procurement	Respondent will procure all material and equipment required for the fuel station.
Installation	All installation activities will be the responsibility of Respondent, including site preparation
Start-up and Commissioning	Startup and commissioning and training onsite will be included in Respondent's proposal.
Scheduling	The fueling station is funded in part with a federal grant obtained by Company. The grant requires that the station be complete by December 20, 2011. Supplier and Company will agree on liquidated damages that will apply in the event the fueling station is not commissioned on time. Propose a project schedule that meets Company's schedule requirements assuming contract execution July 1, 2011.
Labor and Wages	All employees of Respondent and any employees of subcontractors retained by Respondent performing work on this project shall be paid in accordance with Davis-Bacon rates. Provision of work by Respondent shall be subject to equal employment requirements in accordance with American Recovery and Reinvestment Act of 2009 (ARRA). For purposes of this proposal Respondent should assume that all labor used to perform work at the project site will be union labor.
Buy American	All iron, steel, and manufactured goods used in this project should comply with the Buy American requirements of ARRA.
<b>Optional Features</b>	
Additional increments of 10,000 cubic ft of ASME storage vessels.	
Pipe sizing to accommodate replacing existing 50 hp compressor with a second identical 150 BHP compressor.	
Electrical connection for portable standby generation capable of powering 50 hp compressor.	
Additional sound attenuation.	
Procurement and installation of additional time-fill posts.	
Compressor sizing at 200 BHP and estimated gas flow rate.	
Dryer sized for an additional 150 BHP of compression capacity.	
Lighted canopy with Company logo and color scheme [TBD].	
Lighted electronically addressable fuel price display visible from the street.	
<b>O&amp;M Plan</b>	
Please include a proposal for operations and maintenance support. Company will provided limited onsite support for simple activities such as resetting breaker trips but Respondent will be responsible for all planned and unplanned maintenance and repair. In addition to maintenance and repairs, Respondent will provide 24-hour monitoring and fault detection	

<b>Minimum Requirements</b>
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and the ability to remotely assist fueling customers.
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### Site Layout



**Data Request: DAS 2.01**

Regarding the Companies' response to Staff DR DAS-1.01, please provide the following information:

- a. Please provide the attachment to DAS-1.01(g) in an Excel spreadsheet with formulas intact.
- b. Do the Companies know the reason that Trillium USA Company ("Trillium") did not submit a bid in response to the RFP?
- c. Please state whether Peoples Gas or Integrys Business Support discussed the RFP with Trillium. Please provide any and all correspondence between Peoples Gas or any of its agents and Trillium pertaining to the RFP.
- d. Please state when Peoples Gas or Integrys Business Support received the response to its RFP from Dual Fuel Systems Inc. ("Dual Fuel").
- e. Please explain any interaction Peoples Gas or its affiliates had with Dual Fuel prior to the RFP. Please explain if Dual Fuel has ever provided services for Integrys Energy Group or any of its subsidiaries.
- f. Please state when Peoples Gas or Integrys Business Support received the response to its RFP from Pinnacle.

**Response:**

- a. Please see the attachment.
- b. No reason was given.
- c. There was no further discussion.
- d. June 27, 2011.
- e. Peoples Gas, North Shore, and Integrys Business Support have purchased goods and services from Dual Fuel Systems, Inc. or Diversified Fleet Services, which is a Dual Fuel Systems, Inc. company. For example, in the past five years, orders include:
  - 07/18/08 – purchased an accessory to be installed on a new vehicle
  - 09/17/09 – Dual Fuel provided repair services to existing fleet vehicles
  - 09/29/11 – purchased two CNG compressors for fleet CNG fueling; installation was completed by Peoples Gas staff and other contractors
  - 11/09/11 – purchased CNG fueling hose assembly's; installed by Peoples Gas staff
  - 03/22/12 – material for installing CNG compressors purchased on 09/29/11 orderIn addition to these orders, Fleet Mechanics purchase repair parts from Dual Fuel for the utility's CNG vehicles.
- f. June 24, 2011.

**Supplemental Response:**

- e. The response to this subpart (e) is complete.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 8.01-8.07**  
**Dated: December 6, 2012**

**REQUEST NO. DAS 8.02:**

The Companies' response to Staff DR ENG-6.05 states about the RFP Process Procedures: "The relevant procedure is attached. The procedure was followed." Please provide the following information based on this response:

- a. Any general guidance on determining the list of suppliers including, but not limited to, a detailed discussion of all procedural steps adhered to during the development of the list of suppliers for this project.
- b. All correspondence, emails or internal documents discussing the list of service providers to be used in this RFP Process.
- c. The name, title and entity of any employees that provided the list of suppliers in this process.
- d. A description of Psoft.
- e. The date each of the three suppliers registered in Psoft.
- f. A list of all bidders or vendors registered in Psoft, including dates registered.
- g. A copy of the Integrys Energy Group Supply Chain Services Procedures and Process Guidelines.

**RESPONSE:**

- a. The specialized nature of a CNG design/build contract limits the number of potential bidders and ability to solicit many potential bidders. The bid list was made from previous potential suppliers for CNG related work (Dual Fuels) and input from the project team members with knowledge of similar sized commercial stations. There are no documented procedural steps used during the creation of the bid list.
- b. Peoples Gas objects to this request as it unduly burdensome and because it is seeking information outside the scope of and not relevant to this proceeding and not reasonably calculated to lead to the discovery of relevant and admissible evidence. Subject to and without waiving these objections and its General Objections, Peoples Gas states:  
See the response to subpart (a) of this data request.
- c. The names, titles, and entities of individuals are as follows:  
Bob Johnson, Manager Special Projects Fields Services, Peoples Gas  
Mike Wyrick, Project & Design Engineer, Peoples Gas (now employed by ITF)  
Ted Calvin, Vice President – Manufacturing Engineering, Integrys (now employed by ITF)  
Larry Starosta – Retired – Integrys Business Support
- d. PeopleSoft is the brand name of a well-established line of products used throughout the world and by companies in many industries. Oracle Corporation acquired the PeopleSoft applications in 2005. PeopleSoft supply chain management is one of several business applications that Oracle offers. The application has various modules that handle the entire supply chain process (e.g., procurement (such as requisitions and purchase orders), inventory and expenses).

**ICC Docket No. 12-0512**

**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 8.01-8.07**

**Dated: December 6, 2012**

- e. Pinnacle was registered in People Soft on August 30, 2011. The other two suppliers are not registered.
- f. Peoples Gas objects to this request as overbroad as People Soft includes vendors for all goods and services that Integrys and its subsidiaries purchase and because it is seeking information outside the scope of and not relevant to this proceeding and not reasonably calculated to lead to the discovery of relevant and admissible evidence.
- g. Peoples Gas objects to this request as overbroad as Supply Chain Services has extensive Procedures and Process Guidelines, few of which applied to the transaction addressed in the response to Staff data request ENG 6.05. However, without waiving the General Objections and this objection, Peoples Gas states: In addition to the Request for Proposal procedure provided as part of the response to data request PGL ENG-6.05, Attach 01 provides the purchasing procedure applicable to this situation.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 11.01-11.04**  
**Dated: January 3, 2013**

**REQUEST NO. DAS 11.01:**

The Companies' responses to Staff DR DAS-8.02 a. and c. state as follows:

"The specialized nature of a CNG design/build contract limits the number of potential bidders and ability to solicit many potential bidders. The bid list was made from previous potential suppliers for CNG related work (Dual Fuels) and input from the project team members with knowledge of similar sized commercial stations. There are no documented procedural steps used during the creation of the bid list.

The names, titles, and entities of individuals [employees that provided the list of suppliers in this process] are as follows:

Bob Johnson, Manager Special Projects Fields Services, Peoples Gas  
Mike Wyrick, Project & Design Engineer, Peoples Gas (now employed by ITF)  
Ted Calvin, Vice President – Manufacturing Engineering, Integrys (now employed by ITF)  
Larry Starosta – Retired – Integrys Business Support."

Regarding these responses, please provide the following information:

- a. How does the "specialized nature of a CNG design/build contract" limit "the number of potential bidders"?
- b. How does the "specialized nature of a CNG design/build contract" limit "the ability to solicit many potential bidders"?
- c. List all other prospective suppliers that were considered by members of this group, but rejected. For each firm, describe why the firm was rejected before being sent an RFP.
- d. Did members of this group ever conduct an internet search to find alternate bidders?
- e. Describe the group's specific "knowledge of similar sized commercial stations" known to the four members of the bid list provider group.
- f.
- g. Which member of this group first recommended Pinnacle for inclusion in the bid list? When?
- h. Which member of this group first recommended Trillium for inclusion in the bid list? When?
- i.
- j. The date Mr. Wyrick joined ITF and his job title there.
- k. Did Mr. Wyrick receive an increase in pay from this move?
- l. Did Mr. Wyrick receive a promotion from this move?
- m. The date Mr. Calvin joined ITF and his job title there.
- n. Did Mr. Calvin receive an increase in pay from this move?
- o. Did Mr. Calvin receive a promotion from this move?
- p. Provide a list of all employees that made the decision to award this contract to Pinnacle along with their current assignments.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 11.01-11.04**  
**Dated: January 3, 2013**

**RESPONSE:**

- a) The construction of CNG fueling infrastructure requires specialized engineering, design, and execution skills. Few companies possess proven knowledge and experience in the successful completion of a complete fueling station. Even fewer qualified companies provide those skills and experience as a service for a customer owned station. At the time of the bidding, Dual Fuels was the only known company in Illinois to provide similar services. By nature of the relative scarcity of experienced companies providing CNG design/build services, the number of potential bidders is significantly reduced relative to traditional construction projects. See PGL DAS 11.01 for the RFP.
- b) See answer to DAS 11.01(a).
- c) No firms were rejected by the group.
- d) There is no record of an internet search being used.
- e) Members of the group individually had knowledge of commercially available CNG stations with a similar scope. For example, certain members of the group were aware of and visited the only commercial fueling station in Illinois at the time. This station is owned by the Gas Technology Institute and located at their office in Des Plaines, IL.
- f)
- g) Potential bidders were added based on a group discussion. There is no record of the specific person who recommended Pinnacle.
- h) Potential bidders were added based on a group discussion. There is no record of the specific person who recommended Trillium.
- i)
- j) Mr. Wyrick joined ITF on March 18, 2012. His title is Manufacturing Project and Design Engineer.
- k) The Utilities object to subpart k of this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.
- l) The Utilities object to subpart l of this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.

**ICC Docket No. 12-0512**

**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 11.01-11.04**

**Dated: January 3, 2013**

- m) Mr. Calvin joined ITF on December 25, 2011. His title is Vice President, Manufacturing Engineering.
- n) The Utilities object to subpart n of this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.
- o) The Utilities object to subpart o of this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.
- p) The award decision was made by employees of Peoples Gas and IBS and includes:
  - Bob Johnsen, Manager Special Projects Fields Services, Peoples Gas
  - Larry Starosta, Retired from IBS Fleet Services
  - Larry Wolden, Retired from IBS Supply Chain Services
  - Michael Wyrick, Project & Design Engineer, ITF

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 11.01-11.04**  
**Dated: January 3, 2013**

**REQUEST NO. DAS 11.04:**

The Companies' witness Mr. Hoops' rebuttal testimony, regarding the competitiveness of the RFP, states as follows, "This project was competitively bid." (NS-PGL Ex. 28.0, p. 11) Additionally, Peoples Gas response to Staff DR DAS-10.01 provides internal supply chain documents. Regarding this testimony and responses, please provide the following information:

- a. A list of all construction project RFPs that Peoples Gas has sent out in 2010 through 2012.
- b. For all construction project RFPs that Peoples Gas has sent out in 2010 through 2012, the average number of firms that each RFP was sent to.
- c. For all construction project RFPs that Peoples Gas has sent out in 2010 through 2012, the average number of bids received.
- d. For both bids received, Dual Fuels and Pinnacle provide the actual supply chain docs as provided in the DAS 10.01a that were used internally by IBS to evaluate the bid and any competitive savings.
- e. Please define the term "competitive" as used in Mr. Hoops' testimony.
- f. Please provide Mr. Hoops' understanding of a "competitive" bid process.
- g. All other things being equal, does Mr. Hoops believe the bid process would become more "competitive" if more firms are sent the RFP?
- h. All other things being equal, does Mr. Hoops believe the bid process would become more "competitive" if more bids are received?

**RESPONSE:**

a. Integrys Business Support's ("IBS") Supply Chain Services manages requests for proposals ("RFPs") for projects, including construction projects. Supply Chain's electronic systems do not track which of these orders involved RFPs nor how many bidders were involved. Attach 01 provides a list of purchase orders for construction activities from the years 2010 to 2012. Some, but not all, purchase orders are the result of an RFP process. Ascertaining which purchase orders resulted from an RFP would be a time-consuming manual review process for the more than 300 purchase orders in the period.

b and c. Concerning "competitive" bidding, the specific type of work being bid plus its scope will impact the number of firms that are sent RFPs. In general, IBS attempts to include at least three firms but this will vary, especially if the type of work is specialized and/or unique. Also, the number of bidders that respond is variable as well.

d. Please see PGL DAS 11.04 Attach 02. Also see Peoples Gas' response to DAS 11.01(a).

e. "Competitive" means that IBS requests bids from potential goods and services providers. As stated in the response to subpart (b), IBS generally tries to solicit bids from

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 11.01-11.04**  
**Dated: January 3, 2013**

at least three vendors. For larger projects, Supply Chain will often follow-up with RFP recipients who did not submit a bid.

f. See responses to subparts (a) to (c), (e), (g), and (h) of this data request.

g. Not necessarily. As explained in the response to subparts (b) and (c), for some projects, particularly those involving specialized or unique expertise, the number of vendors capable of providing the requested goods or services may be limited. Sending the RFP to vendors lacking the requisite capabilities simply to increase the number of RFP recipients would not be expected to increase the competitiveness of the process.

h. Not necessarily. If the larger numbers of bids are from vendors lacking the expertise to perform the work, merely receiving more bids does not improve the competitiveness of the process.

Item	Dual Fuel	Pinnacle
<b>TOTAL</b>	<b>\$1,025,914</b>	<b>\$1,052,080</b>
Project Design and Engineering	<b>\$55,000</b> design, drawings, "assist with application of permits"	<b>\$11,500</b> design, project management
Project Management	<b>\$52,000</b> status reports for grant, startup, training	Included
Permitting	<b>\$22,500</b> Does not include official fees	<b>\$11,500</b> standard price, not including expeditor
Fuel Station	<b>\$462,154</b>  ANGI 150 HP Compressor, 292 scfm, starter, dryer, priority, 90 available DGE storage, ANGI Dispenser	<b>\$546,100</b>  \$355,400 250 HP compressor, 441 scfm \$48,400 dispenser, card reader system \$26,000 Dryer \$42,500  priority and esd controls \$73,800  180 available DGE storage
Mechanical	<b>\$45,125</b> connections, HP lines, disconnect existing compressor	<b>\$45,125</b> Not In price, using dual fuel's price
Electrical	<b>\$95,750</b>	<b>\$95,750</b>

	pull cable, new disconnect, trench to dispenser, canopy power, security power, phone/data, estops	Not in price, using dual fuel's price	
Concrete	<b>\$59,800</b>		<b>\$65,300</b>
	excavate, island, footings, storage pad, spoils	island, curbs, concrete pad	
Site	<b>\$83,080</b>		<b>\$83,080</b>
	electric excavation, storm sewer relocation, demo and grade, asphalt	Concrete, curb, not in price, using dual fuel's price	
Fencing	<b>\$40,000</b>		<b>\$40,000</b>
	placeholder for security fence	Not in price, using dual fuel's price	
Security	<b>\$34,500</b>		<b>\$34,500</b>
	cameras, sensors, nvr		
Installation	<b>\$3,000</b>		<b>\$78,600</b>
	crane for site, installation labor included in individual items	\$72,400 all installation activities \$6,200 Startup/commissioning	
Island Canopy	<b>\$36,190</b>	canopy w/ company graphics	<b>\$40,625</b>
Pneumatic Priority Panel	<b>\$10,885</b>	option included	<b>\$0</b>
Dual Pressure 3000/3600	<b>\$1,880</b>	option included	<b>\$0</b>
Card Reader/Fuel Management	<b>\$24,050</b>	option included	<b>\$0</b>

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 10.01-10.04**  
**Dated: December 20, 2012**

**REQUEST NO. DAS 10.01:**

The Companies' witness Mr. Hoops' rebuttal testimony, regarding the competitiveness of the RFP, states as follows, "This project was competitively bid." (NS-PGL Ex. 28.0, p. 11) Please provide the following information:

- a. A list of all RFPs that Peoples Gas has sent out in the past 5 years.
- b. For each RFP that Peoples Gas has sent out in the past 5 years, the number of firms that each RFP was sent to.
- c. For each RFP that Peoples Gas has sent out in the past 5 years, the number of bids received.
- d. Mr. Hoops' expertise in RFP process management.
- e. Mr. Hoops' particular role or responsibilities in the CNG station RFP process.
- f. What is Integrys Business Support's standard for determining if a bid is competitive?
- g. What is Peoples Gas' standard for determining if a bid is competitive?

**RESPONSE:**

- a. Peoples Gas objects to this request as it unduly burdensome and because it is seeking information outside the scope of and not relevant to this proceeding and not reasonably calculated to lead to the discovery of relevant and admissible evidence. Subject to and without waiving these objections and its General Objections, Peoples Gas states: Please see the attached Supply Chain Services documents.
- b. Please see subpart (a) of this data request.
- c. Please see subpart (a) of this data request.
- d. Please see Mr. Hoops' direct testimony in which he describes his background and business experience. His extensive public utility experience, particularly plant management responsibilities, has required participation in RFP and bidding processes. Mr. Hoops has not been directly responsible for RFP management, e.g., as a supply chain employee.
- e. Mr. Hoops was not involved in the CNG RFP process. However, please see Peoples Gas' responses to Staff data requests DAS 7.01 through 7.04.
- f. Please see the response to subpart (a) of this response. Note that Supply Chain Services is part of Integrys Business Support, LLC.
- g. Please see the response to subpart (a) of this response.

Docket No. 12-0299  
ICC Staff Exhibit 1.0  
Attachment M

ATTACHMENT M

Pages 2 of 10 through 10 of 10,

Bates Nos. PGL 0019706 through 0019714 are Confidential and have been removed .

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 7.01-7.04**  
**Dated: November 29, 2012**

**REQUEST NO. DAS 7.01:**

The Companies' response to Staff DR ENG-6.02 states: "Peoples Gas received a federal Clean Cities grant administered by the City of Chicago and the Gas Technology Institute that required the construction of the new facility. The grant provided funding to increase the number of CNG vehicles in the company fleet by 12 vehicles and to greatly increase the fueling capacity of our facility from 0.5 GGE per minute to more than 4 GGE per minute for company vehicles. The grant provided \$692,400 toward the expected \$1,052,080 fuel station construction cost. The grant agreement required the ability to fuel third party vehicles." Please provide the following information based on this response:

- a. The RFP from Gas Technology Institute ("GTI") to Peoples Gas for this grant.
- b. All documentation, if any, supporting the development of the RFP from GTI.
- c. Peoples Gas' proposal for this grant.
- d. All documentation supporting Peoples Gas' decision to apply for the grant, including any correspondence with all interested parties regarding the application for the grant.
- e. Please explain how this agreement was signed on 9/21/2011, which is *after* the Pinnacle/Peoples Gas Agreement was signed (8/31/2011).
- f. Did Peoples Gas have any guarantee or understanding that it had or would be approved for funding? If so, provide all correspondence between Peoples Gas and all interested parties to the agreement.

**RESPONSE:**

- a. There was no RFP from GTI to Peoples Gas for this grant.
- b. See response to (a) above.
- c. Please see PGL DAS 7.01 Attach 01. Peoples Gas submitted this Pre-Application to the City of Chicago ("City") in support of the City's application to the US Department of Energy Clean Cities FY09 Petroleum Reduction Technologies Projects for the Transportation Sector.
- d. Peoples Gas objects to this request as overly burdensome and seeking information outside the scope of and not relevant to this proceeding and not reasonably calculated to lead to the discovery of relevant and admissible evidence. Also, see the response to subpart (c).
- e. As detailed in the response to Staff data request PGL DAS 6.01 Attach 02, and addressed in the response to Staff data request PGL DAS 8.04, the City identified the site for pre-selection to receive funding in the agreement between GTI and the City that was signed on June 24, 2010. The City and GTI had committed orally to Peoples Gas that Peoples Gas would be awarded the grant prior to GTI transmitting to Peoples Gas a draft grant agreement. Peoples Gas and GTI began negotiating the terms of the grant agreement in early June 2011 but final resolution of agreement terms, which had to be approved by the City, took a little longer than anticipated. The decision to select Pinnacle for the CNG station construction was made in August of 2011, after the City and GTI orally committed but shortly before the sub-awardee agreement with GTI was executed in September 2011.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 7.01-7.04**  
**Dated: November 29, 2012**

- f. See the responses above to subparts (e) and (d) of this data request for the first question and second question, respectively.

**Clean Cities FY09 Petroleum Reduction Technologies Projects for the  
Transportation Sector  
Area of Interest 4  
DE-PS26-09NT01236**

The City of Chicago's Department of Environment, in partnership with the Chicago Area Clean Cities Coalition and the Gas Technology Institute is drafting a proposal for the recently announced Clean Cities FY 09 Petroleum Reduction Technologies Projects for the Transportation Sector by the US Department of Energy (USDOE).

Proposal partners are seeking projects in the Chicago area to include in this application for funding. Funding from this grant can be used for cost-shared projects that expand the use of alternative fuel and advanced vehicle technologies including the installation or acquisition of infrastructure necessary to directly support these vehicles (up to \$300 million will be available nationally). Up to 30 awards will be selected. The funding minimum per proposal is \$5 million to a maximum of \$15 million.

Projects that are ready for immediate initiation, including evidence of mature design, site agreements, site licensing and permitting, partner commitments, and equipment availability, will receive higher priority in the evaluation process. The goal of this proposal is to fund projects that will have an impact on advancing the alternative fuel market in the Chicago area in the near term (operational within 24 months maximum). Fueling infrastructure projects must either be made publicly accessible or be shared by multiple fleets.

If you are interested in expanding your alternative fuel fleet or looking to further the process of introducing alternative fuel and related technology implementation, please complete the pre-application and submit it to the Chicago Area Clean Cities Coalition (contact info below) by **May 13, 2009, COB.**

Pre-applications and questions pertaining to this grant opportunity should be addressed to the Chicago Area Clean Cities Coalition:

Samantha Bingham, Coordinator, [Samantha.bingham@cityofchicago.org](mailto:Samantha.bingham@cityofchicago.org), (312) 744-8096

## Area of Interest 4 Pre-Application

Name of Organization \_\_\_\_\_ Peoples Gas \_\_\_\_\_

Contact: \_\_Larry Starosta\_\_ Phone: \_\_773-457-3705\_\_  
Email \_\_lgstarosta@integrysgroup.com\_\_

Address: 1241 w. Division street City chicago Il  
Zip 60622

Member of a Clean Cities Coalition Yes No Name of Coalition: \_\_Yes\_\_

Area of alternative fuel or technology interest: \_\_CNG\_\_

Infrastructure Interest: \_\_Install Station\_\_

Eligible fuels, technologies and infrastructure project can be viewed at:

### [Area Interest 4 Presentation](#)

Number of Vehicles to be purchased, retrofitted or replaced: \_\_12\_\_

Petroleum Fuel to be displaced by proposed project: \_\_18,000 plus sale to others\_\_

Please also fill out the following attachments below. If you are interested in infrastructure, fill out Attachment B. If you are interested in Vehicle Conversion or Acquisition, fill out Attachment A. If you are interested in both, please fill out both attachments.

\*Incomplete attachments will not be accepted\*

### **Please provide the following information:**

Provide a brief narrative about the applicant's core business and any alternative fuel or related technology experience the fleet.

Will jobs be created or retained as a result of this project? Explain

When will the project be able to start and be completed?

Does your organization have the non-federal funds to match the proposed project?

Has the applicant been awarded any of other federal grants? If yes, please provide a brief description and status of those projects.

Attachment A  
 Incremental Cost of Alternative Fuel Vehicles Information Table

<b>Clean Cities FY09 Petroleum Reduction Technologies Projects for the Transportation Sector</b>										
<b>Alternative Fuel Vehicles</b>										
<b>Vehicle Type and Model Year</b>	<b>Quantity</b>	<b>Type of Alternative Fuel(s)</b>	<b>Total Cost of Comparable Conventional Model</b>	<b>Total Cost of Alternative Fuel Vehicle, Conversion, or Retrofit</b>	<b>Incremental Cost Per Vehicle</b>	<b>Requested Federal Share (\$)*</b>	<b>Annual Mileage (per vehicle per year)</b>	<b>Estimated Petroleum Displacement (per vehicle per year)</b>	<b>Near Alternative Fuel Station?</b>	<b>Additional Information</b>
2009 Ford E-250 Cargo Vans (10 existing + 2 proposed)	12	CNG-dedicated	\$21,000	\$456,000	\$17,000	\$156,000	22,500	1,500	Own station on site	Grant request is for 12 vehicles at \$13,000 incremental (\$17,000 - \$4,000 State of IL Rebate)
Vehicle #2										
For Additional Vehicles, please add rows										

<b>Clean Cities FY09 Petroleum Reduction Technologies Projects for the Transportation Sector</b>												
<b>Alternative Fueling Stations/Sites</b>												
<b>Company/ Station Name</b>	<b>Location of Refueling Station</b>	<b>Infrastructure Description (retrofit, upgrade, new installation at existing location, part of new construction)</b>	<b>Type of Alternative Fuel(s)</b>	<b># of Dispen sers</b>	<b>Estimated Monthly Alternative Fuel Sales (Gallons) &amp; Basis of Estimate</b>	<b>Current Monthly Fuel Sales (Gallons)</b>	<b>Public Access ? (Y/N)</b>	<b>Total Cost of Infrastructure</b>	<b>Requested Federal Share (\$)*</b>	<b>Basis of Cost Estimate (quote or past experience)</b>	<b>Strategic Location? Please describe (near fleet(s), near highway, high FFV density, etc.)</b>	<b>Additional Information</b>
Peoples Gas	Division St, Chicago	Plan to upgrade existing station in the area to accommodate use by others. New fuel island, card reader, and increased compression and storage capabilities to be installed.	CNG	1 (2 hose)	1,517gge	0	Y	\$692,400	\$692,400	Quotation for equipment, delivery, and start-up. Engineer's estimate for installation.	Neighboring fleets and Yellow Taxi garage at north west side of City.	Station will be made available by arrangement to fleets in the area.
Station #2												
Station #3												
Station #4												
Station #5												
For Additional Stations, please add rows												

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests ENG 6.01-6.05**  
**Dated: October 30, 2012**

**REQUEST NO. ENG 6.02:**

Referring to Peoples Gas' response to BAP 13.01, please provide a detailed description of the current Compressed Natural Gas ("CNG") fueling station. Further, please provide the following information:

- a. The Company's rationale for constructing the facility, detailing how the Company arrived at the conclusion that the costs associated with the construction of the new CNG fueling station were prudently incurred; and
- b. A description of the manner in which CNG fueling station is and will be used and useful in providing service for Peoples Gas' fleet vehicles as well as its customers.

**RESPONSE:**

As described below, Peoples Gas was able to use grant money to offset a substantial portion of the cost of the new facility. The new facility increased and improved Peoples Gas' CNG capabilities for its own fleet and it includes third party fueling capability, both aspects of which will benefit Peoples Gas' customers.

The CNG station is a split use facility capable of separately fueling Peoples Gas' company vehicles in addition to third party fleet vehicles. The entire station encompasses three primary functional elements. These elements include the external fuel dispenser island, the internal time-fill field, and the shared compressor package. The external and internal fuel systems are only connected by a common compressor that selectively fuels one system at a time. There is no company vehicle use on the external fuel island and no external fleet fueling with the internal time-fill field.

The external fuel dispenser island is sited on the east side of Peoples Gas' property adjacent to North Elston Avenue in Chicago. The external fleet accessible area includes a dual hose/ dual pressure dispenser capable of fueling 2 vehicles at either 3600 PSI or 3000 PSI. Covering the fuel island is a 30'x50' canopy providing light and cover from weather. With the use of 2 driveways, the site is available to vehicles with up to a 55' wheel base. The site also includes concrete curbing, landscaped areas, and surrounding ornamental iron fencing as required by the City of Chicago. The entire area is approximately 20,000 square feet.

The shared natural gas compressor package containing utilizing a 150 HP Ariel reciprocating compressor in addition to a 75 HP Pinnacle Hydraulic Intensifier. The compressor package delivers approximately 4-14 gasoline gallon equivalents (GGE) per

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests ENG 6.01-6.05**  
**Dated: October 30, 2012**

minute to either the external fueling island or 4 GGE per minute to the internal company use time-fill field.

The company time fill field was an existing element that was left unchanged during the construction of the new compressor and fuel island areas.

Peoples Gas received a federal Clean Cities grant administered by the City of Chicago and the Gas Technology Institute that required the construction of the new facility. The grant provided funding to increase the number of CNG vehicles in the company fleet by 12 vehicles and to greatly increase the fueling capacity of our facility from 0.5 GGE per minute to more than 4 GGE per minute for company vehicles. The grant provided \$692,400 toward the expected \$1,052,080 fuel station construction cost. The grant agreement required the ability to fuel third party vehicles. See attached for full agreement and requirements.

The new fueling station is and will be used and useful for the company and our customers. The station provides a greatly increased fueling capacity to company vehicles. This allows for a successful expansion of the CNG fleet of vehicles at the site and others. With an increased fueling capacity, the new fueling station can quickly fill vehicles during the day when required and has the capacity to serve as an alternative fueling location should other company CNG facilities experience a disruption. Increased use of CNG fuel benefits customers both in reduced operational costs and environmental benefits.

Businesses utilizing CNG vehicles, or planning to use CNG vehicles, benefit from the availability of an additional CNG fueling station. Only two other fueling stations are currently available for outside use and only one that is able to accommodate large vehicles.

Agreement No. S263



**SUB-AWARDEE AGREEMENT**

This AGREEMENT made and entered into as of this 21<sup>st</sup> day of September, 2011 (this Agreement) between INSTITUTE of GAS TECHNOLOGY dba GAS TECHNOLOGY INSTITUTE, an Illinois not-for-profit corporation, with offices located at 1700 S. Mount Prospect Road, Des Plaines, IL 60018 ("GTI"), and The Peoples Gas Light and Coke Company with offices located at 130 East Randolph Street, Chicago, IL 60601 ("SUB-AWARDEE").

**WITNESSETH:**

WHEREAS, GTI is organized for scientific and educational purposes, including the conduct of programs of research and development in the general areas of production, transmission, storage, distribution, utilization and conservation of natural and manufactured gases and related products; and

WHEREAS, GTI has entered into a Grant Agreement dated **June 24, 2010** with the City of Chicago acting through its Department of the Environment ("SPONSOR") under Government Prime Contract No DE-EE002541 for the Chicago Area Alternative Fuels Deployment Project, CFDA No.81.086, CFDA No. Title "Conservation Research and Development" (the "Clean Cities Project") with the United States Department of Energy ("FEDERAL FUNDER"); and

WHEREAS, GTI desires to subcontract a portion of the work called for under the Grant agreement and the SUB-AWARDEE is willing to perform that work; and

WHEREAS, SUB-AWARDEE has represented that it is equipped and qualified to perform said work; and

WHEREAS, GTI desires to contribute to the cost of research and services by SUB-AWARDEE in connection with the work (as hereinafter defined), and to obtain and have the results disseminated for the benefit of the public; and

NOW, THEREFORE, the parties agree that SUB-AWARDEE shall furnish the materials, facilities, equipment, personnel, services, and all other necessary and related items for the performance of the program, all as more fully set forth in the following attachments to this Agreement, which are hereby made part of this Agreement:

- I. The Schedule, including the SUB-AWARDEE's Scope of Work attached therein as Exhibit A
- II. Exhibit B, FEDERAL FUNDER Special Terms and Conditions
- III. Exhibit C, Payment Requisition Form, Electronic Fund Transfer Form, and IRS W-9 Form
- IV. Exhibit D, EEO/AA Certificate of Compliance Form
- V. Exhibit E, Quarterly Report Form
- VI. Exhibit F, Davis Bacon Wage Determination -- Cook and DuPage Counties, Illinois
- VII. Exhibit G, Property Certification Form

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below.

INSTITUTE OF GAS TECHNOLOGY  
dba GAS TECHNOLOGY INSTITUTE

By: Fred M. Vitale  
signature

Fred M. Vitale  
Director, Contract Services

9/21/2011  
Date Signed

THE PEOPLES GAS LIGHT AND COKE COMPANY

By: Willard S. Evans, Jr.  
signature

Willard S. Evans, Jr.  
President

September 21, 2011  
Date Signed

## SCHEDULE

### 1. SCOPE OF WORK

- 1.1 SUB-AWARDEE shall perform the Scope of Work applicable to the SUB-AWARDEE as set forth in and substantially in accordance with SUB-AWARDEE's Scope of Work attached hereto as Exhibit A and is incorporated herein by reference (the "Scope of Work").
- 1.2 GTI will provide services to assist SUB-AWARDEE, as applicable, in accordance with the Scope of Work attached hereto as Exhibit A and incorporated herein by reference.
- 1.3 SUB-AWARDEE warrants that the performance of the Scope of Work pursuant to this Agreement shall be done in a safe, proficient and professional manner and shall conform to the highest standards. SUB-AWARDEE shall adhere to all local, state and federal laws and regulations and ordinances applicable to the Scope of Work. Furthermore, SUB-AWARDEE shall obtain agreements to effectuate the provisions of this Agreement from all persons in its employ who perform any part of the Scope of Work under this Agreement.
- 1.4 Changes to the Scope of Work shall be made as agreed to by GTI and SUB-AWARDEE or as necessary to comply with the SPONSOR and/or FEDERAL FUNDER requirements of the Clean Cities Project.

### 2. PERIOD OF PERFORMANCE

- 2.1 SUB-AWARDEE shall complete the Scope of Work in accordance with the following schedule:
  - (a) Effective Date - September 21, 2011
  - (b) Work Completion Date - December 20, 2013
  - (c) Final Deliverables Submission Date - January 20, 2014

### 3. COSTS AND PAYMENTS

- 3.1. GTI shall fund the SUB-AWARDEE an aggregate amount of costs incurred not to exceed Eight Hundred Forty-Eight Thousand Four Hundred Dollars US (\$848,400.00 US) which amount shall be the "Agreement Cost Limitation". In addition, SUB-AWARDEE is obligated to provide Two Hundred Forty-Four Thousand Five Hundred Twelve Dollars US (\$244,512.00 US) in cost share.
  - 3.1.1 By being reimbursed for expenses with federal funds pursuant to this SUB-AWARDEE Agreement, SUB-AWARDEE agrees to be liable for its percentage share of cost share dollars identified in Section 3.1 above, even if this Agreement is terminated early or is not funded to its completion. Failure to provide the cost sharing required by this Section 3, may result in the subsequent recovery by GTI of some or all of the federal funds provided by GTI under this SUBAWARDEE Agreement.
  - 3.1.2 SUB-AWARDEE understands that the SPONSOR and FEDERAL FUNDER's regulations require SUB-AWARDEE to maintain internal documentation of cost share expenses related to this Agreement and that records of such expenses be maintained separately from SUB-AWARDEE's other expenses. SUB-AWARDEE agrees to submit statements of its cost share expenditures to GTI as supporting documentation with the Payment Requisition Form attached hereto as Exhibit C. Travel related expenses are to be itemized separately. By signing the Payment Requisition Form, SUB-AWARDEE certifies it did in fact incur the described cost share expenditures.

Page 5 of 20  
Agreement No. S263

- 3.1.3 Any pre-award costs incurred by SUB-AWARDEE after August 24, 2009 and prior to the Effective Date of this Agreement in connection with the Clean Cities Project shall be included on the first Payment Requisition Form submitted by the SUB-AWARDEE for Scope of Work performed.
- 3.1.4 GTI shall pay SUB-AWARDEE upon approval by GTI's Technical Representative, as defined in Section 7.1 below, of SUB-AWARDEE's Payment Requisition Form and upon payment by SPONSOR of GTI's Payment Requisition Form which includes SUB-AWARDEE's costs incurred for Scope of Work performed. No payment can be made to the SUB-AWARDEE until GTI is in receipt of payment from the SPONSOR for Scope of Work performed.
- 3.2 Payment Requisition Forms shall be submitted to GTI by the tenth business day of each month for costs incurred with such supporting documentation as required by GTI for Scope of Work performed, which shall include a breakdown of direct and indirect costs incurred on a current and cumulative basis, detailed written explanation of the actual services performed, the labor dollars (including hours and rates by labor category) incurred for such services, and the associated expenses with copies of vendor receipts associated with travel, materials, supplies and each item of property. Property supporting documentation shall also include the make, manufacturer, description, model number, serial number, Vehicle Identification Number (VIN), acquisition cost, acquisition date, and general location of the property purchased (as applicable to the specific equipment or vehicle purchase). Payments to SUB-AWARDEE shall not be made more often than once a month and shall be contingent upon GTI's acceptance of SUB-AWARDEE's Payment Requisition Form (Exhibit C) and supporting documentation prepared in accordance with this section, any required Deliverables covering the Scope of Work and SPONSOR's payments to GTI. In addition, SUB-AWARDEE shall provide the same supporting documentation as described above for all cost sharing incurred and reported by SUB-AWARDEE on a current and cumulative basis on the Payment Requisition Forms.
  - 3.2.1 SUB-AWARDEE's acceptance of payment under the Final Payment Requisition Form submitted shall constitute and operate as a release of GTI (including GTI's respective officers, agents and employees) by SUB-AWARDEE for any and all claims against and liability of GTI that SUB-AWARDEE, its representatives and assigns might otherwise have or assert arising out of the performance of the Scope of Work under this Agreement.
  - 3.2.2 As GTI is required to have an IRS Form W-9 on file for all vendors to which payments are made, SUB-AWARDEE must submit a completed W-9 Form along with an Electronic Fund Transfer Form by fax to GTI's Purchasing Department at 847-768-0750 or by email to PURCHASING@GASTECHNOLOGY.ORG *prior* to GTI paying any Payment Requisition Forms under this Agreement. All Payment Requisition Forms and supporting documentation shall reference the Agreement No. and be sent to Attention: GTI's Accounts Payable Department via fax at 847-768-0750, email to accounts.payable@gastechnology.org or mailed (address below).

GAS TECHNOLOGY INSTITUTE  
1700 South Mount Prospect Road  
Des Plaines, Illinois 60018  
Attn: Accounts Payable Department  
Reference: Agreement No S263

4. REIMBURSEMENT OF FUNDS

The SUB-AWARDEE shall return to GTI any funds paid to the SUB-AWARDEE determined to be unallowable by an audit of SUB-AWARDEE's records. If the SUB-AWARDEE fails to return

funds deemed unallowable, GTI may deduct the appropriate amount from subsequent payments due to the SUB-AWARDEE from GTI. GTI also reserves the right to recover such funds by any other legal means including litigation if necessary.

The SUB-AWARDEE shall be responsible for reimbursement to GTI for any disbursed funds, which are determined by GTI, the SPONSOR or FEDERAL FUNDER to have been misused or misappropriated. GTI may also require reimbursement of funds if GTI, the SPONSOR or FEDERAL FUNDER determines that any provision of this Agreement has been violated. Any reimbursement of funds which is required by GTI, with or without termination, shall be due within forty-five (45) days after giving written notice to the SUB-AWARDEE.

5. ALLOWABLE COST

5.1 Payment of Direct and Indirect Costs

5.1.1 The SUB-AWARDEE's cost shall be determined on the basis of the SUB-AWARDEE's normal accounting procedures and shall be in accordance with generally accepted accounting principles consistently applied and applicable cost principles referenced in Exhibit B, FEDERAL FUNDER Special Terms and Conditions. The SUB-AWARDEE's costs shall include all costs, direct and indirect, incurred in performance of the Scope of Work or reasonably incidental to such performance as identified in Exhibit A, Scope of Work.

6. EXAMINATION OF RECORDS

The SUB-AWARDEE agrees that GTI, the SPONSOR and FEDERAL FUNDER shall have access at any time and the right to examine, audit, excerpt, transcribe and copy on the SUB-AWARDEE's premises any pertinent records (including electronic records) of the SUB-AWARDEE in connection with this Agreement. Similarly, GTI, the SPONSOR and FEDERAL FUNDER shall have access at any time to examine, audit, test and analyze any and all physical property subject to this Agreement. If a record is stored in an electronic format, the SUB-AWARDEE shall provide copies of these materials in the electronic format as may be requested. Such records shall be retained by the SUB-AWARDEE for no less than three years following final payment on the Agreement (whether such payment is the result of expiration, cancellation or termination).

The minimum types of financial records for the Scope of Work consist of: 1) Documentation of employee time; 2) Documentation of all equipment, materials, supplies and travel expenses; 3) Inventory records and supporting documentation for equipment purchased to carry out the project scope; 4) Documentation and substantiation of methodology used in any in-kind contributions; 5) Rationale supporting allocation of space charges; 6) Rationale and documentation of any indirect costs and 7) Records which support use of Clean Cities Project funds. The SUB-AWARDEE must maintain sufficient segregation of project accounting records from other projects or programs.

7. TECHNICAL DIRECTION

7.1 SUB-AWARDEE's performance of the Scope of Work shall be under the general technical direction of GTI's Technical Representative, who is Mr. Ted Barnes. GTI, at anytime, may designate a new or alternate Technical Representative or Contract Services Representative by written notice to SUB-AWARDEE from GTI's Contract Services Representative, who is Fred Vitalo.

7.2 GTI's Contract Services Representative shall be the only individual within GTI authorized on behalf of GTI to make changes in or amendments to this Agreement, including but not limited to, changes in the Scope of Work, period of performance, and cost.

8. DELIVERABLES

8.1 SUB-AWARDEE shall prepare and submit to GTI deliverables as specified in SUB-AWARDEE's Scope of Work (attached as Exhibit A), Quarterly Report Form (attached as Exhibit E) and set forth below ("Deliverables"), which shall be updated from time to time as necessary. Any required Deliverables shall be in a format acceptable to the GTI Technical Representative.

8.2 Deliverable Due Dates

The following table documents the dates that the required Deliverables will be submitted to the GTI Representative. Reporting requirements detailed below are subject to changes by GTI, the SPONSOR, and FEDERAL FUNDER throughout the period of performance. Compliance with any changes to reporting is required.

<b>Deliverable</b>	<b>Due Date to GTI</b>
Quarterly Report (reference Exhibit E)	3rd day after quarter's end
Special Status Report (reference Section 8.3)	As soon as possible after special event
Property Certification (reference Section 8.7)	30th day after expiration or termination of Agreement
Marketing and Training Documentation (reference Exhibit A)	15th day after publicizing

**Table 1-Deliverables Reporting Schedule**

If any due date is not on a business day, such Deliverable shall be due on the preceding business day. Deliverables shall be filed, as necessary, until the expiration of the Term of this Agreement.

8.3 Special Status Reports

A report is required (via email) as soon as possible after any of the following events occur:

1. Developments that have a significant favorable impact on the project.
2. Problems, delays, or adverse conditions which materially impair the ability to meet the objectives of the award or which may require GTI, the SPONSOR or the FEDERAL FUNDER to respond to questions relating to such events from the public. Report on any of the following incidents and include the anticipated impact and remedial action to be taken to correct or resolve the problem/condition:
  - a. Any OSHA reportable fatality or injuries requiring hospitalization of five or more individuals.
  - b. Any verbal or written Notice of Violation of any Environmental, Safety, or Health statutes.
  - c. Any incident which causes a significant process or hazard control system failure.
  - d. Any event which is anticipated to cause a significant schedule slippage or cost increase.
  - e. Any damage to Government-owned equipment in excess of \$50,000.
  - f. Any other incident that SUB-AWARDEE reasonably believes has the potential for high visibility in the media.

- 8.4 Any change to the Deliverable requirements shall require approval by GTI's Technical Representative and require a formal change or amendment authorized by GTI's Contract Services Representative.
- 8.5 The following legal notice shall be affixed to each Deliverable furnished by SUB-AWARDEE to GTI pursuant to this Section 8:

"LEGAL NOTICE

THIS REPORT WAS PREPARED BY ('SUB-AWARDEE') AS AN ACCOUNT OF WORK SPONSORED BY GAS TECHNOLOGY INSTITUTE ('GTI') AND THE CITY OF CHICAGO („SPONSOR") AND US DEPARTMENT OF ENERGY ("FEDERAL FUNDER"). NEITHER GTI, MEMBERS OF GTI, SPONSOR, FEDERAL FUNDER, NOR ANY PERSON ACTING ON BEHALF OF ALL OR ANY OF THEM:

A. MAKES ANY WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED WITH RESPECT TO THE ACCURACY, COMPLETENESS, OR USEFULNESS OF THE INFORMATION CONTAINED IN THIS REPORT, OR THAT THE USE OF ANY INFORMATION, APPARATUS, METHOD, OR PROCESS DISCLOSED IN THIS REPORT MAY NOT INFRINGE PRIVATELY-OWNED RIGHTS, OR

B. ASSUMES ANY LIABILITY WITH RESPECT TO THE USE OF, OR FOR ANY AND ALL DAMAGES RESULTING FROM THE USE OF, ANY INFORMATION, APPARATUS, METHOD, OR PROCESS DISCLOSED IN THIS REPORT."

8.6 Guaranteed Deliverables

Notwithstanding any provision of this Agreement to the contrary, SUB-AWARDEE shall complete the Scope of Work in such a manner so as to guarantee to GTI the submission of acceptable Deliverables under this Agreement.

8.7 Closeout Deliverable  
Property Certification

The SUB-AWARDEE must provide GTI the Property Certification, including the required inventories of non-exempt property, attached hereto as Exhibit G.

9. INSURANCE REQUIREMENTS

- 9.1 SUB-AWARDEE shall provide at SUB-AWARDEE's own expense, and shall cause all lower-tier subcontractors to provide, at their own expense, during the term of the Agreement, the insurance coverages and requirements specified below, as applicable under the Statement of Work, insuring all operations related to the Agreement. SUB-AWARDEE may meet these requirements through self-insurance.

9.1.1 Insurance to Be Provided

A. Workers Compensation and Employers Liability

Workers Compensation as prescribed by applicable law covering all employees who are to provide a service under this Agreement and Employers Liability coverage with limits of not less than \$1,000,000 each accident or illness.

B. Commercial General Liability (Primary and Umbrella)

Commercial General Liability Insurance or equivalent with limits of not less than \$5,000,000 per occurrence for bodily injury, personal injury, and property damage liability. Coverages shall include the following: All premises and operations, products/completed operations,

separation of insureds, defense, and contractual liability (with no limitation endorsement). The Sponsor and GTI are to be named as an additional insured on a primary, non-contributory basis for any liability arising directly or indirectly from the Scope of Work.

C. Automobile Liability (Primary and Umbrella)

When any motor vehicles (owned, non-owned and hired) are used in connection with Scope of Work to be performed, Automobile Liability Insurance shall be provided with limits of not less than \$2,000,000 per occurrence for bodily injury and property damage. The Sponsor and GTI are to be named as an additional insured on a primary, non-contributory basis.

D. Professional Liability

When any architects, engineers, construction managers, or any other professional consultants perform work in connection with this Agreement, Professional Liability Insurance covering acts, errors, or omissions shall be maintained with limits of not less than \$1,000,000. Coverage shall include contractual liability. When policies are renewed or replaced, the policy retroactive date must coincide with, or precede, start of work on the Agreement. A claims-made policy which is not renewed or replaced must have an extended reporting period of 2 years.

E. Valuable Papers

When any media, data, financial records, books and other documents are produced or used under this Agreement, Valuable Papers Insurance shall be maintained in an amount to insure against any loss whatsoever, and shall have limits sufficient to pay for the re-creation and reconstruction of such records.

F. Builders' Risk

When any construction is undertaken, All Risk Builders Risk Insurance must be provided at replacement cost for materials, supplies, equipment, machinery and fixtures that are or will be part of the permanent facility/project. Coverage must include but is not limited to the following: material stored off-site and in-transit, equipment breakdown, flood, water including overflow, leakage, sewer backup, or seepage, collapse, debris removal, loss resulting from faulty workmanship or materials, testing and mechanical-electrical breakdown or failure. The Sponsor and GTI are to be named as an additional insured and loss payee.

G. Garage Liability

When Scope of Work encompasses performance of any labor on vehicles, Garage Liability Insurance must be provided with limits of not less than \$1,000,000 per occurrence, combined single limit, for bodily injury and property damage. Coverage extensions must include Garage Keepers Legal Liability. The Sponsor and GTI are to be named as an additional insured.

H. Contractor's Pollution Liability

When any Scope of Work is performed which may cause a pollution exposure, Contractors Pollution Liability must be provided covering bodily injury, property damage and other losses caused by pollution conditions that arise from the Scope of Work performed with limits of not less than \$1,000,000 per occurrence. Coverage must include completed operations, contractual liability, defense, excavation, environmental cleanup, remediation and disposal. When policies are renewed or replaced, the policy retroactive date must coincide with or precede the start date of the Scope of Work. A claims-made policy which is not renewed or replaced must have an extended reporting period of two (2) years. The Sponsor and GTI are to be named as an additional insured.

I. Railroad Protective Liability

When any work is to be done adjacent to or on railroad or transit property, Railroad Protective Liability Insurance must be provided with respect to the operations being performed in the name of railroad or transit entity. The policy must have limits of not less than the requirement

of the operating railroad as applicable for losses arising out of injuries to or death of all persons and for damage to or destruction of property, including the loss of use thereof.

#### 9.1.2 Additional Requirements

SUB-AWARDEE will furnish GTI, prior to the execution of this Agreement, original Certificates of Insurance or evidence of self-insurance detailing the required coverage to be in force on the date of this Agreement, and Renewal Certificates of Insurance, or such similar evidence, if the coverages have an expiration or renewal date occurring during the term of this Agreement. SUB-AWARDEE shall submit evidence of insurance prior to Agreement award. The receipt of any certificate does not constitute agreement by SUB-AWARDEE, GTI or the SPONSOR that the insurance requirements in the Agreement have been fully met or that the insurance policies indicated on the certificate are in compliance with all Agreement requirements. The failure of GTI to obtain certificates or other insurance evidence from SUB-AWARDEE shall not be deemed to be a waiver by GTI and the SPONSOR. SUB-AWARDEE shall advise all insurers of the Agreement provisions regarding insurance. Non-conforming insurance shall not relieve SUB-AWARDEE of the obligation to provide insurance as specified herein. Nonfulfillment of the insurance conditions may constitute a violation of the Agreement, and, GTI retains the right to not enter into an Agreement with the Sub-Awardee, stop work until proper evidence of insurance is provided, or terminate the Agreement.

The insurance shall provide for 30 days prior written notice to be given to GTI in the event coverage is substantially changed, canceled, or non-renewed.

Any and all deductibles or self insured retentions on referenced insurance coverages shall be borne by SUB-AWARDEE.

SUB-AWARDEE agrees that insurers shall waive their rights of subrogation against GTI, the SPONSOR, and the FEDERAL FUNDER its employees, elected officials, agents, or representatives.

SUB-AWARDEE expressly understands and agrees that any coverages and limits furnished by SUB-AWARDEE shall in no way limit SUB-AWARDEE's liabilities and responsibilities specified within the Agreement documents or by law.

SUB-AWARDEE expressly understands and agrees that any insurance or self insurance programs maintained by GTI and the SPONSOR shall not contribute with insurance provided by SUB-AWARDEE under the Agreement.

The required insurance shall not be limited by any limitations expressed in the indemnification language herein or any limitation placed on the indemnity therein given as a matter of law.

SUB-AWARDEE shall require all lower-tier subcontractors to provide the insurance required herein or SUB-AWARDEE may provide the coverages for its lower-tier subcontractors. All lower-tier subcontractors shall be subject to the same insurance requirements of SUBAWARDEE unless otherwise specified herein.

If SUB-AWARDEE and its lower-tier subcontractor desire additional coverages, SUB-AWARDEE and its lower-tier subcontractor shall be responsible for the acquisition and cost of such additional protection.

The SPONSOR Risk Management Department maintains the right to modify, delete, alter or change these requirements.

10. INDEMNIFICATION

- 10.1 SUB-AWARDEE agrees to and hereby indemnifies and saves GTI, the SPONSOR and FEDERAL FUNDER harmless from and against any and all claims of any kind, including but not limited to liability for injury to persons or damage to property, including environmental damage, arising out of the Scope of Work done under this Agreement, including any and all expenses, costs, attorney's fees, settlements, judgments or awards incurred by GTI and/or SPONSOR in the defense of any such claim or lawsuit; provided, however, that SUB-AWARDEE shall not be obligated to defend, indemnify or hold GTI, SPONSOR or FEDERAL FUNDER harmless from and against any claims (including reasonable attorneys' fees and court costs) to the extent caused by any negligent act or omission or intentional wrongdoing of GTI, SPONSOR or FEDERAL FUNDER.
- 10.2 SUB-AWARDEE shall ensure that all lower-tier subcontracts issued under this Agreement shall provide that any such lower-tier subcontractor agrees to indemnify and save GTI, SPONSOR and FEDERAL FUNDER harmless from and against any and all claims of any kind, including but not limited to liability for injury to persons or damage to property, including environmental damage, arising out of the Scope of Work done under any such lower-tier subcontracts including any and all expenses, costs, attorney's fees, settlements, judgments or awards incurred by GTI and/or SPONSOR in the defense of any such claim or lawsuit; provided, however, that SUB-AWARDEE lower tier subcontractors shall not be obligated to defend, indemnify or hold GTI, SPONSOR or FEDERAL FUNDER harmless from and against any claims (including reasonable attorneys' fees and court costs) to the extent caused by any negligent act or omission or intentional wrongdoing of GTI, SPONSOR or FEDERAL FUNDER.
- 10.3 This indemnification shall survive the termination or expiration of this Agreement.
- 10.4 SUB-AWARDEE shall promptly provide, or cause to be provided, to GTI copies of all notices that SUB-AWARDEE receives of any Action that is given or filed in connection with SUB-AWARDEE's performance, or the performance of any lower-tier subcontractor of SUB-AWARDEE.

11. TERMINATION

- 11.1 GTI may terminate this Agreement at anytime by providing written notice to the SUB-AWARDEE. In the event of such termination, GTI shall reimburse SUB-AWARDEE for all actual costs and non-cancelable commitments (as such term is defined in 10 CFR 600.162 (c) (1)) incurred in the performance of the Agreement up through the effective date of termination.

The foregoing notwithstanding, any obligations relating to confidential information, insurance, indemnification and audit of records as provided for under this Agreement will survive the termination of this Agreement.

- 11.2 Prior to termination for default, GTI shall give its notice of intent to terminate 30 days prior to termination and shall state the nature of the default. In the event SUB-AWARDEE does not cure such default within the 30-day notice period, such termination shall become effective at the end of such period; provided, however, with respect to those defaults which are not capable of being cured within such 30-day period, SUB-AWARDEE shall not be deemed to have committed such default if it has commenced to cure the alleged default within such 30-

day period and thereafter diligently and continuously prosecutes the cure of such default until the same has been cured.

- 11.3 GTI may, in any court of competent jurisdiction, by any proceeding at law or in equity, secure the specific performance of the agreements contained herein, or may be awarded damages for failure of performance, or both.
- 11.4 Notwithstanding anything to the contrary, this Agreement is subject to the appropriation and availability of SPONSOR funds. In the event that no funds or insufficient funds are appropriated and budgeted in any fiscal period by the SPONSOR, GTI shall notify SUB-AWARDEE of such occurrence and this Agreement shall terminate on the earlier of: (a) the last day of the fiscal period for which sufficient appropriation was made or (b) whenever the funds appropriated by the SPONSOR are exhausted.

12. CONFIDENTIAL INFORMATION

12.1 The parties contemplate that, in the performance of the Scope of Work, either party may furnish the other confidential information which is generally related to the subject matter of this Agreement, but was developed apart from this Agreement. Such confidential information shall be held in confidence by the receiving party, shall not be published in any form, shall not be used, and shall not be discussed with or disseminated to any individual or organization other than the parties. Such terms shall apply for a period commencing upon the execution of this Agreement and extending five (5) years after the Work Completion Date of this Agreement and shall not apply to information:

- (a) which is not in writing and clearly marked "Confidential", except that, information transmitted orally or visually may be classified as information pursuant to this provision by so designating at the time of disclosure, followed by a subsequent reduction to writing and submission to the receiving party within thirty (30) days from the date of initial disclosure;
- (b) which is already in the possession of the receiving party or its employees at the time of disclosure and not subject to confidentiality as evidenced by prior written documentation;
- (c) which now or hereinafter comes into the public domain without breach of this Agreement;
- (d) which the receiving party rightfully receives from third parties without obligation of confidentiality;
- (e) which is approved by the disclosing party's written authorization for use or release by the receiving party;
- (f) which is required to be disclosed by an order of court of competent jurisdiction, subject to timely notice being given to the disclosing party for purposes of intervention and a request of the court by the receiving party for a form of protective order against further disclosure.

13. PUBLICITY RELEASES

13.1 No news releases, advertising or promotional releases that mention GTI, relating to this Agreement or the Scope of Work hereunder, shall be issued by SUB-AWARDEE without the prior written approval of GTI's Contract Services Representative. Such approval shall not be unreasonably withheld. Any inquiry SUB-AWARDEE receives from news media concerning

this Agreement must be referred to the GTI Technical Representative for coordination prior to response.

14. INDEPENDENT CONTRACTOR

14.1 SUB-AWARDEE shall at all times be an independent contractor to GTI. SUB-AWARDEE shall exercise its own professional judgment and skill. Nothing herein is intended nor shall it create a joint venture or partnership between the parties.

15. INSPECTION AND ACCEPTANCE

15.1 Final inspection and acceptance of all Deliverables required by this Agreement will be accomplished by GTI's Technical Representative.

16. DELIVERY INSTRUCTIONS

16.1 All Deliverables specified under this Agreement shall be prepared in accordance with the terms of this Agreement and delivered to:

GTI's Technical Representative  
Gas Technology Institute  
1700 South Mount Prospect Road  
Des Plaines, Illinois 60018

17. DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS

17.1 SUB-AWARDEE hereby certifies that it and its principals:

- (i) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
- (ii) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (iii) Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (i) of this Section 17;
- (iv) Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default; and
- (v) Are in compliance with the Code of Business Ethics and Conduct as required under the Government's FAR Subpart 3.10.

17.2 SUB-AWARDEE shall attach an explanation to this Agreement in the event it is unable to certify any of the statements in Section 17.1.

18. PROPERTY

18.1 In the course of performance of this Agreement, SUB-AWARDEE may only acquire and direct charge to this Agreement such facilities, equipment (including office equipment), furniture, fixtures, or other real or personal property items as have been included in SUB-AWARDEE's

Scope of Work and approved by GTI. Property to be purchased that is not set forth in SUB-AWARDEE's Scope of Work will require written approval from GTI's authorized Technical Representative. Property to be purchased under this Agreement must meet the approval of the SPONSOR and be subject to the PROPERTY clause included in Exhibit B, FEDERAL FUNDER Special Terms and Conditions.

19. LOWER-TIER AGREEMENTS

19.1 SUB-AWARDEE shall flow-down the terms this Agreement including, but not limited to, the FEDERAL FUNDER Special Terms and Conditions attached as Exhibit B in any lower-tier subcontract(s), and shall not contain any provision which would conflict with the provisions of this Agreement. Any deviations or changes to any provisions of the lower-tier subcontract(s) requires GTI's approval.

20. CONFLICTS OF INTERESTS

(a) SUB-AWARDEE represents that, to the best of its knowledge and belief, it does not have any conflicts of interest related to this Agreement other than those disclosed in writing to GTI in advance of this Agreement.

(b) SUB-AWARDEE agrees that if, after award, it discovers conflicts of interest with respect to this Agreement, it shall make an immediate and full disclosure in writing to GTI which shall include a description of the action which SUB-AWARDEE has taken or proposes to take to avoid or mitigate such conflicts.

(c) Except as otherwise authorized in writing by GTI, SUB-AWARDEE will insert into all subcontracts provisions making this section applicable to the subcontractor and its employees.

21. ASSIGNMENT

21.1 This Agreement, including the rights and duties contained herein, may not be assigned, in whole or in part, by SUB-AWARDEE without the prior written consent of GTI.

22. GENERAL PROVISIONS OF THE SUBCONTRACT

22.1 By execution of this Agreement, SUB-AWARDEE specifically acknowledges that the Agreement is funded, in part, under the American Recovery and Reinvestment Act (the "Recovery Act) of 2009 (March, 2009), and as such is subject to the requirements of the Recovery Act. SUB-AWARDEE and its lower-tier subcontractors shall comply with all requirements of Exhibit B FEDERAL FUNDER Special Terms and Conditions; 10 CFR Part 600; and the Recovery Act, applicable to this Agreement, including but not limited to all applicable recordkeeping sufficiently segregated from SUB-AWARDEE's other agreements and/or projects and reporting requirements. SUB-AWARDEE shall comply with the FEDERAL FUNDER Special Terms and Conditions contained in Exhibit B, applicable to SUB-AWARDEE, which are hereby incorporated and made a part hereof. The term Recipient used in Exhibit B shall mean SUB-AWARDEE for purposes of this Agreement.

23. COMPLIANCE WITH A-133 AUDIT REQUIREMENT

23.1 In accordance with the Government's A-133 audit requirement for institutions of higher education and other non-profit institutions, SUB-AWARDEE shall provide to GTI, on an annual basis, a copy of its most recent A-133 audit, to the extent SUB-AWARDEE is required to conduct such an audit, and notify GTI of any adverse findings which impact this subcontract. Such copy shall be filed and maintained by GTI throughout the duration of this subcontract. The federal award information (government contract number, CFDA number and title, etc.) for this subcontract is identified in the second Whereas clause on page one of this Agreement.

SUB-AWARDEE certifies to GTI that it complies with OMB Circular A-133 Compliance Supplement which includes applicable sections Part 3 - Compliance Requirements, Part 4 - DOE Compliance Requirements, Part 5 - Clusters of Programs (R&D Section) and Part 6 - Internal Controls. The foregoing notwithstanding, SUB-AWARDEE is subject to 10CFR 600.316 Audits under this Agreement.

24. EEO CERTIFICATE REQUIREMENT

24.1 GTI requires that all SUB-AWARDEES providing services to GTI indicate their acceptance and compliance to the U.S. Government's Presidential Executive Order No. 11246 requirement by signing the EEO/AA Certificate of Compliance, hereto attached as Exhibit D, and submitting it to GTI's Contract Services Representative.

25. SMALL BUSINESS AND MINORITY-OWNED BUSINESSES

The SUB-AWARDEE shall make positive efforts to utilize small business and minority-owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts or subcontracts to be performed utilizing Clean Cities Project funds.

26. FAILURE TO PERFORM

GTI reserves the right to suspend payment of funds and/or terminate this Agreement if required Deliverables are not provided to GTI on a timely basis or if performance of contracted activities is not evidenced. GTI further reserves the right to suspend payment of funds under this Agreement if there are deficiencies related to the required Deliverables or if performance of contracted activities is not evidenced in whole or in part.

The SUB-AWARDEE's management and financial capability including, but not limited to, audit results and performance, may be taken into consideration in any or all future determinations by GTI and may be a factor in a decision to withhold payment and may be cause for termination of this Agreement.

27. SEVERABILITY

If any provision of this Agreement shall be adjudged to be unlawful or contrary to public policy, then that provision shall be deemed null and void and severable from the remaining provisions, and shall in no way affect the validity of this Agreement.

28. SURVIVAL OF REQUIREMENTS

Unless otherwise authorized in writing by GTI, the terms and conditions of this Agreement shall survive the performance period and shall continue in full force and effect until the SUB-AWARDEE has completed, and is in compliance with, all of its requirements.

29. WAIVER

Failure or delay on the part of either party to exercise any right, power, privilege or remedy hereunder shall not constitute a waiver thereof. A waiver of any default shall not operate as a waiver of any other default or of the same type of default on a future occasion.

30. GOVERNING LAW

30.1 This Agreement shall be governed by and construed in accordance with the internal laws of the State of Illinois and, as applicable, Federal Law.

31. COMPLIANCE WITH STATUTES AND OTHER PROVISIONS

31.1 SUB-AWARDEE hereby agrees to comply with any and all applicable statutes, regulations, Executive Orders, and contract and/or grant provisions, including the FEDERAL FUNDER

Special Terms and Conditions (Exhibit B). SUB-AWARDEE shall ensure that all lower-tier subcontracts issued under this Agreement shall provide that any such lower-tier subcontractor agrees to comply with any and all applicable statutes, regulations, Executive Orders and contract and/or grant provisions, including, but not limited to, the FEDERAL FUNDER Special Terms and Conditions (Exhibit B).

32. NO BUSINESS RELATIONSHIP WITH CITY ELECTED OFFICIALS

Pursuant to Section 2-156-030(b) of the Municipal Code of Chicago, it is illegal for any elected official of the City, or any person acting at the direction of such official, to contact, either orally or in writing, any other City official or employee with respect to any matter involving any person with whom the elected official has a "Business Relationship" (as defined in Section 2-156-080 of the Municipal Code of Chicago), or to participate in any discussion in any City Council committee hearing or in any City Council meeting or to vote on any matter involving the person with whom an elected official has a Business Relationship. Violation of Section 2-156-030(b) of the Municipal Code of Chicago by any elected official, or any person acting at the direction of such official, with respect to this Agreement, or in connection with the transactions contemplated hereby, shall be grounds for termination of this Agreement and the transactions contemplated hereby. SUB-AWARDEE hereby represents and warrants that, to the best of its knowledge after due inquiry, no violation of Section 2-156-030(b) of the Municipal Code of Chicago has occurred with respect to this Agreement or the transactions contemplated hereby.

33. HEADINGS

The paragraph and section headings contained herein are for convenience only and are not intended to limit, vary, define or expand the content thereof.

34. COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement. The use of facsimile or PDF signatures for the execution of this Agreement shall be legal and binding and shall have the same force and effect as if originally signed.

35. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties and supersedes all previous agreements and understandings, whether oral or written, express or implied, relating to the subject matter contained in this Agreement. This Agreement may not be altered, amended, or modified except by written instrument signed by the authorized signatory of GTI and the SUB-AWARDEE.

36. ORDER OF PRECEDENCE

36.1 In the event of any conflict between the terms of this Agreement and certain of the Exhibits hereto, no term contained in this Agreement shall be given effect if it is in conflict with the Clean Cities Project. The following order of precedence shall be used as guidance in resolving such conflict:

- Exhibit B: FEDERAL FUNDER Special Terms and Conditions
- Exhibit A: SUB-AWARDEE's Scope of Work
- Exhibit C: Payment Requisition Form, Electronic Fund Transfer Form and W-9 Form
- Exhibit D: EEO/AA Compliance Certification Form
- Exhibit G: Property Certification Form
- Exhibit F: Davis Bacon Wage Determination – Cook and DuPage Counties, Illinois
- Exhibit E: Quarterly Report Form

END OF SCHEDULE

## Exhibit A

### **EXHIBIT A Scope of Work**

#### **1.0 Vehicle Deployment**

##### **1.1 Procurement and/or Conversion**

The Clean Cities Project grant funds allocated for the SUB-AWARDEE's vehicle deployment are \$156,000 with a corresponding cost share commitment by the SUB-AWARDEE of \$244,512 (detailed below). SUB-AWARDEE will complete actions necessary to enable vehicle purchases and/or conversions. This could include, but is not limited to drafting specifications, issuing Requests for Quotes (RFQs), Evaluating Quotes, Selecting Vehicle Vendor, Negotiating Agreements with Vendor, etc. (using only EPA or CARB certified equipment and installation). All procurements must meet the requirements of this Agreement and the FEDERAL FUNDER's Special Terms and Conditions. Fuel provider entities covered by the Energy Policy Act of 1992's Alternative Fuel Transportation Program (10 CFR 490) are eligible for funding for light-duty alternative fuel vehicles (AFVs) in excess of their annual AFV acquisition requirements. Since medium and heavy duty AFV's are not covered by 10 CFR 490, fuel provider entities are eligible for funding acquisitions for any of those vehicles. All vehicles (detailed in the table below) must be procured, converted (if conversion to alternative fuel is necessary), and put into service by 12/20/2011:

<b>Vehicle Make</b>	<b>Model</b>	<b>Model Year</b>	<b>Qty</b>	<b>Type of Alt Fuel</b>	<b>Total Cost</b>	<b>Grant Funds</b>	<b>Cost Share [?]</b>
Ford	E250	2010	12	CNG	\$400,512	\$156,000	\$244,512

**Table 1-Vehicle Deployment Details**

##### **1.2 Data Collection and Reporting**

GTI will report to the SPONSOR on the required programmatic information and vehicle data that will be prepared and collected by the SUB-AWARDEE as described in Section 8 of this Agreement and in Exhibit E, Quarterly Report Form. Data collection is required until the Work Completion date under Section 2.1 of this Agreement. Data collection requirements include:

1. Fuel Use per vehicle per quarter
2. Fuel Use per vehicle cumulative
3. Mileage per vehicle per quarter
4. Mileage per vehicle cumulative

This Section shall survive expiration or earlier termination of the Agreement.

##### **1.3 Marketing**

GTI will supply the required marketing documentation (decals, pamphlets, etc.) to be implemented by SUB-AWARDEE. GTI will verify and report to the SPONSOR on the required vehicle marketing information that will be implemented by SUB-AWARDEE. Any marketing material that is publicized by the SUB-AWARDEE (or its lower-tier sub-contractors) must be submitted to GTI as described in Section 8 of this Agreement. Required marketing tasks include (but may not be limited to):

1. Application and display of appropriate signage to vehicles stating that they are part of a USDOE Clean Cities Award and are powered by an alternative fuel and/or advanced technology.

## 1.4 Training

SUB-AWARDEE will provide training as necessary to ensure that the vehicles are operated and maintained in a safe and proper manner. The SUB-AWARDEE will be responsible to ensure the availability of necessary personnel and cover any costs associated with the personnel's time and travel to participate in training in the Chicago area. Any training material that is developed by the SUB-AWARDEE (or its lower-tier sub-contractors) must be submitted to GTI as described in Section 8 of this Agreement.

## 2.0 Infrastructure Deployment

### 2.1 Procurement

The Clean Cities Project grant funds allocated for the SUB-AWARDEE's Infrastructure deployment are \$692,400. All procurements must meet the descriptions below, the requirements of this Agreement and the FEDERAL FUNDER's Special Terms and Conditions. Any procurement not detailed below must receive prior authorization by GTI's Technical Representative. Infrastructure (detailed herein) shall allow for public and/or shared fleet access and must be procured, installed, and put into service by 12/20/2011.

### 2.2 Location

The fueling station will be installed at 1134 N. Elston Ave, Chicago, IL.

### 2.3 Fueling Station Equipment and Services

The following tables describe the Infrastructure equipment and services that will be procured under this Agreement. All equipment and installations must meet applicable codes.

<b>Equipment</b>	<b>Description with Nominal Capacity</b>
Compressor Station	One (1) compressor with approx. 150 BHP electric motors including necessary electrical components (motor starter, controls, transformer, etc.) designed for approx. 289 scfm at 30 psig inlet. Weather-proof enclosure with steel deck.
Dryer	Single-tower with regeneration
Storage	ASME storage vessels with approx. 24,000 scf capacity at 5,000 psig
Priority and ESD Controls	Pneumatic Priority Panel with Emergency Shutdown Devices and controls
Dispensers	One (1) Dual-hose, Dual-pressure (3000 and 3600 psig) dispenser
Card Reader	One card reader system

**Table 2-Infrastructure Equipment Details**

<b>Service</b>	<b>Description</b>
Site Preparation	Site preparation including (but not limited to) grading/excavating, trenching, backfilling, paving, general site lighting, driveway improvements, landscaping, etc.
Equipment Pads	Concrete pads for the fueling station and dispensing equipment
Protection	Concrete bollards and/or guard rails to protect equipment as required by code
Mechanical Installation	Mech. installation including (but not limited to) equipment placement, crane lifting, anchoring, piping, tubing, connections, etc.
Electrical Installation	Elec. installation including (but not limited to) conduit and wiring, connections, seal-offs, ESD system, electrical boxes, etc.
Extension of Utilities	Extend natural gas and/or electrical services as necessary
Shipping and Delivery	Shipping and Freight charges for station equipment to the station location
Engineering Services	Services include (but are not limited to) project management, site design, drawings, permits, etc.
Start-Up and Training	Services include (but are not limited to) station start-up services, training of necessary personnel, operations and maintenance manuals, spare parts lists, etc.

**Table 3-Infrastructure Service Details**

## **2.4 Data Collection and Reporting**

GTI will report to the SPONSOR on the required programmatic information and Infrastructure data that will be prepared and collected by the SUB-AWARDEE as described in Section 8 of this Agreement and in Exhibit E, Quarterly Report Form. Data collection is required until the Work Completion date under Section 2.1 of this Agreement. Data collection requirements include:

1. Alternative fuel sales per quarter per site
2. Alternative fuel sales cumulative per site
3. Average Alternative Fuel Sale Price per quarter per site

This Section shall survive expiration or earlier termination of the Agreement.

## **2.5 Training**

SUB-AWARDEE will provide training to the users and operators as necessary to ensure that the infrastructure is installed, operated and maintained in a safe and proper manner. The SUB-AWARDEE will be responsible to ensure the availability of necessary personnel and cover any costs associated with the personnel's time and travel to participate in training. Any training material that is publicized by the SUB-AWARDEE (or its lower-tier sub-contractors) must be submitted to GTI as described in Section 8 of this Agreement.

The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: RWB 1.05**

Referring to Paragraph 6 of the Petition, "Peoples Gas contracted with Pinnacle in connection with a fueling station, which will be used to fuel company-owned fleet vehicles and be open to the public." Regarding this statement:

- a) Please provide the location of the fueling station referenced in Paragraph 6 of the Petition.
- b) Is the fueling station referenced in Paragraph 6 of the Petition yet operational? If yes, please provide the date the station began providing service.
- c) Is Pinnacle currently fueling company-owned fleet vehicles? If so, please provide a detailed description of the process by which Pinnacle bills or charges for fueling company-owned fleet vehicles.
- d) Please provide a monthly schedule of amounts charged to Peoples Gas for fueling company-owned fleet vehicles for the calendar year 2011 and for calendar year 2012 through April 30.
- e) Is Pinnacle currently fueling public vehicles? If so, please provide a detailed description of the process by which Pinnacle bills or charges for fueling public vehicles.
- f) Please provide a monthly schedule of amounts charged to the public (as "public" is used in Paragraph 6 of the Petition) for the calendar year 2011 and for calendar year 2012 through April 30.

**Response:**

- a) 1124-1136 North Elston Avenue, Chicago, Illinois
- b) The station is functionally operational as of April 6, 2012, but it is not open for external fueling as of the date of this response.
- c) The station is fueling company-owned fleet vehicles. The agreement covered the construction of the station only and not operations. Additionally, there have been no charges for fueling of company-owned fleet vehicles.
- d) Please see the response to (c).
- e) There have been no external sales to date. The agreement covered the construction of the station only and not operations. Operation of external sales, if any prior to the effectiveness of this agreement, will be charged under existing affiliated interest agreements (i.e., the Services and Transfers Agreement applicable to Peoples Energy, LLC and its affiliates and, upon the termination of that agreement, the agreement the Commission approved in Docket 10-0408).
- f) Please see the responses to (c) and (d).

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 7.01-7.04**  
**Dated: November 29, 2012**

**REQUEST NO. DAS 7.02:**

The Companies' attachment to its response to Staff DR ENG-6.02 states:

"2. PERIOD OF PERFORMANCE

2.1 SUB-AWARDEE shall complete the Scope of Work in accordance with the following schedule:

(a) Effective Date - September 21, 2011

(b) Work Completion Date - December 20, 2013

(c) Final Deliverables Submission Date - January 20, 2014 (p.2)

And

"All vehicles (detailed in the table below) must be procured, converted (if conversion to alternative fuel is necessary), and put into service by 12/20/2011. (p. 16)

And "

Infrastructure (detailed herein) shall allow for public and/or shared fleet access and must be procured, installed, and put into service by 12/20/2011." (p. 17)

Please provide the following information based on this response:

- a. Please reconcile the timeframe associated with the service date which appears to have been 12/21/2011 with the "work completion date" of 12/20/2013.
- b. Please reconcile the timeframe associated with any construction completion date which appears to have been 12/21/2011 with the station construction RFP work completion date of 12/21/2011.
- c. Did Peoples Gas incur any financial penalty due to the station not being in service until April 6, 2012? If so, please quantify the penalty and detail how this affected Peoples Gas' determination of the costs associated with the requested rate base addition of \$858,000. If not, did Peoples Gas incur any other penalties due to the station not being in service until April 6, 2012?

**RESPONSE:**

- A) The service date of 12/21/2011 identified in "Exhibit A – Scope of Work" relates to the equipment and services specified in the section. The equipment and services identified in the section are not a complete listing of elements required for a fueling infrastructure installation. As such, certain elements not affecting the ability to fuel vehicles are completed after the effective service date. For example, the project required weather sensitive landscaping work that was finished after the effective service date.
- B) The station construction RFP date was set by the project group with the goal of meeting or exceeding the in service requirements set forth in the grant agreement. The grant agreement did not preclude the requirement of any selected vendor to meet an earlier work completion date.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 7.01-7.04**  
**Dated: November 29, 2012**

- C) No penalty was incurred due to the in service date. No other penalties were incurred. Peoples Gas received the entire eligible grant amount identified in the agreement.

North Shore Gas Company  
The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: RWB 1.12**

Referring to the proposed ITF Agreement's Appendix B – Services, for each category listed below that will be covered by this new Agreement, indicate the magnitude of transactions in 2011 that were: (i) billed to; and (ii) from Peoples Gas and identify the associated services and what party(ies) such services were provided to or from. Also, indicate by category whether the service and/or magnitude in 2011 is the level expected to be provided under the proposed ITF Agreement.

- a) Operational Support:
- b) Customer;
- c) Warehousing; and
- d) Fleet.

**Response:**

In 2011, the activity that most closely corresponds to the services listed in the proposed agreement is the construction activity covered by the contract provided in the response to Staff data request RWB 1.03. In 2011, \$834,945 was billed to Peoples Gas in relation to this project. The proposed agreement "is limited to services that support transportation fuels operations." The Integrys utilities, including Peoples Gas, have not had a transportation fuels business in recent years. Consequently, activity in 2011 is likely not representative of future activity that may fall under the services covered in the proposed agreement.

The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: RWB 2.04**

Referring to the Companies' response to Staff DR RWB 1.06, please provide a detailed explanation of all aspects of station construction and scheduled payments that have not yet been completed under the current agreement between Pinnacle and Peoples Gas. Please provide estimates of when each of those aspects will be completed.

**Response:** As of the date of this response (July 10, 2012) only one aspect is not completed. Peoples Gas is awaiting approval from the City of Chicago to complete the public facing signage that will be affixed to the canopy fascia. Completion of work is expected by the end of August 2012. Upon completion, Pinnacle will be issued the final payment amount for a total of \$540,263.95.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 9.01-9.09**  
**Dated: December 18, 2012**

**REQUEST NO. DAS 9.02:**

The Companies' response to Staff DR DAS-7.02 states, "No penalty was incurred due to the in service date." Please provide the following information based on this response:

- a. Why did the RFP include the requirement that the "Supplier and Company will agree on liquidated damages that will apply in the event the fueling station is not commissioned on time?"
- b. The indemnification amount agreed upon by Pinnacle and Peoples Gas.
  - a. In the event that the fueling station was not completed on time, Pinnacle and Peoples Gas would be affiliates on the date on which a determination was made regarding the potential incursion of costs associated with that event. How is this "arms-length" and not likely to favor a "to be" affiliate, such as Pinnacle, over a non-affiliate, such as Dual Fuels?

**RESPONSE:**

- a. The referenced data response (DAS 7.02) and the request referenced in that request (ENG 6.02) did not include an RFP. However, if the request is referencing Peoples Gas' request for proposal (RFP) to construct a public fueling station, liquidated damages tied to specific events is not unusual in contracts and, thus, it is not unusual to identify this as a contract term in the associated RFP. In this instance, commissioning the fueling station by a specific date was an event that was significant for purposes of the grant award and Peoples Gas included the liquidated damages language in the RFP.
- b. Peoples Gas used the Integrys standard form contractor agreement as the basis for negotiating and executing the agreement with Pinnacle. Section 10.1.1 of the agreement addresses Pinnacle's general indemnification duty that required Pinnacle to indemnify Peoples Gas for a broad range of claims arising out of Pinnacle's acts and omissions in connection with the construction agreement. Parties would not agree to indemnification amounts upon entering an agreement and no claim arose that required Pinnacle to indemnify Peoples Gas.
- c. First, Peoples Gas notes that Pinnacle built the station, and Peoples Gas received the full grant. Second, the construction agreement was entered into by two unrelated, unaffiliated companies under an arms-length agreement. The indemnification terms just like the other terms are not only standard for Peoples Gas but are also at least as protective to Peoples Gas as one would find elsewhere in the market. The terms of the agreement speak for themselves and are fully-enforceable by both parties just as they would be if the agreement had been entered into between Peoples Gas and an entity that became an affiliate five years after signing the agreement or if Peoples Gas had entered an agreement with another unaffiliated contractor that Peoples Gas considered for the work such as Dual Fuels. For instance, under Section 4.2.2 if Pinnacle is determined to be a contractor of the United States it is required to allow the United

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to  
Staff Data Requests DAS 9.01-9.09**  
**Dated: December 18, 2012**

States to audit its records concerning this agreement. That duty survived the termination of the contractor agreement and Peoples Gas continues to have the right to enforce that provision. Finally, both Peoples Gas and Pinnacle enforced the terms of the agreement even though they became affiliated. Pinnacle built the station as designed and provided all the required services to meet its duties and Peoples Gas paid Pinnacle as agreed.

Docket No. 12-0299

Page 1 of 1

**Data Request: DAS 1.04**

Regarding the contract between Pinnacle and Peoples Gas will the total price paid under the contract be different from the amount of the purchase order? Please provide all reason(s) for any difference between the total price paid and the purchase order amount.

**Response:**

The final price paid under the contract was \$1,220,848.34 or a total of \$168,768.34 above the Purchase Order amount. The cost overage is largely attributed to permitting and additional site work relating to landscaping. Please see the response to Staff data request DAS 1.01(g).

Permitting for the station involved splitting the site into two distinct projects with separate engineering, application, and reviews. The unexpected need for outside legal counsel used in Zoning Board of Appeals contributed further to the cost increase.

Site work was complicated by landscape requirements and the associated construction. Multiple design reviews with City Landscaping department led to landscaping requirements beyond the expectation of the project team. Additionally, constructing around a storm water detention structure proved more expensive than anticipated. Maintaining the structural integrity of the detention structure while installing security fencing and curbed landscape elements required supplementary design, material, and installation labor. Please see the attachment for a complete breakdown of change orders.

<b>P.O. Line Item "A" Fuel Island - Pinnacle CNG Systems LLC</b>			
Change K-Rail Protection to Bollards on Design Drawings	\$	900.00	
<b>B.1 P.O. Line Item "I" Site Work</b>			
Performance Construction Site Work "I" Amount	\$	66,964.71	
<b>B.2 Fencing Bid Pass Through Costs</b>			
Total Fencing Change Order (including sitework)	\$	68,122.00	
<b>B.3 Landscaping - 100% Pass Through Costs:</b>			
Landscaping Change Order Amount based on Perf. Pvg.Work	\$	47,563.98	
Additional City Escape Change Orders: #1-\$3,327.50, #2: \$3,600, #3: \$1,610-\$8537.50 + 15% GC markup=		9818.13	
<b>B.4 Independent Mechanical Pass-Through Cost (Bid Dated 10/19/12)</b>			
Independent Mechanical Change Order Amount	\$	4,882.35	
<b>B.5 Helm Electric</b>			
Power Option: 480 Vlt 400 AMP 3 Phase service to CNG J-box	\$	46,941.18	
Change Order #1 (dated 2/10/12) covered damages onsite	\$	8,744.71	
Change Order #2 (3/9/12) CNG Installation	\$	2,164.70	
Change Order #3 (3/9/12)-CNG Installation additional conduit	\$	17,194.00	
Change Order #4 (3/19/12) CNG Installation conduit system for security	\$	5,344.70	
	\$	80,389.29	\$277,740.46
<b>C. P.O. Line Item "J" Design</b>			
Pinnacle Design Change Order Amount	\$	11,500.00	
<b>D. P.O. Line Item "K" Permitting Change</b>			
Permitting Change Order (a) to P.O. Item "K" Amount	\$	20,470.59	
Permitting Extra: Survey of New Parcel	\$	917.65	
Permitting Extra (for Driveway Permit)	\$	3,470.59	
IPSA Permitting Fees outside of Contract Amount	\$	5,030.08	
PGL's outside counsel (SNR Denton US, LLP)	\$	22,117.82	
PGL's Real Estate Appraiser (Terrence O'Brien & Co.)	\$	3,157.89	
	\$	55,164.62	
<b>E. P.O. Line Item "Y" Lighted Canopy with Company Logo and Color Scheme (TBD)</b>			
Change Order Amount (Rev. from 3/20/11)	\$	5,495.21	
Change Order (Signage from H.M.Witt-including permitting oversight.) \$4,450.23+ 15% GC markup=		\$5,117.76	\$2000 down pmt. paid
		\$	10,612.97
<b>F. P.O. Line Item "AA"- "Allowance" for Cameras and Perimeter Detection</b>			
Midco Bid (pinnacle accepted)	\$	38,005.00	
Helm Electric underground conduite for camera security	\$	8,600.00	
Mid Co Hard drive Surcharge	\$	500.00	
Performance Paving (addition price for security trench/backfill)	\$	7,427.00	
General contractors Margin	\$	9,623.29	
NET DEDUCT TO LINE ITEM "AA"	\$	(88,000.00)	\$ (23,844.71)
Total Change orders	\$		\$ 332,073.34

**June 24, 2011 Bid recap**

A	Fuel Island	\$	87,800.00		
B	Dispenser	\$	48,400.00		
C	Compressor Package	\$	355,400.00		
D	Dryer	\$	26,000.00		
E	Storage	\$	73,800.00		
F	Time fill Integration	\$	10,300.00		
G	Priority & ESD Controls	\$	42,500.00		
H	Remove existing Compressor		N/C		
I	Site Work		TBD		\$277,740.46
J	Design	\$	11,500.00		\$11,500.00
K	Permitting	\$	11,500.00		\$55,164.62
L	Procurement		N/C		
M	Installation	\$	81,500.00		
N	Start Up and Commissioning	\$	6,200.00		
O	Scheduling & Wages		N/C		
P	American Recovery Act		N/C		
Q	Buy America		N/C		
R	SUB Additional Storage	\$	36,900.00	Not Accepted	
S	SUB 4" gas Service		N/C		
T	Electrical connection		TBD	Not Accepted	
U	Additional Sound attenuation		TBD	Not Accepted	
V	Add Time fill per Quad K Rail	\$	16,200.00	Not Accepted	
W	Sub 250 BHP		N/C	Accepted	
X	SUB Dryer for 250 BHP	\$	26,000.00	Not Accepted	
Y	Lighted Canopy	\$	45,875.00	Accepted	\$10,612.97
Z	Lighted fuel price display		TBD	Not Accepted	
AA	Camera security	\$	88,000.00	reserve	-\$23,844.71
	Jun-11 Bid Total	\$	888,775.00		\$332,073.34

Total C.O.'s - 8/24/12  
 \$900.00

\$	888,775.00	base Bid June 24, 2011
\$	332,073.34	change orders March 27, 2012 (Aug. 24, 2012)
\$	1,220,848.34	Total with Change orders
\$	1,052,080.00	Purchase order #6600013441 PGLCC 8/30/2011
\$	(168,768.34)	Difference over

Note: \$55,244.92 is the amount for running the primary power supply to the compressor skid  
 (\$46,941.18 + 15% Gen Contr margin = \$55,244.92)

\$ 54,532.00  
 \$ 64,155.29  
 \$ 9,623.29

\$ (113,543.42)

\$ 55,224.92

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 2

**Data Request: DAS 10.01**

Regarding Peoples Gas's attachment to its supplemental response to Staff DR DAS-07.01h, please provide the following information:

- a. Please explain what the term "Labor Rebill" means. Please explain whether Peoples Gas provided non-tariffed labor services to PNGV Corp. If yes, please provide a list of all non-tariffed labor services that were performed by Peoples Gas workers.
- b. Please identify the names of all Peoples Gas employees that provided non-tariffed labor services to PNGV Corp.
- c. Please explain whether Peoples Gas provided "Labor Rebill" services from January 2003 to September 2003. If yes, please correct the attachment to DAS-7.01h accordingly.
- d. Please explain why the amounts for "Labor Rebill" vary from month-to-month.
- e. Please explain what "supplies" Peoples Gas provided to PNGV Corp.?
- f. Please provide the average number of employees that PNGV Corp. had for each year it was in operation. If the precise amount is not known, provide an estimate.

**Response:**

North Shore and Peoples Gas object to this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.

Without waiving this objection, North Shore and Peoples Gas state as follows:

- a. "Labor Rebill" means that work was completed by Peoples Gas employees on behalf of PNGV Corp., and these charges were billed to PNGV. The type of services performed include operational and general and administrative activities provided by support staff from Marketing, Accounting and Legal departments.
- b. Please see the attachment for the Peoples Gas departments that performed services for PNGV. Employee names are not available.
- c. No, Peoples Gas employees only performed services on behalf of PNGV through January 2003.
- d. The labor charges were direct charges based on time recorded for services provided. These amounts would fluctuate based on the amount of services provided.
- e. Please see the attachment for vendor names identified that provided supplies. Additional information as to what the supplies were is not available.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 2

f. PNGV Corp. did not have employees

PNGV

Fiscal 2003  
 October 2002 - September 2003

Period	Description	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1	Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69		6,709.38		3,354.69	3,354.69	3,354.69	3,354.69	36,901.59
item 2	Labor Rebill													-
	Tax Administration	181.20	(181.20)											-
	Corporate Accounting	1,444.77	2,106.33	1,954.60	2,349.50									7,855.20
	Contract Rev& Dev	(50.21)												(50.21)
	Total Labor Rebill	1,575.76	1,925.13	1,954.60	2,349.50	-	-	-	-	-	-	-	-	
item 3	Supplies													
	UPS			8.03	44.91									52.94
	Mail Well Envelope			334.70	24.24									358.94
	Total Supplies	-	-	342.73	69.15	-	-	-	-	-	-	-	-	
Total		4,930.45	5,279.82	5,652.02	5,773.34	3,354.69	-	6,709.38	-	3,354.69	3,354.69	3,354.69	3,354.69	45,118.46

Fiscal 2002  
 October 2001 - September 2002

Period	Description	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1	Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2	Labor Rebill													
	Marketing and Rates	864.00	(864.00)	6,233.85	-	-	-	-	-	-	-	-	-	6,233.85
	Contract Rev& Dev	678.09	367.95	-	-	219.46	192.49	259.86	-	-	837.80	504.83	140.34	3,200.82
	CIS Development	-	-	-	-	-	-	-	-	201.13	-	-	-	201.13
	Key Customers	-	-	-	4,558.89	2,370.92	3,556.40	6,940.72	4,781.26	3,470.36	2,506.22	539.60	192.83	28,917.20
	Business Development	-	-	-	-	-	-	-	-	-	-	-	-	-
	Tax Administration	481.44	93.26	-	-	207.69	1,912.63	(79.58)	2,657.98	436.69	-	151.00	491.35	6,352.46
	Corporate Accounting	-	-	(538.23)	1,702.86	1,245.48	1,259.55	598.11	1,162.10	628.16	1,130.69	1,417.13	942.24	9,548.09
	Planning & Control	-	597.30	-	78.08	(22.32)	-	-	-	-	256.49	(33.46)	-	876.09
	Total Labor Rebill	2,023.53	194.51	5,695.62	6,339.83	4,021.23	6,921.07	7,719.11	8,601.34	4,736.34	4,731.20	2,579.10	1,766.76	
item 3	Supplies													
	Wallace Computer Services	-	-	-	-	-	-	-	219.04	-	-	-	-	219.04
	Mail Well Envelope	-	-	-	-	-	280.36	790.00	46.06	-	-	-	-	1,116.42
	Total Supplies	-	-	-	-	-	280.36	790.00	265.10	-	-	-	-	
Total		5,378.22	3,549.20	9,050.31	9,694.52	7,375.92	10,556.12	11,863.80	12,221.13	8,091.03	8,085.89	5,933.79	5,121.45	96,921.38

Fiscal 2001  
 October 2000 - September 2001

Period	Description	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1	Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2	Labor Rebill													
	Marketing and Rates	9,011.93	9,011.93	8,871.85	8,414.46	9,358.49	9,618.17	8,289.76	8,063.31	3,355.69	7,225.65	8,383.63	2,176.69	91,781.56
	Contract Rev& Dev	-	171.04	680.76	3,519.72	378.56	567.07	108.52	1,270.52	144.34	215.38	1,088.80	198.77	8,343.48
	Tax Administration	695.55	(228.26)	-	-	1,448.67	474.56	362.07	134.82	37.10	47.33	-	-	2,971.84
	Corporate Accounting	777.92	1,023.42	961.27	1,232.55	4,150.95	707.07	968.37	1,392.75	627.65	1,301.29	423.68	-	13,566.92
	Planning & Control	-	-	-	-	33.87	51.82	(17.28)	-	35.00	-	-	-	103.41
	Total Labor Rebill	10,485.40	9,978.13	10,513.88	13,166.73	15,370.54	11,418.69	9,711.44	10,861.40	4,199.78	8,789.65	9,896.11	2,375.46	
item 3	Supplies													
	Mail Well Envelope	87.80	-	-	-	-	-	-	-	-	-	-	-	87.80
	Wallace Computer Service	-	-	13.71	-	-	-	-	-	-	-	-	-	13.71
	Total Supplies	87.80	-	13.71	-	-	-	-	-	-	-	-	-	
		13,927.89	13,332.82	13,882.28	16,521.42	18,725.23	14,773.38	13,066.13	14,216.09	7,554.47	12,144.34	13,250.80	5,730.15	157,125.00

Fiscal 1999  
 October 1998 - September 1999

Period	Description	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1	Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2	Labor Rebill													
	Marketing and Rates	-	-	-	-	-	4,340.46	8,575.76	7,548.93	-	17,391.18	8,077.97	8,239.59	54,173.89
	Tax Administration	53.50	165.30	-	56.89	-	-	-	-	-	-	41.19	(6.87)	310.01
	General Accounting Department	94.69	123.14	307.16	227.58	260.03	1,555.89	453.78	304.26	264.74	(105.77)	27.27	-	3,512.77
	Corporate Accounting	-	-	-	-	-	-	-	-	-	-	52.88	44.96	97.84
	Accounting Policies	-	-	-	-	-	-	-	-	-	-	56.63	-	56.63
	Planning & Control	36.17	299.69	-	83.58	192.12	313.91	54.26	265.89	7.08	29.22	-	-	1,281.92
	Electronic Procurement/Purchasing	-	-	-	-	-	-	-	-	-	-	(145.13)	6.15	(138.98)
	Financial and Shareholder Services	-	-	77.32	207.86	264.51	279.20	181.58	73.01	57.51	37.55	53.60	45.11	1,277.25
	Office of General Counsel	921.01	1,126.10	-	-	791.99	-	-	-	-	-	-	-	2,839.10
	Total Labor Rebill	1,105.37	1,714.23	384.48	575.91	1,508.65	6,489.46	9,265.38	8,192.09	329.33	17,352.18	8,164.41	8,328.94	
item 3	Supplies													
	The Standard Register	-	-	-	-	-	25.89	-	-	-	-	-	-	25.89
	Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
	Staples	(0.79)	-	-	-	-	22.22	(198.16)	-	182.85	(166.74)	-	-	(160.62)
	Total Supplies	(0.79)	-	-	-	-	48.11	(198.16)	-	182.85	(166.74)	-	-	
		4,459.27	5,068.92	3,739.17	3,930.60	4,863.34	9,892.26	12,421.91	11,546.78	3,866.87	20,540.13	11,519.10	11,683.63	103,531.98

Fiscal 1997  
 October 1996 - September 1997

Period	Description	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1	Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2	Labor Rebill													
	Small Business or Exec Off-Bus Serv	1,443.59	-	3,022.70	1,474.57	1,469.39	1,565.28	1,583.41	2,044.70	1,469.38	1,440.88	3,574.64	1,634.63	20,723.17
	Economic Dev, Cons and Mkt Serv	68.13	-	-	-	-	-	-	-	-	-	-	-	68.13
	Tax Administration	137.12	-	-	-	-	-	-	-	627.84	-	424.24	52.75	1,241.95
	General Accounting Department	-	-	-	-	-	-	397.49	464.84	459.10	338.73	691.34	410.10	2,761.60
	Planning & Control	-	-	-	-	273.32	34.16	-	-	-	-	82.50	-	389.98
	Financial and Shareholder Services	-	-	-	-	51.25	51.25	51.25	-	-	-	41.09	104.84	299.68
	Office of General Counsel	34.62	-	103.83	264.99	-	198.75	-	-	364.36	298.12	261.41	454.21	1,980.29
	<b>Total Labor Rebill</b>	<b>1,683.46</b>	<b>-</b>	<b>3,126.53</b>	<b>1,739.56</b>	<b>1,793.96</b>	<b>1,849.44</b>	<b>2,032.15</b>	<b>2,509.54</b>	<b>2,920.68</b>	<b>2,077.73</b>	<b>5,075.22</b>	<b>2,656.53</b>	
item 3	Supplies													
	Standard Register	-	-	-	-	-	-	-	7,919.68	-	234.09	-	(10,100.49)	(1,946.72)
	Staples	-	-	-	-	-	16.02	-	5.12	2,323.86	40.83	138.28	12.26	2,536.37
	<b>Total Supplies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16.02</b>	<b>-</b>	<b>7,924.80</b>	<b>2,323.86</b>	<b>274.92</b>	<b>138.28</b>	<b>(10,088.23)</b>	
		<b>5,038.15</b>	<b>3,354.69</b>	<b>6,481.22</b>	<b>5,094.25</b>	<b>5,148.65</b>	<b>5,220.15</b>	<b>5,386.84</b>	<b>13,789.03</b>	<b>8,599.23</b>	<b>5,707.34</b>	<b>8,568.19</b>	<b>(4,077.01)</b>	<b>68,310.73</b>

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS 11.04**

Regarding Peoples Gas's response to Staff DR Docket No. 12-0511/0512c. DAS-11.02 a which states: "Peoples Gas has never owned or operated a public CNG station prior to the current Division St. facility. A former unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did operate a public station at the Peoples Gas Division St. facility, 1241 W. Division St.," please provide the following information.

- a. If Peoples Gas did not own or operate the station, then who did own the station?
- b. How did PNGV Corp. own the station if Peoples Gas constructed the station?
- c. How did PNGV Corp. operate the station without any employees?

**Response:**

Peoples Gas has determined that the referenced response was incorrect, and Peoples Gas did own the CNG facility that was operated by PNGV Corp.

**REVISED RESPONSE:**

- a. Peoples Gas has determined that the referenced response was incorrect, and Peoples Gas did own the CNG facility that was operated by PNGV Corp.
- b. Please see the response to subpart (a).
- c. Peoples Gas personnel provided the services to support PNGV Corp.'s operation of the facility and Peoples Gas charged PNGV Corp. under an intercompany services agreement.

**ICC Docket No. 12-0512**  
**The Peoples Gas Light and Coke Company's Response to**  
**Staff Data Requests DAS 11.01-11.04**  
**Dated: January 3, 2013**

**REQUEST NO. DAS 11.02:**

Regarding the Companies' Attachment 01 to its responses to Staff DR DAS-8.03a, it states, "Our station design followed the previous station Peoples Gas operated at this site". Please provide the following information:

- a. A list of all CNG stations that Peoples Gas has operated, including address, the dates that each station was open and the reason it was closed.
- b. For each station, list all additions to rate base, including the date that it was added.
- c. For each station, list all additions to rate base that were removed after the station was closed, including the date that it was removed.
- d. For each station, provide the monthly costs, revenues, and usage.
- e. Provide the specific "station design" of this site original station including any schematic drawings that were approved by the City in that approval process.

**RESPONSE:**

- a. Peoples Gas has never owned or operated a public CNG station prior to the current Division St. facility. A former unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did operate a public station at the Peoples Gas Division St. facility, 1241 W. Division St. While exact dates of operation are unknown, the facility was operated from the late 1990s to early 2000s. The station was closed because PNGV Corp ceased to exist.
- b. See response to a.
- c. See response to a.
- d. See response to a.
- e. No documentation can be found about the station design of the former PNGV Corp CNG Station at Division St.

**Data Request: DAS 7.01**

The Peoples Gas responses to Staff DR Docket No. 12-0511/12-0512c. DAS-11.02a states as follows:

“Peoples Gas has never owned or operated a public CNG station prior to the current Division St. facility. A former unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did operate a public station at the Peoples Gas Division St. facility, 1241 W. Division St. While exact dates of operation are unknown, the facility was operated from the late 1990s to early 2000s. The station was closed because PNGV Corp ceased to exist.”

Regarding this response, please provide the following information:

- a. Provide any Securities and Exchange Commission filing(s) by PNGV Corp or its parent that reference the ending of PNGV Corp.
- b. Did Peoples Gas provide any tariffed services to PNVG Corp? If yes, list all tariffed services provided.
- c. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- d. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- e. If yes, provide the bills.
- f. Did Peoples Gas provide any non-tariffed services to PNVG Corp? If yes, list all non-tariffed services provided.
- g. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- h. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- i. If yes, provide the invoices.
- j. If yes, provide a citation to any Affiliated Interest Agreement that allowed Peoples Gas to provide those services to PNVG Corp.
- k. If, yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.
- l. Did PNVG Corp provide any services to Peoples Gas? If yes, list all services provided.
- m. If yes, provide the dates that PNVG Corp billed Peoples Gas.
- n. If yes, provide the amounts PNVG Corp billed Peoples Gas for each month.
- o. If yes, provide the invoices.
- p. If yes, provide a citation to any Affiliated Interest Agreement that allowed PNVG Corp to provide services to Peoples Gas.
- q. If yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.

**Response:**

- a. Attached is Peoples Energy Corporation's 2005 10-K report, which notes that Peoples Energy Corporation “liquidated its investments in Peoples NGV Corp. (Peoples NGV) in the first quarter of fiscal 2003.” Other Peoples Energy Corporation SEC filings include a similar note. Such filings are publicly available on the SEC's EDGAR site or on Integrys Energy

Group, Inc.'s Internet website (Investor Relations portion of the website includes past SEC filings by Peoples Energy Corporation and others).

b. Yes. PNGV Corp was served under Service Classification No. 8, Compressed Natural Gas Service, from April 1, 1996 to September 16, 2003.

c. Peoples Gas billed PNGV Corp for services from April 1, 1996 through September 16, 2003.

d. Peoples Gas billed PNGV Corp \$114,703.65 for services from February 14, 2000 through September 16, 2003. Peoples Gas does not have bill information for periods prior to February 14, 2000.

e. Please see the attachment for the monthly amounts billed to PNGV Corp from March 2000 to September 2003. Peoples Gas does not have the monthly amounts billed to PNGV for periods prior to February 14, 2000.

f. No.

g. N/A

h. N/A

i. N/A

j. N/A

k. N/A

l. No.

m. N/A

n. N/A

o. N/A

p. N/A

q. N/A

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**PGL 10-K%2fA 9/30/2005**

**Section 1: 10-K/A (AMENDMENT TO ANNUAL REPORT)**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K/A**

Amendment No. 1 to Form 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
**For the fiscal year ended September 30, 2005**  
OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Exact Name of Registrant as Specified in Charter, State of Incorporation, Address of Principal Executive Office and Telephone Number	IRS Employer Identification Number
<b>1-5540</b>	<b>PEOPLES ENERGY CORPORATION</b> (an Illinois Corporation) 130 East Randolph Drive, 24th Floor Chicago, Illinois 60601-6207 Telephone (312) 240-4000	<b>36-2642766</b>
<b>2-26983</b>	<b>THE PEOPLES GAS LIGHT AND COKE COMPANY</b> (an Illinois Corporation) 130 East Randolph Drive, 24th Floor Chicago, Illinois 60601-6207 Telephone (312) 240-4000	<b>36-1613900</b>
<b>2-35965</b>	<b>NORTH SHORE GAS COMPANY</b> (an Illinois Corporation) 130 East Randolph Drive, 24th Floor Chicago, Illinois 60601-6207 Telephone (312) 240-4000	<b>36-1558720</b>

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
Peoples Energy Corporation Common Stock, without par value	New York Stock Exchange, Chicago Stock Exchange, and Pacific Exchange

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Peoples Energy Corporation	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
The Peoples Gas Light and Coke Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
North Shore Gas Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Peoples Energy Corporation	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
The Peoples Gas Light and Coke Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
North Shore Gas Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

## Table of Contents

The following table summarizes the combined partnership financial results and financial position of the Company's unconsolidated equity method investments.

(In Thousands)	For Fiscal Years Ended September 30,		
	2005	2004	2003
Revenues	\$212,774	\$175,284	\$166,119
Operating income	105,141	86,664	80,037
Interest expense	37,302	38,594	35,294
Net income	74,646	47,288	45,475
Current assets	107,927	72,103	85,666
Noncurrent assets	666,527	745,485	764,900
Current liabilities	57,923	47,962	52,940
Noncurrent liabilities	397,826	448,973	395,435

The following table summarizes the Company's equity method investment ownership percentage and its equity share of the net income shown in the previous table.

Investment (In Thousands)	Segment	Ownership Percentage			Equity Investment Income		
		At September 30,			For Fiscal Years Ended September 30,		
		2005	2004	2003	2005	2004	2003
EnerVest	Oil and Gas	30%	30%	30%	\$ 2,403	\$ 3,729	\$ 509
Elwood	Power	50	50	50	15,528	9,768	9,792
SCEP	Power	28	29	27	5,416	5,713	6,013
Trigen-Peoples	Other	50	50	50	7,885	632	1,020
Peoples NGV(1)	Other	0	0	0	—	—	3
<b>Total equity investment income</b>					<b>\$31,232</b>	<b>\$19,842</b>	<b>\$17,337</b>
Undistributed partnership income included in the Company's retained earnings at the end of each period					<b>\$30,249</b>	<b>\$20,099</b>	<b>\$11,772</b>

(1) The Company liquidated its investments in Peoples NGV Corp. (Peoples NGV) in the first quarter of fiscal 2003.

## 5: Concentration of Credit Risk

Peoples Gas provides natural gas service to approximately 814,000 customers within Chicago. North Shore Gas provides natural gas service to about 155,000 customers within approximately 275 square miles in northeastern Illinois. Credit risk for the utility companies is spread over a diversified base of residential, commercial and industrial customers.

Peoples Gas and North Shore Gas encourage customers to participate in their long-standing budget payment programs, which allow the cost of higher gas consumption levels associated with the heating season to be spread over a 12-month billing cycle. Customers' payment records are continually monitored and credit deposits are required, when appropriate.

Peoples Energy Resources, the Company's Midstream Services and Power Generation subsidiary, buys and sells natural gas through a variety of counterparties. In addition, the Company has ownership interests in two natural gas-fired power plants: Elwood (50%) and SCEP (28%). Elwood's plant capacity and output has been sold on a long-term basis to two counterparties: Aquila and Exelon. SCEP's plant capacity and output has been sold on a long-term basis to Exelon.

Aquila's senior unsecured debt rating by Moody's has been B2 since September 2004. In September 2005, Moody's revised Aquila's credit outlook from stable to positive. S&P placed Aquila on CreditWatch Positive in September 2005; Aquila's senior unsecured debt rating remains at B- pending resolution of the CreditWatch.

S&P and Moody's ratings on Elwood's bonds remain at B+ with a negative outlook and Ba2 with a stable outlook, respectively. Aquila has provided Elwood with security in the form of letters of credit and a cash escrow equal to one year of capacity payments of approximately \$37.6 million. The letters of credit and escrow agreement expire in March of 2006.

The Peoples Gas Light and Coke Company  
 ICC Docket No. 12-0299.  
 Monthly Amounts Billed to PNGV Corp  
 Response to Data Request DAS 7.01(e)

Account Number	Revenue Month Billed	Rate Number	Heating Indicator	Consumption Start Date	Consumption End Date	Customer Charge Amount	Distribution Total Charge Amount	Other Service Charge Amount	Total Service Charge Amount	Total Gas Charge Amount	Total Tax Amount	Total Net Bill Amount	Distribution Total Therm Quantity
8500004924852	7/1/2000	P8	N	1/18/2000	5/19/2000	264.33	451.86	2,856.58	3,572.77	6,014.13	-	9,586.90	18,858.97
8500004924852	10/1/2000	P8	N	5/19/2000	10/17/2000	327.17	489.30	51.24	867.71	10,284.33	-	11,152.04	20,421.63
8500004924852	12/1/2000	P8	N	10/17/2000	12/13/2000	145.36	200.70	219.15	565.21	5,464.96	-	6,030.17	7,116.80
8500004924852	1/1/2001	P8	N	12/13/2000	1/17/2001	65.00	85.89	540.14	691.03	2,945.10	-	3,636.13	3,584.59
8500004924852	2/1/2001	P8	N	1/17/2001	2/16/2001	65.00	106.68	668.57	840.25	4,165.85	-	5,006.10	4,452.60
8500004924852	3/1/2001	P8	N	2/15/2001	3/15/2001	65.00	92.41	594.25	751.66	3,364.12	-	4,115.78	3,857.05
8500004924852	6/1/2001	P8	N	3/15/2001	5/17/2001	136.50	212.21	1,364.57	1,713.28	6,278.71	-	7,991.99	8,856.97
8500004924852	7/1/2001	P8	N	5/17/2001	7/20/2001	138.67	142.36	917.82	1,198.85	3,316.63	-	4,515.48	5,941.65
8500004924852	9/1/2001	P8	N	7/20/2001	9/19/2001	132.17	190.93	1,190.02	1,513.12	3,064.72	-	4,577.84	7,968.59
8500004924852	10/1/2001	P8	N	9/19/2001	10/18/2001	65.00	1,396.18	156.01	1,617.19	15,016.49	-	16,633.68	58,271.22
8500004924852	11/1/2001	P8	N	9/19/2001	10/18/2001	-	(1,285.99)	550.15	(735.84)	(13,831.34)	-	(14,567.18)	(53,672.27)
8500004924852	1/1/2002	P8	N	10/18/2001	12/20/2001	136.50	284.52	1,165.04	1,586.06	3,600.46	-	5,186.52	11,874.87
8500004924852	1/1/2002	P8	N	12/20/2001	1/28/2002	84.50	103.72	665.89	854.11	1,398.73	-	2,252.84	4,329.09
8500004924852	2/1/2002	P8	N	1/28/2002	2/25/2002	65.00	112.27	718.65	895.92	1,328.37	-	2,224.29	4,685.62
8500004924852	3/1/2002	P8	N	2/25/2002	3/21/2002	52.00	111.97	716.53	880.50	1,426.22	-	2,306.72	4,673.06
8500004924852	4/1/2002	P8	N	3/21/2002	4/19/2002	65.00	156.40	1,002.13	1,223.53	2,391.03	-	3,614.56	6,527.51
8500004924852	5/1/2002	P8	N	4/19/2002	5/22/2002	65.00	92.50	595.53	753.03	1,677.86	-	2,430.89	3,860.70
8500004924852	7/1/2002	P8	N	5/22/2002	7/18/2002	123.50	162.75	1,072.48	1,358.73	3,059.41	-	4,418.14	6,792.65
8500004924852	8/1/2002	P8	N	7/18/2002	8/22/2002	65.00	105.71	699.54	870.25	1,841.13	-	2,711.38	4,412.01
8500004924852	10/1/2002	P8	N	8/22/2002	9/20/2002	65.00	73.91	492.85	631.76	1,226.72	-	1,858.48	3,084.54
8500004924852	10/1/2002	P8	N	9/20/2002	10/21/2002	65.00	71.93	481.22	618.15	1,309.51	-	1,927.66	3,002.08
8500004924852	11/1/2002	P8	N	10/21/2002	11/20/2002	65.00	89.15	596.44	750.59	1,705.24	-	2,455.83	3,720.79
8500004924852	12/1/2002	P8	N	11/20/2002	12/18/2002	65.00	73.93	498.26	637.19	1,424.29	-	2,061.48	3,085.55
8500004924852	1/1/2003	P8	N	12/18/2002	1/22/2003	65.00	66.95	453.67	585.62	1,339.08	-	1,924.70	2,794.41
8500004924852	2/1/2003	P8	N	1/22/2003	2/19/2003	65.00	57.65	392.02	514.67	1,210.57	-	1,725.24	2,406.22
8500004924852	3/1/2003	P8	N	2/19/2003	3/21/2003	65.00	64.17	436.50	565.67	1,708.40	-	2,274.07	2,678.17
8500004924852	5/1/2003	P8	N	3/21/2003	4/18/2003	65.00	81.89	554.95	701.84	2,280.37	-	2,982.21	3,417.82
8500004924852	5/1/2003	P8	N	4/18/2003	5/27/2003	84.50	123.01	832.57	1,040.08	3,132.65	-	4,172.73	5,133.81
8500004924852	6/1/2003	P8	N	5/27/2003	6/17/2003	45.50	58.80	389.22	493.52	1,534.74	-	2,028.26	2,454.02
8500004924852	7/1/2003	P8	N	6/17/2003	7/21/2003	65.00	108.07	710.77	883.84	2,939.87	-	3,823.71	4,510.39
8500004924852	8/1/2003	P8	N	7/21/2003	8/18/2003	65.00	80.39	530.86	676.25	2,087.53	-	2,763.78	3,355.08
8500004924852	9/1/2003	P8	N	8/18/2003	9/16/2003	65.00	25.44	170.64	261.08	620.15	-	881.23	1,061.72

**Data Request: DAS 8.01**

Peoples Gas's response to Staff DR DAS-07.01f, which asks "Did Peoples Gas provide any non-tariffed services to PNGV Corp? If yes, list all non-tariffed services provided," was "No." However, the Companies' response to Staff DR DAS-1.02c indicates that Peoples Gas owns the land upon which the PNGV Corp station was constructed.

Regarding these responses, please provide the following information:

- a. Please explain whether Peoples Gas owned that land when PNGV Corp operated its station at any time between 1996 and 2003?
- b. If no, please provide the bill of sale between Peoples Gas and the party from whom it purchased the land.
- c. If yes, please explain how PNGV Corp had a station on property that Peoples Gas owned without paying rent to Peoples Gas?
- d. Please explain what company name was on the station sign?

**Response:**

- a. Yes.
- b. not applicable
- c. Please see the corrected response to Staff data request DAS 7.01.
- d. Peoples Gas was unable to determine what, if any, signage or canopy existed for this station.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 3

**Data Request: DAS 7.01**

The Peoples Gas responses to Staff DR Docket No. 12-0511/12-0512c. DAS-11.02a states as follows:

“Peoples Gas has never owned or operated a public CNG station prior to the current Division St. facility. A former unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did operate a public station at the Peoples Gas Division St. facility, 1241 W. Division St. While exact dates of operation are unknown, the facility was operated from the late 1990s to early 2000s. The station was closed because PNGV Corp ceased to exist.”

Regarding this response, please provide the following information:

- a. Provide any Securities and Exchange Commission filing(s) by PNGV Corp or its parent that reference the ending of PNGV Corp.
- b. Did Peoples Gas provide any tariffed services to PNVG Corp? If yes, list all tariffed services provided.
- c. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- d. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- e. If yes, provide the bills.
- f. Did Peoples Gas provide any non-tariffed services to PNVG Corp? If yes, list all non-tariffed services provided.
- g. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- h. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- i. If yes, provide the invoices.
- j. If yes, provide a citation to any Affiliated Interest Agreement that allowed Peoples Gas to provide those services to PNVG Corp.
- k. If, yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.
- l. Did PNVG Corp provide any services to Peoples Gas? If yes, list all services provided.
- m. If yes, provide the dates that PNVG Corp billed Peoples Gas.
- n. If yes, provide the amounts PNVG Corp billed Peoples Gas for each month.
- o. If yes, provide the invoices.
- p. If yes, provide a citation to any Affiliated Interest Agreement that allowed PNVG Corp to provide services to Peoples Gas.
- q. If yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.

**Response:**

- a. Attached is Peoples Energy Corporation's 2005 10-K report, which notes that Peoples Energy Corporation "liquidated its investments in Peoples NGV Corp. (Peoples NGV) in the first quarter of fiscal 2003." Other Peoples Energy Corporation SEC filings include a similar note. Such filings are publicly available on the SEC's EDGAR site or on Integrys Energy

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 3

Group, Inc.'s Internet website (Investor Relations portion of the website includes past SEC filings by Peoples Energy Corporation and others).

b. Yes. PNGV Corp was served under Service Classification No. 8, Compressed Natural Gas Service, from April 1, 1996 to September 16, 2003.

c. Peoples Gas billed PNGV Corp for services from April 1, 1996 through September 16, 2003.

d. Peoples Gas billed PNGV Corp \$114,703.65 for services from February 14, 2000 through September 16, 2003. Peoples Gas does not have bill information for periods prior to February 14, 2000.

e. Please see the attachment for the monthly amounts billed to PNGV Corp from March 2000 to September 2003. Peoples Gas does not have the monthly amounts billed to PNGV for periods prior to February 14, 2000.

f. No.

g. N/A

h. N/A

i. N/A

j. N/A

k. N/A

l. No.

m. N/A

n. N/A

o. N/A

p. N/A

q. N/A

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 3 of 3

**Corrected Response:**

- f. Yes, Peoples Gas billed PNGV Corp for rent for use of the land that the station was on.
- g. Peoples Gas provided this service from January, 2003 – September, 2003. Data prior to this is in another accounting system and not readily available.
- h. Peoples Gas billed \$3,354.69 each month for January, 2003 – September, 2003. Data prior to this is in another accounting system and not readily available.
- i. Invoices were not created in the previous accounting system.
- j. The Commission approved for Peoples Gas and its affiliates an intercompany services agreement in Docket 55071. The Services and Transfers Agreement approved in Docket 06-0540 replaced that agreement.
- k. Attached, please see the agreement referenced in the response to subpart (j).

## A G R E E M E N T

This Agreement made and entered into by and between PEOPLES GAS COMPANY, an Illinois corporation (hereinafter referred to as "Peoples Gas"), THE PEOPLES GAS LIGHT AND COKE COMPANY, an Illinois corporation (hereinafter referred to as "Peoples"), NORTH SHORE GAS COMPANY, an Illinois corporation (hereinafter referred to as "North Shore"), NATURAL GAS PIPELINE COMPANY OF AMERICA, a Delaware corporation (hereinafter referred to as "Natural") and PEOPLES DEVELOPMENT, INC., a Delaware corporation,

### WITNESSETH THAT:

WHEREAS, Peoples Gas owns all of the outstanding common capital stock of Peoples, North Shore and Natural; and

WHEREAS, Peoples owns all of the outstanding common capital stock of Peoples Development, Inc.; and

WHEREAS, each of the parties hereto desires to make arrangements for the performance of certain acts hereinafter described for the benefit of each of the parties hereto;

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants contained herein, agree as follows:

1. Upon request made from time to time by any party to this Agreement (hereinafter referred to as the "requesting party") to any other party hereto (hereinafter referred to as the "requested party"), said requested party agrees to perform, within a reasonable time of the request thereof, any of the following acts:

(a) To make available executive, accounting, engineering, operating, maintenance, transportation, advertising, public relations, management, marketing, shareholder record, investigatory, research, data processing and other general corporate services;

(b) To purchase jointly, or otherwise, both tangible and intangible personal property, including, without limitation, goods, materials, supplies, tools, equipment and insurance coverages;

(c) To engage jointly, or otherwise, personal services of whatever nature, including, without limitation, those of accountants, engineers, attorneys, physicians, consultants, experts and witnesses;

provided, however, that the requested party shall be under no obligation to perform any of the foregoing acts if, in its individual judgment and discretion, the performance thereof

would in any way impair the ability of said requested party to fully discharge its corporate functions, or any of its functions subject to regulation.

2. The requested party shall charge the requesting party an amount equal to the reasonable cost of performing any of the acts requested and performed in the manner described in Paragraph 1 hereof. For purposes of this Agreement, the words "reasonable cost" shall mean that amount of money which will make the requested party whole for all costs and expenses relating to the performance of such acts.

3. The requesting party shall not, by virtue of this Agreement, be liable under any agreement, document or instrument of whatever kind entered into by and between the requested party and any other party, person, corporation or other entity in connection with the performance by the requested party of any act described in Paragraph 1 hereof.

4. The requesting party shall, by virtue of this Agreement, assume no liability for the manner in which any act described in Paragraph 1 hereof is performed by the requested party.

5. The employees of the requested party shall not, by virtue of this Agreement, be deemed to be employees of

the requesting party but shall remain employees of the requested party.

6. All bills for acts performed by the requested party shall be rendered to the requesting party promptly, and shall be paid by the requesting party within a reasonable time after receipt thereof.

7. This Agreement shall be effective as of August 1, 1969, and shall be binding upon each of the parties hereto, their successors and assigns unless changed by agreement of all of said parties and except as to any party hereto which shall terminate said Agreement upon thirty (30) day's written notice given to the other parties. Any other corporation which may become an affiliate of any of the parties hereto may become a party to this Agreement by executing a Supplemental Agreement with said parties, adopting all the terms and conditions of this Agreement.

8. The contracts effective January 1, 1964 and July 1, 1965 between certain of the parties hereto for the performance of various acts and services as provided therein are hereby terminated as of the effective date of this Agreement, except as to pending obligations of any requesting parties thereunder to pay for such acts and services performed on their behalf prior to the termination thereof.

9. Notwithstanding the foregoing provisions hereof, this Agreement shall not become binding upon the parties hereto unless and until an order approving the same shall have been entered by the Illinois Commerce Commission.

-5-

IN WITNESS WHEREOF, the parties hereto have  
caused this Agreement to be executed at Chicago, Illinois,  
this 17th day of July, 1969.

PEOPLES GAS COMPANY

By /s/ R. M. Dreys  
Vice President

ATTEST:

/s/ J. M. Wells  
Secretary

THE PEOPLES GAS LIGHT AND COKE COMPANY

By /s/ Ward McCallister  
Executive Vice President

ATTEST:

/s/ J. M. Wells  
Secretary

NATURAL GAS PIPELINE COMPANY OF AMERICA

By /s/ O.C. Davis  
Executive Vice President

ATTEST:

/s/ A. L. Seidel  
Secretary

NORTH SHORE GAS COMPANY

By /s/ Joseph P. Thomas  
Vice President and Comptroller

ATTEST:

/s/ J. M. Wells  
Secretary

PEOPLES DEVELOPMENT, INC.

By /s/ Ward McCallister  
Vice President and Treasurer

ATTEST:

/s/ J. M. Wells  
Secretary

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 3

**Data Request: DAS 7.01**

The Peoples Gas responses to Staff DR Docket No. 12-0511/12-0512c. DAS-11.02a states as follows:

“Peoples Gas has never owned or operated a public CNG station prior to the current Division St. facility. A former unregulated affiliate, Peoples Natural Gas Vehicle Corp (PNGV Corp) did operate a public station at the Peoples Gas Division St. facility, 1241 W. Division St. While exact dates of operation are unknown, the facility was operated from the late 1990s to early 2000s. The station was closed because PNGV Corp ceased to exist.”

Regarding this response, please provide the following information:

- a. Provide any Securities and Exchange Commission filing(s) by PNGV Corp or its parent that reference the ending of PNGV Corp.
- b. Did Peoples Gas provide any tariffed services to PNVG Corp? If yes, list all tariffed services provided.
- c. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- d. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- e. If yes, provide the bills.
- f. Did Peoples Gas provide any non-tariffed services to PNVG Corp? If yes, list all non-tariffed services provided.
- g. If yes, provide the dates that Peoples Gas billed PNVG Corp for service.
- h. If yes, provide the amounts Peoples Gas billed PNVG Corp for each month.
- i. If yes, provide the invoices.
- j. If yes, provide a citation to any Affiliated Interest Agreement that allowed Peoples Gas to provide those services to PNVG Corp.
- k. If, yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.
- l. Did PNVG Corp provide any services to Peoples Gas? If yes, list all services provided.
- m. If yes, provide the dates that PNVG Corp billed Peoples Gas.
- n. If yes, provide the amounts PNVG Corp billed Peoples Gas for each month.
- o. If yes, provide the invoices.
- p. If yes, provide a citation to any Affiliated Interest Agreement that allowed PNVG Corp to provide services to Peoples Gas.
- q. If yes, provide any Memorandum of Understanding between Peoples Gas and Peoples GNVG Corp.

**Response:**

- a. Attached is Peoples Energy Corporation's 2005 10-K report, which notes that Peoples Energy Corporation "liquidated its investments in Peoples NGV Corp. (Peoples NGV) in the first quarter of fiscal 2003." Other Peoples Energy Corporation SEC filings include a similar note. Such filings are publicly available on the SEC's EDGAR site or on Integrys Energy

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 3

Group, Inc.'s Internet website (Investor Relations portion of the website includes past SEC filings by Peoples Energy Corporation and others).

b. Yes. PNGV Corp was served under Service Classification No. 8, Compressed Natural Gas Service, from April 1, 1996 to September 16, 2003.

c. Peoples Gas billed PNGV Corp for services from April 1, 1996 through September 16, 2003.

d. Peoples Gas billed PNGV Corp \$114,703.65 for services from February 14, 2000 through September 16, 2003. Peoples Gas does not have bill information for periods prior to February 14, 2000.

e. Please see the attachment for the monthly amounts billed to PNGV Corp from March 2000 to September 2003. Peoples Gas does not have the monthly amounts billed to PNGV for periods prior to February 14, 2000.

f. No.

g. N/A

h. N/A

i. N/A

j. N/A

k. N/A

l. No.

m. N/A

n. N/A

o. N/A

p. N/A

q. N/A

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 3 of 3

**Corrected Response:**

- f. Yes, Peoples Gas billed PNGV Corp for rent for use of the land that the station was on.
- g. Peoples Gas provided this service from January, 2003 – September, 2003. Data prior to this is in another accounting system and not readily available.
- h. Peoples Gas billed \$3,354.69 each month for January, 2003 – September, 2003. Data prior to this is in another accounting system and not readily available.
- i. Invoices were not created in the previous accounting system.
- j. The Commission approved for Peoples Gas and its affiliates an intercompany services agreement in Docket 55071. The Services and Transfers Agreement approved in Docket 06-0540 replaced that agreement.
- k. Attached, please see the agreement referenced in the response to subpart (j).

**Supplemental Response:**

North Shore and Peoples Gas object to this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.

Without waiving this objection, North Shore and Peoples Gas state as follows:

- h. Please see PGL DAS 7.01 h for the amounts that Peoples Gas billed PNGV Corp. For 1997, 1999, 2001 and 2002. Peoples Gas has not located the support for the amounts billed for 1998 and 2000.
- i. Invoices were not produced in the previous accounting system or the one before that.
- j. Please see Paragraph 1(a) providing for general corporate services.

Docket No. 12-0299  
 ICC Staff Exhibit 1.0  
 Attachment AB  
 Page 4 of 4

PGL DAS 7.01 h

PNGV

Fiscal 2002

October 2001 - September 2002

Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1 Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2 Labor Rebill	2,023.53	194.51	5,695.62	6,339.83	4,021.23	6,921.07	7,719.11	8,601.34	4,736.34	4,731.20	2,579.10	1,766.76	55,329.64
item 4 Supplies						280.36	790.00	265.10					1,335.46
	<u>5,378.22</u>	<u>3,549.20</u>	<u>9,050.31</u>	<u>9,694.52</u>	<u>7,375.92</u>	<u>10,556.12</u>	<u>11,863.80</u>	<u>12,221.13</u>	<u>8,091.03</u>	<u>8,085.89</u>	<u>5,933.79</u>	<u>5,121.45</u>	<u>96,921.38</u>

Fiscal 2001

October 2000 - September 2001

Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1 Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2 Labor Rebill	10,485.40	9,978.13	10,513.88	13,166.73	15,370.54	11,418.69	9,711.44	10,861.40	4,199.78	8,789.65	9,896.11	2,375.46	116,767.21
item 4 Supplies	87.80		13.71										101.51
	<u>13,927.89</u>	<u>13,332.82</u>	<u>13,882.28</u>	<u>16,521.42</u>	<u>18,725.23</u>	<u>14,773.38</u>	<u>13,066.13</u>	<u>14,216.09</u>	<u>7,554.47</u>	<u>12,144.34</u>	<u>13,250.80</u>	<u>5,730.15</u>	<u>157,125.00</u>

Fiscal 1999

October 1998 - September 1999

Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1 Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2 Labor Rebill	1,105.37	1,714.23	384.48	575.91	1,508.65	6,489.46	9,265.38	8,192.09	329.33	17,352.18	8,164.41	8,328.94	63,410.43
item 4 Supplies	(0.79)					48.11	(198.16)		182.85	(166.74)			(134.73)
	<u>4,459.27</u>	<u>5,068.92</u>	<u>3,739.17</u>	<u>3,930.60</u>	<u>4,863.34</u>	<u>9,892.26</u>	<u>12,421.91</u>	<u>11,546.78</u>	<u>3,866.87</u>	<u>20,540.13</u>	<u>11,519.10</u>	<u>11,683.63</u>	<u>103,531.98</u>

Fiscal 1997

October 1996 - September 1997

Period	1	2	3	4	5	6	7	8	9	10	11	12	Total
Item 1 Rent Expense	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	3,354.69	40,256.28
item 2 Labor Rebill	1,683.46		3,126.53	1,739.56	1,793.96	1,849.44	2,032.15	2,509.54	2,920.68	2,077.73	5,075.22	2,656.53	27,464.80
item 3 Supplies						16.02		7,924.80	2,323.86	274.92	138.28	(10,088.23)	589.65
	<u>5,038.15</u>	<u>3,354.69</u>	<u>6,481.22</u>	<u>5,094.25</u>	<u>5,148.65</u>	<u>5,220.15</u>	<u>5,386.84</u>	<u>13,789.03</u>	<u>8,599.23</u>	<u>5,707.34</u>	<u>8,568.19</u>	<u>(4,077.01)</u>	<u>68,310.73</u>

**Data Request: DAS 9.01**

Peoples Gas's corrected response to Staff DR DAS-07.01f, states that "Peoples Gas billed PNGV Corp for rent for use of the land that the station was on." Regarding these responses, please provide the following information:

- a. How does the non-tariffed service provided to PNVG listed as "use of land" differ from that "operational support" including "ownership of ... property on which facilities are located" as provided under Appendix B of the ITF agreement? (NS-PGL Ex. 1.1, p. 18)
- b. How does the non-tariffed service provided to PNVG Corp differ from that discussed by Ms. Renier's testimony which indicates, "To illustrate the operational support services, the ITF Agreement could support a lease arrangement under which ITF pays rent to a Regulated Party or vice versa. An example would be an Integrys utility that owns or leases property on which a fueling station is located, but ITF owns and operates the fueling station. In that circumstance, ITF would pay the utility rent." (NS-PGL Ex. 1.0, pp. 7-8)
- c. How does the rent received from PNVG Corp differ from the rent to be paid by ITF as outlined in the direct testimony of Ms. Renier?

**Response:**

- a. Peoples Gas believes they do not differ, *i.e.*, "use of the land," as included in the response to Staff data request DAS 7.01(f), would fit within "operational support" as described in Appendix B of the proposed agreement filed in this proceeding.
- b. Peoples Gas believes they do not differ, *i.e.*, "use of the land" fits within the illustration in Ms. Renier's testimony.
- c. Peoples Gas does not believe payment of rent, such as what PNGV paid, would differ from payment of rent that ITF may make under the proposed agreement filed in this proceeding.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 1

**Data Request: DAS 9.02**

Peoples Gas's corrected responses to Staff DR DAS-07.01j and k provided an agreement approved by the Commission in Docket No. 55071. This agreement indicates that the services will be provided at "reasonable cost." How was the "reasonable cost" for the rent of the property on which the CNG station was constructed determined? Please provide all supporting documentation.

**Response:**

North Shore and Peoples Gas object to this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.

Without waiving this objection, North Shore and Peoples Gas state as follows:

Please see the attachment.

Charges associated with the NGV Refilling Station at Peoples Gas

Docket 12-0299  
DAS 9.02

Station Facilities and Installation	172,607.45
Islands and Paving	114,146.13
Sidewalk	3,000.00
Security	<u>21,875.89</u>
Total Charges	<u>311,629.47</u>
Rate of Return-Per Dkt. # 95-0032	X <u>12.9180%</u>
Yearly Rental Expense	40,256.29
Monthly Rental Expense	<u><u>3,354.69</u></u>

NGV Corp.

DR 1254000	Rental Expense associated with the Refilling Station at PGL	3,354.69	
CR 1033000	Rental Expense associated with the Refilling Station at PGL	NCC 1100	3,354.69

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 1 of 3

**Data Request: DAS 10.02**

Regarding Peoples Gas's attachment to its response to Staff DR DAS-09.02, please provide the following information:

- a. Are the amounts listed for "Total Charges" the charges that Peoples Gas incurred on behalf of PNGV Corp.?
- b. Please explain whether these costs were recorded above-the-line or below-the-line by Peoples Gas.
- c. Please explain whether these costs were included in rate base by Peoples Gas. If yes, in what rate proceeding?
- d. Please provide the rationale for the cost attributed to the "Station Facilities and Installation," which was identified as \$172,607.45.
- e. Please explain whether Peoples Gas constructed and/or installed the Station Facilities for PNGV Corp.
- f. Please explain whether Peoples Gas contracted to have the Station Facilities installed or constructed for PNGV Corp. If so, please identify who did the installation or construction, and provide the total cost of the contractor(s) for the Station Facilities and Installation.
- g. Please explain whether Peoples Gas included in its charges its own cost for contracting for the Islands and Paving. If so, please explain how much.
- h. Please provide the rationale for the cost attributed to the "Islands and Paving," identified as \$114,146.13.
- i. Please explain whether Peoples Gas constructed and/or installed the Islands and Paving for PNGV Corp.
- j. Please explain whether Peoples Gas contracted to have the Islands and Paving installed or constructed for PNGV Corp. If so, please identify who did the installation or construction, and provide the total cost of the contractor(s) for Islands and Paving.
- k. Please explain whether Peoples Gas included in its charges its own cost for contracting for the Islands and Paving. If so, please state the amount.
- l. Please provide the rationale for the cost attributed to the "Sidewalk," which was indicated to be \$3000.00.
- m. Please explain whether Peoples Gas constructed and/or installed the Sidewalk for PNGV Corp.
- n. Please explain whether Peoples Gas contracted to have the Sidewalk installed or constructed for PNGV Corp. If so, please identify who did the installation or construction, and provide the total cost of the contractor(s) for the Sidewalk.
- o. Please explain whether Peoples Gas included in its charges its own cost for contracting for the Sidewalk. If so, please identify the amount.
- p. Please provide rationale for the cost attributed to the "Security," which was indicated to be \$21,875.89?
- q. Please explain whether Peoples Gas constructed and/or installed the Security system for PNGV Corp.

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 2 of 3

- r. Please explain whether Peoples Gas contracted to have the Security installed or constructed for PNGV Corp. If so, please identify who did the installation or construction, and provide the total billing of the contractor(s) for the cost of the Security?
- s. Please explain whether Peoples Gas included in its charges its own cost for contracting for the Security. If so, please identify the amount.
- t. Please explain whether the amount listed as “Yearly Rental Expense” represents only a return on investment for costs incurred by Peoples Gas for construction of the station? If not, please explain what the “Yearly Rental Expenses” amount represents.
- u. Please explain the portion of the rental expense that was incurred from the ongoing rental services.
- v. Please explain the portion of the rental expense that represents any foregone rental income that Peoples Gas would have earned if it had rented this facility to an unaffiliated third party.
- w. Please provide a schematic drawing of the station design.
- x. Please provide any proposals that were submitted to the City of Chicago in any permit approval process.
- y. Please identify the months during which the station was constructed.
- z. Please identify the owner of record of the station facilities.
- aa. Please provide all construction contracts between Peoples Gas and PNGV Corp for this facility.
- bb. Please provide a copy all leases between Peoples Gas and PNGV Corp for this facility.

**Response:**

North Shore and Peoples Gas object to this data request on the grounds that the information sought is not relevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of relevant and admissible evidence.

Without waiving this objection, North Shore and Peoples Gas state as follows:

- a) Yes, total charges reflect the costs Peoples Gas incurred for the facilities from which rent expense was charged to PNGV.
- b) The revenue recorded by Peoples Gas for the rent expense charged to PNGV was recorded above the line.
- c) Detail is not available.
- d) – s) The accounting system where the data was recorded for the PNGV refilling station has been retired. The data to support these questions is not available. However, based on discussions with personnel around at the time of the construction, the station was

North Shore Gas Company/The Peoples Gas Light and Coke Company  
Docket No. 12-0299

Page 3 of 3

installed by a contractor but the name of the contractor and any other details are not available.

- t) Yes, the yearly rental expense amount represents only a return on investment for costs incurred by Peoples Gas for construction of the station.
- u) Charges for ongoing rental services are not included as part of the calculation for rent expense. Instead, those charges would be included in the labor rebill charges. See the response to Staff data request DAS 10.01.
- v) None
- w) None available
- x) None available
- y) Detail is not available.
- z) Peoples Gas
- aa) None
- bb) None

**Data Request: DAS-6.02**

Regarding the Companies' responses to Staff DR DAS-2.05, which indicates that ITF currently provides services to Peoples Gas under the STA, please provide the following information:

- a. Please identify any services that are allowed in the ITF agreement, but are not authorized under the Non-IBS AIA referenced in NS-PGL Ex. 1.0. p. 5?
- b. Does Peoples Gas believe it is authorized to sell property, including land, under the Non-IBS AIA? If so, please provide the relevant citation(s).
- c. Do the Companies believe that under the Non-IBS AIA they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of less than \$5 million?
- d. Do the Companies believe that under Non-IBS AIA they are required by Section 7-101 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?
- e. Do the Companies believe that under the Non-IBS AIA they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of \$5 million or less?
- f. Do the Companies believe that under the Non-IBS AIA they are required by Section 7-102 of the Act to get prior Commission approval of any transfer of property to ITF of more than \$5 million?

**Response:**

- a. The Operational Support functions of "ownership of facilities and real property on which facilities are located" are in the ITF agreement. The Non-IBS AIA includes the following: "The term "Services" is further described in Appendix C and may include any service, good, asset, property, employee, right, interest, thing or item of value, or anything of commercial value to the transferee or recipient, the furnishing or provision of which could be considered a "contract or arrangement," "service" or other exchange of "property" or "assets" (or other similar designations) which, absent this Agreement, could require the approval of one or more of the Commissions as an affiliated interest arrangement (each, a "Service")." A property transfer associated with the allowed services in Appendix C is authorized under the Non-IBS AIA, and that differs from the authority under the proposed ITF agreement.
- b. Please see the response to subpart (a), which includes language from Section 1.1 of the Non-IBS AIA.
- c. Please see the responses to subparts (a) and (b).
- d. Please see the responses to subparts (a) and (b).
- e. Please see the responses to subparts (a) and (b).
- f. Please see the responses to subparts (a) and (b).