

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

North Shore Gas Company	:	
	:	
Proposed General Increase	:	
In Rates For Gas Service	:	No. 14-0224
	:	and
	:	No. 14-0225
The Peoples Gas Light and Coke Company	:	Consol.
	:	
Proposed General Increase	:	
In Rates For Gas Service	:	

Surrebuttal Testimony of

**SHARON MOY**

Rate Case Consultant, Regulatory Affairs  
Integrys Business Support, LLC

On Behalf of  
North Shore Gas Company and  
The Peoples Gas Light and Coke Company

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

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

4 A. My name is Sharon Moy. My business address is Integrys Business Support, LLC  
5 (“IBS”), 200 East Randolph Street, Chicago, Illinois 60601.

6 **Q. Are you the same Sharon Moy who provided direct testimony and rebuttal**  
7 **testimony on behalf of The Peoples Gas Light and Coke Company (“Peoples Gas”)**  
8 **and North Shore Gas Company (“North Shore”) (together, “the Utilities”) in these**  
9 **consolidated dockets?**

10 A. Yes.

11 **B. Purposes of Surrebuttal Testimony**

12 **Q. What are the purposes of your surrebuttal testimony in this proceeding?**

13 A. The purposes of my surrebuttal testimony are:

14 (1) to respond to certain rebuttal testimony of the Illinois Commerce Commission’s  
15 (the “Commission” or “ICC”) Staff (“Staff”) regarding certain proposed  
16 adjustments to operating income (operating expense) items;

17 (2) to respond to the rebuttal testimony of the Illinois Attorney General’s Office  
18 (“AG”) witness David J. Efron regarding proposed derivative adjustments to  
19 depreciation expense from his proposed adjustments to Utility Plant in Service  
20 (operating expense);

21 (3) to discuss adjustments to reclassify certain costs for Peoples Gas relating to  
22 (a) costs from Operations and Maintenance (“O&M”) expense to Plant in Service

23 based on Peoples Gas’ response to Staff data request ENG 1.29 and (b) income  
24 tax impacts as a result of changes in interest expense from debt (for all updates, I  
25 am reflecting the derivative impacts as well);

26 (4) to discuss (a) the justness and reasonableness of rate case expenses expended and  
27 supported by Peoples Gas and North Shore in light of Section 9-229 of the Public  
28 Utilities Act (“PUA”) and (b) respond to ICC Staff witness Daniel Kahle’s  
29 recommendation on language for the Commission’s conclusion on the justness  
30 and reasonableness of the rate case expenses;

31 (5) to sponsor revised revenue deficiency (operating income) Schedules to reflect the  
32 above-referenced updated adjustments; and

33 (6) to provide, as ordered in the final Order in the Utilities’ 2012 rate cases, ICC  
34 Docket Nos. 12-0511/12-0512 (cons.) (“2012 Rate Cases”), a narrative  
35 description to calculate the impact of the Utilities’ Net Operating Losses  
36 (“NOLs”) (if any) on current and accumulated deferred income taxes associated  
37 with each pending adjustment related to this current rate case proceeding.

38 **C. Summary of Conclusions**

39 **Q. Please summarize the conclusions of your surrebuttal testimony.**

40 A. In brief, the conclusions of my surrebuttal testimony are:

- 41 (1) The Commission should not accept certain proposed adjustments from Staff and  
42 intervenor witnesses with respect to operating expenses because they are incorrect  
43 and inappropriate.
- 44 (2) Certain updated adjustments are proper and should be included in the Peoples Gas  
45 revenue requirement calculation relating to (a) reclassifying costs from O&M

46 expense to Plant in Service based on Peoples Gas' response to Staff data request  
47 ENG 1.29 and (b) income tax impacts on changes in interest expense from debt.

48 (3) Rate case expenses expended and supported by Peoples Gas and North Shore in  
49 these proceedings are just and reasonable in accordance with Section 9-229 of the  
50 PUA and the Utilities' recommended language for the Commission's conclusion  
51 on the justness and reasonableness of rate case expenses should be accepted.

52 (4) The Utilities' revised requests (as of surrebuttal as to Peoples Gas and as of  
53 rebuttal as to North Shore) for general rate increases reflecting revenue  
54 deficiencies (cost under-recoveries under existing rates) of \$100,541,000 for  
55 Peoples Gas and \$6,524,000 for North Shore, and for revenue requirements of  
56 \$697,407,000 for Peoples Gas and \$89,778,000 for North Shore<sup>1</sup> (these figures  
57 include the applicable Other Revenues amounts), are just and reasonable, and  
58 should be approved by the Commission, based on the information herein and the  
59 testimony of the other witnesses on behalf of the Utilities.

60 (5) Peoples Gas' and North Shore's narrative descriptions to calculate the impact of  
61 the NOLs on current and accumulated deferred income taxes associated with each  
62 pending adjustment related to this current rate case proceeding are proper and  
63 accurate.

64 **D. Itemized Attachments to Surrebuttal Testimony**

65 **Q. Are there any attachments to your surrebuttal testimony?**

66 **A. Yes. I am submitting:**

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<sup>1</sup> North Shore's surrebuttal revenue requirement is based on its rebuttal testimony (NS-PGL Ex. 22.1N and Ex. 22.2N). There are no proposed surrebuttal adjustments to North Shore's revenue requirement.

- 67 (1) Peoples Gas Revised Schedule C-1: Jurisdictional Operating Income Summary  
68 (NS-PGL Ex. 36.1P).<sup>2</sup>
- 69 (2) Peoples Gas Revised Schedule C-2: Ratemaking Adjustments to Operating  
70 Income (NS-PGL Ex. 36.2P).
- 71 (3) Peoples Gas Adjustment for Invested Capital Tax (NS-PGL Ex. 36.2P).
- 72 (4) Peoples Gas Adjustment for Interest Synchronization (NS-PGL Ex. 36.2P).
- 73 (5) Peoples Gas response to Staff data request ENG 1.29 (NS-PGL Ex. 36.3P).
- 74 (6) Updated Schedules C-10 on Rate Case Expenses for North Shore and Peoples Gas  
75 (NS-PGL Exs. 36.4N and 36.4P).
- 76 (7) Data request responses and invoice documentation supporting updated rate case  
77 expenses per Staff witness Mr. Kahle’s recommendation (NS-PGL Exs. 36.5  
78 through 36.17).

79 **II. CONTESTED ISSUES**

80 **A. Advertising Expenses**

81 **Q. Do you agree with Staff witness Mr. Kahle’s recommendation to disallow**  
82 **sponsorships that he considered to be “of a promotional or goodwill nature” under**  
83 **Section 9-225 of the PUA and not appropriate for rate recovery (Kahle Reb., Staff**  
84 **Ex.7.0, 4:70-75)?**

85 **A.** I disagree with Mr. Kahle’s recommendation, for reasons reflected in my direct and  
86 rebuttal testimony and below.

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<sup>2</sup> An “N” or a “P” at the end of the name of an exhibit means that it applies to North Shore or Peoples Gas, respectively

87 **Q. According to Mr. Kahle, the Utilities did not accept his adjustment to disallow**  
88 **sponsorships on the basis that the Utilities now claim the costs to be charitable**  
89 **(Kahle Reb., Staff Ex. 7.0, 4:66-69). What is your response?**

90 A. As I indicated in my direct testimony (Moy Dir., PGL Ex. 6.0, 18:378-390; Moy Dir., NS  
91 Ex. 6.0, 17:360-372), the Utilities are categorizing sponsorships under Account 909 -  
92 Informational and instructional advertising expenses until the rule under consideration in  
93 ICC Docket No. 12-0457 is adopted. Peoples Gas and North Shore continue to adhere to  
94 the Commission's direction in the 2012 Rate Cases that the nature of the expense is  
95 determinative as to classification of an expense, rather than its initial accounting  
96 categorization. 2012 Rate Cases, final Order at 164. Regardless of whether the  
97 accounting was categorized as allowable advertising or charitable in nature, the  
98 sponsorships at issue promote awareness about special events and projects (either as they  
99 are charitable in nature or provide information about the Utilities' service) that serve the  
100 customers in communities in the Utilities' service territories and should be recoverable.

101 **Q. Even though the Utilities have modified their process to distinguish sponsorship and**  
102 **institutional expenditures that are allowable for charitable purposes and those that**  
103 **are allowable advertising, Mr. Kahle does not agree that this resolved the issue of**  
104 **items being recorded as advertising to be "of a promotional or goodwill nature" that**  
105 **might be allowable for charitable purposes as advertising expenses (Kahle Reb.,**  
106 **Staff Ex. 7.0, 6:109-129). What is your response?**

107 A. As I stated in my rebuttal testimony, the rulemaking in ICC Docket No. 12-0457 would  
108 be a better forum to address the particulars of accounting for sponsorships and  
109 institutional events that have charitable purposes. Since the 2012 Rate Cases, greater

110 detail as to the nature of sponsorships and institution events has been developed for better  
111 tracking of the classification and categorization of the spending. In the meantime, the  
112 Utilities reference the Commission’s decision in the 2012 Rate Cases as a guiding  
113 principle as to the classification of advertising that is rate recoverable versus advertising  
114 that is not rate recoverable. The decision states in part that “the nature of the expense is  
115 more important...” in determining recovery than those expenses’ initial accounting  
116 categorization (final Order in 2012 Rate Cases at 164)

117 **B. Institutional Events**

118 **Q. Staff witness Mr. Kahle continues to propose adjustments for institutional events**  
119 **based on the contentions that the expenses are of a “promotional and goodwill**  
120 **nature advertising” and the Utilities receive tangible benefits such as food and**  
121 **entertainment. What is your response? Kahle Reb., Staff Ex. 7.0, 8:167 - 9:188.**

122 A. I do not agree. As I indicated in my rebuttal testimony (Moy Reb., NS-PGL Ex. 21.0,  
123 8:176-9:179), the fundamental purpose of the institutional events supported by the  
124 Utilities is to allow dialogue, networking, and cross-collaboration between the Utilities  
125 and community organizations so that the Utilities may find ways to better serve the needs  
126 of customers within their service territories. Again, the blanket dismissal of all  
127 institutional events as simply a means of building goodwill ignores that these institutional  
128 events help those charitable organizations that provide public welfare and educational  
129 services within the Utilities’ service territories. I note that Mr. Kahle also asserts that this  
130 support puts the Utilities “before the public in a philanthropic light” (Kahle Reb., Staff  
131 Ex. 7.0, 9:186-188), but Staff witness Michael Ostrander made the same assertion about  
132 sponsorships in his rebuttal in the 2012 Rate Cases (ICC Docket Nos. 12-0511/12-0512

133 Ostrander Reb., Staff Ex. 13.0, 15:288-290; *see also* final Order at 163), and the  
134 Commission there did not approve Staff's proposed disallowances (final Order at 164).

135 **C. Charitable Contributions**

136 **Q. Staff witness Mr. Kahle still proposed disallowances of certain charitable**  
137 **contributions for the Utilities on the grounds that they were made to organizations**  
138 **outside of the Utilities' service territories and to colleges and universities outside the**  
139 **State of Illinois. Do you agree? Kahle Reb., Staff Ex. 7.0, 10:207-212.**

140 A. I still disagree with Mr. Kahle's proposal. He continues to base his argument on the sole  
141 criterion that the contributions made to these organizations are outside the Utilities'  
142 service territories and/or outside the State. Section 9-227 of the PUA does not expressly  
143 disallow recoverability for these reasons. The legal aspects of recoverability will be  
144 addressed in briefing.

145 **D. Social and Service Club Membership Dues**

146 **Q. Do you agree with Staff witness Mr. Kahle's proposed adjustments to social and**  
147 **service membership club dues for the Utilities? Kahle Reb., Staff Ex. 7.0, 11:231 -**  
148 **12:261**

149 A. Even though Mr. Kahle acknowledged that certain social and service club membership  
150 dues expenses should be allowable for recovery (Kahle Reb., Staff Ex. 7.0: 12:256-261),  
151 I still disagree with Mr. Kahle's proposal to disallow other such dues because he  
152 concludes they are solely of "promotional and goodwill" nature. As I indicated in my  
153 rebuttal testimony (Moy Reb., NS-PGL Ex. 21.0, 11:221-230), the social and service club  
154 membership dues are an indirect way for the Utilities to interact with other business and

155 governmental entities such as developing contacts, exchanging ideas, coordinating  
156 projects, and networking with business and governmental leaders in their service  
157 territories to help ensure safe, reliable, and cost-effective infrastructure and operations.  
158 The Utilities propose that all of their social and service club membership dues are  
159 recoverable costs.

160 **E. Peoples Gas' Test Year 2015 Depreciation Expense Proposed by Staff and**  
161 **the AG**

162 **Q. Do you agree with the proposed adjustments recommended by AG witness**  
163 **Mr. Effron and Staff witness Ms. Hathhorn to Peoples Gas' 2015 test year**  
164 **depreciation expense?**

165 A. No, I do not agree to these derivative adjustments, for various reasons. As indicated by  
166 Utilities witness John Hengtgen (NS-PGL Ex. 37.0), Mr. Effron's proposed derivative  
167 adjustments to Peoples Gas' depreciation expense should be calculated using the  
168 applicable depreciation rates filed by the Utilities<sup>3</sup>. However, as Mr. Hengtgen addresses  
169 in his rebuttal testimony, Mr. Effron only calculated his adjustments to Distribution Plant  
170 using a composite function group depreciation rate instead of the applicable depreciation  
171 rates at the detail gas plant level. Thus, the same would apply for O&M depreciation  
172 expense.

173 Ms. Hathhorn's proposed derivative adjustments to Peoples Gas' depreciation  
174 expense were based on adjustments proposed in the direct testimony of AG witness  
175 Mr. Effron to Peoples Gas' direct filing, and that testimony is moot. The Utilities'  
176 figures were updated in their rebuttal testimony to reflect the proper utility plant in

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<sup>3</sup> AG Ex. 7.2, page 3: Adjustment to Depreciation Expense based on composite rate of 3.59% of Adjustment to 2014 AMRP Plant Reduction of \$65,877,000.

177 service adjustments along with the proper levels of accumulated depreciation. (See  
178 NS-PGL Ex. 22.0 and NS-PGL Ex. 23.0) Also, Mr. Effron made a different proposal in  
179 his rebuttal testimony, which is addressed by Utilities witnesses David Lazzaro (NS-PGL  
180 Ex. 38.0) and Mr. Hengtgen.

181 **F. Amortization of Current Rate Case Expenses**

182 **Q. Have there been any updates to the Utilities' current rate case expenses proposed in**  
183 **this proceeding?**

184 A. No. I have attached updated Schedule C-10s for North Shore and Peoples Gas (NS-PGL  
185 Exs. 36.4N and 36.4P) reflecting total costs based on information provided through July  
186 2014 as disclosed in NS-PGL responses to Staff data requests DGK 13.12, 13.13, 13.14,  
187 13.15, 13.16, 13.17, 13.18, 13.19 and 13.20. There are no proposed surrebuttal  
188 adjustments.

189 **Q. Staff witness Mr. Kahle proposed in his rebuttal testimony to adjust the**  
190 **amortization period on rate case expenses from two years to two and a half years**  
191 **based on the earliest possible date the Utilities would request a change in base rates**  
192 **after Commission approval (if approved) of the pending ICC No. Docket 14-0496**  
193 **application for reorganization. Do you agree?**

194 A. No. Mr. Kahle's proposal is speculative. First, he is necessarily assuming that the  
195 Commission will approve the reorganization proposed in ICC Docket No. 14-0496.  
196 Second, he assumes that the Commission will impose as a condition of approval the Joint  
197 Applicants' proposal in that docket not to file a rate case with an effective date sooner  
198 than two years after the reorganization transaction closes. Other parties might oppose

199 that proposal. The Commission might not approve it. Third, he assumes that all the other  
200 regulatory authorities that must approve the transaction at issue in ICC Docket  
201 No. 14-0496 also will do so. I recommend the Commission approve the Utilities' two  
202 year amortization period for rate case expenses.

203 **III. UPDATED ADJUSTMENTS**

204 **A. Reclassification of Costs from Operations and Maintenance ("O&M")**  
205 **expense to Plant in Service -Peoples Gas only**

206 **Q. Please explain the adjustments related to reclassifying costs from O&M expense to**  
207 **Plant in Service.**

208 A. The Utilities inadvertently omitted in Peoples Gas' rebuttal revenue requirement an  
209 adjustment to reclassify certain costs from O&M expense to Plant in Services in response  
210 to Staff data request ENG 1.29 (NS-PGL Ex. 36.3P). The adjustment shows the  
211 reduction to O&M expense offset by derivative depreciation expense and income taxes  
212 on Plant in Service.

213 **B. Income Tax Impacts from Changes in Interest Expense on Debt Financing-**  
214 **Peoples Gas only**

215 **Q. Please explain the adjustments on income taxes related to changes in interest**  
216 **expense on debt financing.**

217 A. The adjustments to income taxes are derivative. They relate to changes in interest  
218 expense on debt financing that result from the Utilities' update to Peoples Gas' forecasted  
219 interest rate on long-term debt. The interest rate adjustments impact Peoples Gas' capital  
220 structure and cost of capital, which is discussed by Utilities witness Lisa Gast in her  
221 surrebuttal testimony (NS-PGL Ex. 34.0).

222 **IV. SECTION 9-229 OF THE PUBLIC UTILITIES ACT**

223 **Q. Is there any additional information the Utilities have to provide to the Commission**  
224 **to support the justness and reasonableness of their rate case expenses?**

225 A. Yes. The Utilities are updating the actual amounts of rate case expenses incurred with  
226 the most recent information available from the Utilities' outside attorneys and experts as  
227 well as intercompany charges from the Utilities' affiliate, IBS. The information provided  
228 in my direct and rebuttal testimony shows detailed information concerning what actual  
229 expenses have been or will be incurred, by whom, for what purpose, and why such  
230 expenses were necessary. This documentation provided specifies the services performed,  
231 by whom they were performed, the time expended, and the hourly rates charged.  
232 Moreover, in addition to providing the supplemental information provided in discovery  
233 since the filing of my rebuttal testimony, I am providing copies of the additional invoices  
234 that Peoples Gas and North Shore have received from their rate case service providers as  
235 additional exhibits to my surrebuttal in support of the requested amount of rate case  
236 expenses. No party to these proceedings proposed any disallowances to the amount of  
237 rate case expenses requested by the Utilities and, indeed, Staff witnesses Mr. Kahle and  
238 Ms. Janis Freetly (the latter as to P. Moul & Associates) addressed their review of these  
239 expenses in their rebuttal testimony. Kahle Reb., Staff Ex. 7.0, 13:268 – 17:361; Freetly  
240 Reb., Staff Ex. 8.0, 20:396 – 21:407. All have recommended that the Commission find  
241 the requested amounts of rate case expenses to be just and reasonable. The following  
242 sections summarize the information being provided in support of the Utilities' rate case  
243 expenses with this surrebuttal testimony.

244 **Q. What is the status of the rate case expense rulemaking and are there any rules**  
245 **applicable here from that proceeding?**

246 A. Comments to the First Notice Order and proposed rule issued by the Commission on  
247 June 11, 2014, in ICC Docket No. 11-0711 are due by September 22, 2014. This  
248 proposed rule has not yet gone into effect, and is subject to revision based upon  
249 comments submitted to the Commission during the First Notice period. At this time, it is  
250 uncertain not only when the rule on rate case expenses will go into effect, but what its  
251 final form may be. However, given that the date on which the comment period for the  
252 First Notice Order closes is the same date that hearings are scheduled to commence in  
253 this proceeding, it is extremely unlikely that the proposed rule will become effective prior  
254 to the record being closed in the present proceeding. If any new rules concerning rate  
255 case expenses become effective during the pendency of this rate case proceeding, the  
256 Utilities will comply with those rules, if any, as applicable. The Utilities, however,  
257 believe that the information they have provided in response to data requests in this  
258 proceeding, which is discussed in my prior testimony and in the following sections of my  
259 surrebuttal testimony and attached as exhibits hereto, would comply with the  
260 requirements concerning the production of information as they are stated in the First  
261 Notice rate case expense rule issued by the Commission on June 11, 2014.

262 **Q. Do you agree with the language recommended by Mr. Kahle in his rebuttal**  
263 **testimony (Kahle Reb., Staff Ex. 7.0, 16:344 – 17:358) to be included in the final**  
264 **order for the Commission to satisfy its requirements under Section 9-229?**

265 A. In part. As discussed earlier in my surrebuttal testimony, the amortization period for rate  
266 case expenses in this proceeding should be two years, rather than two and a half

267 years. Thus, I agree with Mr. Kahle’s recommended language except that the phrase  
268 “amortized over 2 and a half years” should be changed to “amortized over 2 years”, with  
269 the amortized dollar amounts changed accordingly and the referenced exhibit changed to  
270 my surrebuttal exhibit. Accordingly, I recommend that the Order in this proceeding  
271 express a Commission conclusion as follows:

272 The Commission has considered the costs expended by the Utilities to  
273 compensate attorneys and technical experts to prepare and litigate these rate case  
274 proceedings and assesses that the total rate case costs for these proceedings of  
275 \$1,947,000 and \$2,945,000 for North Shore and Peoples Gas, respectively, which  
276 are amortized over 2 years and included as rate case expenses in the revenue  
277 requirements of \$974,000 and \$1,473,000 for North Shore and Peoples Gas,  
278 respectively, are just and reasonable.

279 The total rate case costs are detailed in NS-PGL Ex. 36.4.

280 **A. Outside Legal Services**

281 **Q. Please discuss any updates to the support for the Utilities’ outside legal services**  
282 **costs for which they seek recovery as part of their rate case expenses.**

283 A. Peoples Gas and North Shore retained the services of two law firms – Foley & Lardner  
284 LLP and Rooney Rippie & Ratnaswamy LLP – to assist in the preparation and  
285 prosecution of the present rate cases.

286 Detailed invoices received by the Utilities from Foley & Lardner LLP for fees  
287 received to date subsequent to the last invoice included in NS-PGL Ex. 21.7 that show  
288 the services performed for fees charged, by whom, the amount of time expended, and the  
289 discounted hourly rates charged are attached hereto as a group exhibit NS-PGL Ex. 36.5.

290 Detailed summaries of services performed for fees received to date since the filing  
291 of my rebuttal testimony by Foley & Lardner LLP have been provided in the Utilities’  
292 responses to Staff data requests PGL DGK 13.16 3<sup>rd</sup> SUPP, PGL DGK 13.16 3<sup>rd</sup> SUPP  
293 Attach 01 CONFIDENTIAL, NS DGK 13.16 3<sup>rd</sup> SUPP, NS DGK 13.16 3<sup>rd</sup> SUPP Attach

294 01 CONFIDENTIAL, PGL DGK 13.16 4<sup>th</sup> SUPP, PGL DGK 13.16 4<sup>th</sup> SUPP Attach 01  
295 CONFIDENTIAL, NS DGK 13.16 4<sup>th</sup> SUPP, and NS DGK 13.16 4<sup>th</sup> SUPP Attach 01  
296 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL Ex. 36.6.

297 Detailed invoices received by the Utilities from Rooney Rippie & Ratnaswamy  
298 LLP for fees received to date subsequent to the last invoice included in NS-PGL Ex. 21.8  
299 that show the services performed for fees charged, by whom, the amount of time  
300 expended, and the discounted hourly rates charged are attached hereto as a group exhibit  
301 NS-PGL Ex. 36.7. Detailed summaries of services performed for fees received to date  
302 since the filing of my rebuttal testimony by Rooney Rippie & Ratnaswamy LLP have  
303 been provided in the Utilities' responses to Staff data requests PGL DGK 13.17 3<sup>rd</sup>  
304 SUPP, PGL DGK 13.17 3<sup>rd</sup> SUPP Attach 01 CONFIDENTIAL, NS DGK 13.17 3<sup>rd</sup>  
305 SUPP, NS DGK 13.17 3<sup>rd</sup> SUPP Attach 01 CONFIDENTIAL, PGL DGK 13.17 4<sup>th</sup>  
306 SUPP, PGL DGK 13.17 4<sup>th</sup> SUPP Attach 01 CONFIDENTIAL, NS DGK 13.17 4<sup>th</sup>  
307 SUPP, and NS DGK 13.17 4<sup>th</sup> SUPP Attach 01 CONFIDENTIAL, which are attached  
308 hereto as a group exhibit NS-PGL Ex. 36.8.

309 **B. Outside Consultants and Witnesses**

310 **Q. Please discuss any updates to the support for the Utilities' costs for outside**  
311 **consultants and witnesses for which they seek recovery as part of their rate case**  
312 **expenses.**

313 A. My following testimony will describe updates to the information that supports the  
314 justness and reasonableness of their rates and overall fees being provided with this  
315 testimony.

316 **C. Stafflogix/ProUnlimited (“Stafflogix”)**

317 **Q. What information have the Utilities provided as to the justness and reasonableness**  
318 **of the fees for Stafflogix which they seek to recover as part of their rate case**  
319 **expenses?**

320 A. Stafflogix provides witnesses and other support to assist in the preparation and  
321 prosecution of the present rate cases. There are no new detailed invoices received by the  
322 Utilities from Stafflogix for fees received to date subsequent to the last invoice included  
323 in NS-PGL Ex. 21.9.

324 Detailed summaries of services performed for fees received to date since the filing  
325 of my rebuttal testimony by Stafflogix have been provided in the Utilities’ responses to  
326 Staff data requests PGL DGK 13.13 3<sup>rd</sup> SUPP, PGL DGK 13.13 3<sup>rd</sup> SUPP Attach 01  
327 CONFIDENTIAL, NS DGK 13.13 3<sup>rd</sup> SUPP, NS DGK 13.13 3<sup>rd</sup> SUPP Attach 01  
328 CONFIDENTIAL, PGL DGK 13.13 4<sup>th</sup> SUPP, PGL DGK 13.13 4<sup>th</sup> SUPP Attach 01  
329 CONFIDENTIAL, NS DGK 13.13 4<sup>th</sup> SUPP, and NS DGK 13.13 4<sup>th</sup> SUPP Attach 01  
330 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL Ex. 36.9.

331 **D. Centric Consulting (“Centric”)**

332 **Q. What information have the Utilities provided as to the justness and reasonableness**  
333 **of the fees for Centric which they seek to recover as part of their rate case expenses?**

334 A. Centric will provide support on information technology support necessary to prepare, test  
335 and implement the new tariffs approved in the rate cases. There are no new detailed  
336 invoices received by the Utilities from Centric for fees received to date subsequent to the  
337 last invoice included in NS-PGL Ex. 21.12.

338 Detailed summaries of services performed for fees received to date since the filing  
339 of my rebuttal testimony by Centric have been provided in the Utilities' responses to  
340 Staff data requests PGL DGK 13.12 3<sup>rd</sup> SUPP, PGL DGK 13.12 3<sup>rd</sup> SUPP Attach 01, NS  
341 DGK 13.12 3<sup>rd</sup> SUPP, and NS DGK 13.12 3<sup>rd</sup> SUPP Attach 01, PGL DGK 13.12 4<sup>th</sup>  
342 SUPP, PGL DGK 13.12 4<sup>th</sup> SUPP Attach 01, NS DGK 13.12 4<sup>th</sup> SUPP, and NS DGK  
343 13.12 4<sup>th</sup> SUPP Attach 01, which are attached hereto as a group exhibit NS-PGL  
344 Ex. 36.10.

345 **E. Hengtgen Consulting, LLC**

346 **Q. What updates are the Utilities providing as to the fees for Hengtgen Consulting,**  
347 **LLC, which they seek to recover as part of their rate case expenses?**

348 A. Mr. Hengtgen appears as a witness for the Utilities, providing testimony on rate base and  
349 cash working capital issues, as well as overseeing the filing and process management of  
350 the rate cases. Detailed invoices received by the Utilities from Hengtgen Consulting,  
351 LLC for fees received to date subsequent to the last invoice included in NS-PGL  
352 Ex. 21.14 that show the services performed for fees charged, by whom, the amount of  
353 time expended, and the hourly rates charged are attached hereto as a group exhibit  
354 NS-PGL Ex. 36.11.

355 Detailed summaries of services performed for fees received to date since the filing  
356 of my rebuttal testimony by Hengtgen Consulting, LLC have been provided in the  
357 Utilities' responses to Staff data requests PGL DGK 13.15 3<sup>rd</sup> SUPP, PGL DGK 13.15 3<sup>rd</sup>  
358 SUPP Attach 01 CONFIDENTIAL, NS DGK 13.15 3<sup>rd</sup> SUPP, NS DGK 13.15 3<sup>rd</sup> SUPP  
359 Attach 01 CONFIDENTIAL, PGL DGK 13.15 4<sup>th</sup> SUPP, PGL DGK 13.15 4<sup>th</sup> SUPP  
360 Attach 01 CONFIDENTIAL, NS DGK 13.15 4<sup>th</sup> SUPP, and NS DGK 13.15 4<sup>th</sup> SUPP

361 Attach 01 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL  
362 Ex. 36.12.

363 **F. S.FIO Consulting**

364 **Q. What updates are the Utilities providing as to the support for fees for S.FIO**  
365 **Consulting which they seek to recover as part of their rate case expenses?**

366 A. S.FIO Consulting provides strategic consulting and advice on the development and  
367 presentation of particular rate case issues based on consultant Mr. Salvatore Fiorella's  
368 history and experience in and knowledge of the Illinois natural gas industry in general  
369 and the Utilities in particular. There are no new detailed invoices received by the  
370 Utilities from S.FIO Consulting for fees received to date subsequent to the last invoice  
371 included in NS-PGL Ex. 21.16.

372 Detailed summaries of services performed for fees received to date since the filing  
373 of my rebuttal testimony by S.FIO Consulting have been provided in the Utilities'  
374 responses to Staff data requests PGL DGK 13.19 3<sup>rd</sup> SUPP, PGL DGK 13.19 3<sup>rd</sup> SUPP  
375 Attach 01 CONFIDENTIAL, NS DGK 13.19 3<sup>rd</sup> SUPP, NS DGK 13.19 3<sup>rd</sup> SUPP Attach  
376 01 CONFIDENTIAL, PGL DGK 13.19 4<sup>th</sup> SUPP, PGL DGK 13.19 4<sup>th</sup> SUPP Attach 01  
377 CONFIDENTIAL, NS DGK 13.19 4<sup>th</sup> SUPP, and NS DGK 13.19 4<sup>th</sup> SUPP Attach 01  
378 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL Ex. 36.13.

379 **G. Deloitte & Touche**

380 **Q. What updates are the Utilities providing as to the fees for Deloitte & Touche which**  
381 **they seek to recover as part of their rate case expenses?**

382 A. Deloitte & Touche provided services as independent accountants to examine the  
383 forecasted statements of financial position – regulatory basis for the Utilities, and the  
384 related forecasted statement of operations – regulatory basis and forecasted statements of  
385 cash flows – regulatory basis, to comply with Section 285.7010 Schedule G-2 of Part 285  
386 of the Commission’s filing and information requirements in connection with the filing of  
387 these rate cases. There is no update as to the services performed by Deloitte & Touche,  
388 as no invoices were received or additional fees charged by Deloitte & Touche to date  
389 since the filing of my rebuttal testimony.

390 **H. P. Moul & Associates**

391 **Q. What updates are the Utilities providing as to the fees for P. Moul & Associates**  
392 **which they seek to recover as part of their rate case expenses?**

393 A. P. Moul & Associates provides expert analysis and testimony concerning return on  
394 equity. There are no new detailed invoices received by the Utilities from P. Moul &  
395 Associates for fees received to date subsequent to the last invoice included in NS-PGL  
396 Ex. 21.20.

397 Detailed summaries of services performed for fees received to date since the filing  
398 of my rebuttal testimony by P. Moul & Associates have been provided in the Utilities’  
399 responses to Staff data requests PGL DGK 13.14 3<sup>rd</sup> SUPP, PGL DGK 13.14 3<sup>rd</sup> SUPP  
400 Attach 01 CONFIDENTIAL, NS DGK 13.14 3<sup>rd</sup> SUPP, NS DGK 13.14 3<sup>rd</sup> SUPP Attach  
401 01 CONFIDENTIAL, PGL DGK 13.14 4<sup>th</sup> SUPP, PGL DGK 13.14 4<sup>th</sup> SUPP Attach 01  
402 CONFIDENTIAL, NS DGK 13.14 4<sup>th</sup> SUPP, and NS DGK 13.14 4<sup>th</sup> SUPP Attach 01  
403 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL Ex. 36.14.

404 **I. Gannett Fleming, Inc.**

405 **Q. What updates are the Utilities providing as to the support for the fees for Gannett**  
406 **Fleming, Inc. which they seek to recover as part of their rate case expenses?**

407 A. Gannett Fleming, Inc. provides expert analysis and testimony on the Utilities' request to  
408 the Commission for approval of change in depreciation rates to incorporate new service  
409 lines and net salvage components. There are no new detailed invoices received by the  
410 Utilities from Gannett Fleming, Inc. for fees received to date subsequent to the last  
411 invoice included in NS-PGL Ex. 21.22.

412 Detailed summaries of services performed for fees received to date since the filing  
413 of my rebuttal testimony by Gannett Fleming, Inc. have been provided in the Utilities'  
414 responses to Staff data requests PGL DGK 13.18 3<sup>rd</sup> SUPP, PGL DGK 13.18 3<sup>rd</sup> SUPP  
415 Attach 01 CONFIDENTIAL, NS DGK 13.18 3<sup>rd</sup> SUPP, NS DGK 13.18 3<sup>rd</sup> SUPP Attach  
416 01 CONFIDENTIAL, PGL DGK 13.18 4<sup>th</sup> SUPP, PGL DGK 13.18 4<sup>th</sup> SUPP Attach 01  
417 CONFIDENTIAL, NS DGK 13.18 4<sup>th</sup> SUPP, and NS DGK 13.18 4<sup>th</sup> SUPP Attach 01  
418 CONFIDENTIAL, which are attached hereto as a group exhibit NS-PGL Ex. 36.15.

419 **J. Towers Watson**

420 **Q. What information have the Utilities provided as to the justness and reasonableness**  
421 **of the fees for Towers Watson that they seek to recover as part of their rate case**  
422 **expenses?**

423 A. Towers Watson had provided actuarial services in support of Utilities witness Ms. Hans'  
424 rebuttal testimony regarding items related to Pensions and Benefits, as well as support  
425 during the discovery process. There are no new detailed invoices received by the  
426 Utilities from Towers Watson for fees subsequent to rebuttal testimony.

427 **K. Intercompany Billings from IBS**

428 **Q. What updates are the Utilities providing as to the justness and reasonableness of the**  
429 **costs for intercompany billings from IBS which they seek to recover as part of their**  
430 **rate case expenses?**

431 A. The Utilities rely upon IBS to provide cost-effective rate case support, and ensure that the  
432 IBS costs for which they seek recovery as rate case expense are not also included  
433 elsewhere in their O&M costs. Detailed invoices from IBS for expenses to date  
434 subsequent to the last invoice included in NS-PGL Ex. 21.24 that show the services  
435 performed for fees charged, by whom, the amount of time expended, are attached hereto  
436 as a group exhibit NS-PGL Ex. 36.16.

437 Information regarding the nature, costs, and loadings, services provided,  
438 identification of by whom and the amount of time spent by IBS to date since the filing of  
439 my rebuttal testimony were provided in the Utilities' responses to Staff data requests,  
440 PGL DGK 13.20 3<sup>rd</sup> SUPP, PGL DGK 13.20 3<sup>rd</sup> SUPP Attach 01, NS DGK 13.20 3<sup>rd</sup>  
441 SUPP, NS DGK 13.20 3<sup>rd</sup> SUPP Attach 01, PGL DGK 13.20 4<sup>th</sup> SUPP, PGL DGK 13.20  
442 4<sup>th</sup> SUPP Attach 01, NS DGK 13.20 4<sup>th</sup> SUPP, and NS DGK 13.20 4<sup>th</sup> SUPP Attach 01,  
443 which are attached hereto as a group exhibit NS-PGL Ex. 36.17.

444 **V. UPDATED REVENUE DEFICIENCIES**

445 **Q. Please describe NS-PGL Ex. 36.1P, revised Schedule C-1.<sup>4</sup>**

446 A. The Utilities have revised Peoples Gas' Schedule C-1 to reflect the above-mentioned  
447 changes. As a result, Peoples Gas' revenue deficiency (cost under-recovery under  
448 existing rates) is \$100,541,000 (this figure includes the Other Revenues under-

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<sup>4</sup> As I noted earlier, North Shore's rebuttal revenue requirement is not revised in surrebuttal.

449 recoveries). (The base rate amount excluding Other Revenues also is shown on the  
450 Schedule.)

451 I also have attached the following related revised operating expense schedules  
452 that provide and support data incorporated in the revised Peoples Gas Schedule C-1:  
453 NS-PGL Ex. 36.1P (revised Schedule C-1) and NS-PGL Ex. 36.2P (revised Schedule  
454 C-2), reflecting adjustments including all applicable derivative items. The related  
455 calculations regarding invested capital tax and interest synchronization (both are  
456 derivative items) are found and supported in NS-PGL Ex. 36.2P. The applicable data in  
457 the other schedules attached to my surrebuttal testimony also has been incorporated in the  
458 updated revenue deficiency calculations.

459 **Q. What is Peoples Gas' overall return on rate base that you have applied in the**  
460 **determination of the Utilities' updated revenue deficiencies?**

461 A. I utilized the overall rate of return on rate base of 7.21% for Peoples Gas. This rate of  
462 return is supported by the surrebuttal testimony of Utilities witnesses Ms. Gast (NS-PGL  
463 Ex. 34.0), and Mr. Moul (NS-PGL Ex. 35.0).

464 **VI. PENDING ADJUSTMENTS RELATED TO NOLS**

465 **Q. In the Order on Rehearing in the 2012 Rate Cases, the Commission agreed that the**  
466 **Utilities provide a narrative description with illustrative calculations that would**  
467 **provide instructions for the Commission to calculate the impact of the Utilities'**  
468 **NOLs on current and accumulated deferred income taxes associated with each**  
469 **pending adjustment during the rate case proceeding process. What is the Utilities'**  
470 **response to this at surrebuttal?**

471 A. As Utilities witness Mr. Stabile indicates in his surrebuttal testimony (NS-PGL Ex. 39.0),  
472 the stand-alone federal NOLs for both Peoples Gas and North Shore in test year 2015 are  
473 forecasted to be zero at December 31, 2014, and December 31, 2015; therefore the  
474 federal income tax NOLs are no longer included in rate base. Because the Utilities are no  
475 longer including a deferred tax asset for a federal NOL in rate base, there are no pending  
476 adjustments to identify which require further instructions to calculate the impact of  
477 federal NOL on current and deferred income taxes at this stage in the proceeding.

478 **Q. Does this conclude your surrebuttal testimony?**

479 A. Yes.