

DIRECT TESTIMONY

of

Dianna Hathhorn
Accountant

Accounting Department
Financial Analysis Division
Illinois Commerce Commission

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

North Shore Gas Company

Docket No. 14-0220

September 4, 2014

OFFICIAL FILE
I.C.C. DOCKET NO. 14-0220
Staff Exhibit No. 1.0
Witness Hathhorn
Date 9/30/14 Reporter _____

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1 Witness Identification

2 Q. Please state your name and business address.

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

5

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

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

9

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

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

16

17 Q. Please describe your background and professional affiliation.

18 A. I am a licensed Certified Public Accountant. I earned a B.S. in Accounting
19 from Illinois State University in 1993. Prior to joining the Commission Staff
20 ("Staff") in 1998, I worked as an internal auditor for another Illinois state
21 agency for approximately 3 ½ years. I also have 1 ½ years experience in
22 public accounting for a national firm.

23 Q. Have you previously testified before this Commission?

24 A. Yes, I have.

25

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

27 A. The purpose of my testimony is to report the results of my review of North
28 Shore Gas Company's ("North Shore" or the "Company") Volume
29 Balancing Adjustment ("VBA") Reconciliation for the period January 1,
30 2013 through December 31, 2013 as calculated by Company witness
31 Karen A. Tiedmann, in NSG Ex. 1.0, the underlying documents that
32 support the calculations, and the Company's annual report required by the
33 Commission in Docket Nos. 07-0241/07-0242 Cons. on the Company's
34 rate of return and the effect of the VBA pilot program on the Company's
35 rate of return.

36

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

38 A. Yes. I prepared the following schedules

39	Schedule 1.1	Rider VBA Reconciliation Summary- SC 1 Heating
40	Schedule 1.2	Rider VBA Reconciliation Summary- SC 1 Non
41		Heating
42	Schedule 1.3	Rider VBA Reconciliation Summary- SC 2

43

44 Staff Reconciliation Schedules

45 Q. Please describe Schedule 1.1, Rider VBA Reconciliation Summary- SC 1
46 Heating.

47 A. Schedule 1.1 presents Staff's summary of rate case revenues versus
48 actual revenues for Service Classification 1-Heating, based upon the
49 Company's Direct Testimony Exhibit NSG Ex. 1.1. I do not recommend
50 any adjustments to the Company's SC 1-Heating reconciliation. I
51 recommend the Commission attach my Schedule 1.1 to the Final Order in
52 this proceeding.

53

54 Q. Please describe Schedule 1.2, Rider VBA Reconciliation Summary- SC 1-
55 non heating.

56 A. Schedule 1.2 functions in the same manner as Schedule 1.1, for service
57 classification 1-non heating. I do not recommend any adjustments to the
58 Company's SC 1-non heating reconciliation. I recommend the
59 Commission also attach my Schedule 1.2 to the Final Order in this
60 proceeding.

61

62 Q. Please describe Schedule 1.3, Rider VBA Reconciliation Summary- SC 2.

63 A. Schedule 1.3 functions in the same manner as Schedule 1.1, for service
64 classification 2. I do not recommend any adjustments to the Company's
65 SC 2 reconciliation. I recommend the Commission also attach my
66 Schedule 1.3 to the Final Order in this proceeding.

67

68 Q. Do you have any recommendations concerning the format of the
69 Company's reconciliation schedules?

70 A. Yes. For purposes of consistency and ease of comparison, I recommend
71 that in future reconciliation proceedings, the Company file its reconciliation
72 schedules in the format of Schedules 1.1 through 1.3.

73

74 Annual Reports on Company's Rate of Return

75 Q. Please describe the required annual report regarding the VBA pilot.

76 A. In Docket Nos. 07-0241/0242 Cons., the Commission directed Staff to
77 provide the Commission an annual report of the Company's rate of return
78 ("ROR") and the effect on that return of Rider VBA. (Order, February 5,
79 2008, p. 152) In Docket Nos. 09-0166/167 Cons., the Commission
80 changed the direction to order the Company to annually prepare a report
81 on its ROR and the effect on that return of Rider VBA and submit it to the
82 Commission and Staff at the same time it files a petition seeking initiation
83 of annual reconciliation proceedings. (Order, January 21, 2010 at 275)

84

85 For 2013, this report is included as Attachment B to the Company's
86 petition to initiate this proceeding. The Attachment B report shows the
87 following ROR and ROE:

88

North Shore 2013 Results	Including Rider VBA	Excluding Rider VBA	Authorized per Order in Docket Nos. 12-0511/12- 05121 Cons. ¹
ROR	8.60%	9.14%	6.72%
ROE	12.41%	13.35%	9.28%

89

90 This means that Rider VBA lowered North Shore's 2013 ROR and ROE by
91 0.54% and 0.94%, respectively.

92 Summary of Conclusions and Recommendations

93 Q. Please summarize your recommendation.

94 A. I recommend that the Commission approve the Rider VBA Reconciliation
95 Summaries in Schedule 1.1, 1.2, and 1.3. I also recommend the
96 Commission include these schedules as appendices to the order in this
97 proceeding. Finally, I recommend that in future reconciliation proceedings,
98 the Company file its reconciliation schedules in the format of Schedules
99 1.1 through 1.3.

100

101 Q. Does this conclude your prepared direct testimony?

102 A. Yes, it does.

¹ P. 208 of Order dated June 18, 2013

North Shore Gas Company
 Rider VBA Reconciliation Summary-SC 1 Heating
 For the Period January 1 through December 31, 2013

Line No.	Description (A)	Per Company (B)	Source (C)	Adjustments per Staff (D)	as Adjusted per Staff (Col. (B) + (D)) (E)
1	Carry Over - Prior Year				
2	RA to be billed-Prior Year	\$ 958,663	(1a)		\$ 958,663
2a	RA-actual billings-Prior Year	1,118,259	(1b)		1,118,259
2b	Amount to be Recovered (Refunded) through RA	\$ (159,596)	(1)		\$ (159,596)
3	Factor O - Prior Reconciliation	0	(2)		-
4	Interest (0 %)		(7)		-
5	Under / (Over) from prior years	\$ (159,596)	(3)		\$ (159,596)
5a	Allocation to Non-Heating	\$ (159,325)	(3a)		\$ (159,325)
6					
7	Current Year				
8	Rate Case Revenues	\$ 17,384,889	(4)	\$ -	\$ 17,384,889
9	Actual Distribution Revenues	18,945,181	(5)	-	18,945,181
10					
11	Amount to be Recovered (Refunded)	\$ (1,560,292)	In 8 - In 9	-	(1,560,292)
12	Percentage of Fixed Costs	100%	(6)		
13					
14					
15					
16	Annual Adjustment Under / (Over) Current Year	\$ (1,560,292)	(8)	-	\$ (1,560,292)
17					
18					
19	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (1,719,889)	(9)	-	\$ (1,719,889)
20					
21					
22	Disposition of Cumulative (Over)/Under Recovery				
23					
24	Annual Adjustment	\$ (1,560,292)	line 16		\$ (1,560,292)
25	RA	(159,325)	line 5a		(159,325)
26	Factor O - Current Reconciliation	-	n/a		-
27					
28	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (1,719,617)	line 19	-	\$ (1,719,617)

Sources:

- (1) NSG Ex. 1.1, p. 2, Col. (A), line 9; Agrees to Sch. 1.1, line 2 - line 2a
- (1a) NSG Ex. 1.1, p. 2, Col. (A), line 7; Agrees to Docket Nos. 13-0220/13-0221 (cons.), Appendix A, line 28
- (1b) NSG Ex. 1.1, p. 2, Col. (A), line 8
- (2) NSG Ex. 1.1, p. 2, Col. (A), line 10
- (3) NSG Ex. 1.1, p. 2, Col. (A), line 11; Agrees to Sch. 1.1, line 1 + line 2
- (3a) NSG Ex. 1.1, p. 2, Col. (A), line 17
- (4) NSG Ex. 1.1, p. 2, Col. (A), line 1
- (5) NSG Ex. 1.1, p. 2, Col. (A), line 2
- (6) NSG Ex. 1.1, p. 2, Col. (A), line 3
- (7) NSG Ex. 1.1, p. 2, footnote (6)
- (8) NSG Ex. 1.1, p. 2, Col. (A), line 4; Agrees to Sch. 1.1, line 11 x line 12
- (9) NSG Ex. 1.1, p. 2, Col. (A), line 18; Agrees to Sch. 1.1, line 5 + line 16

North Shore Gas Company
 Rider VBA Reconciliation Summary-SC 1 Non-Heating
 For the Period January 1 through December 31, 2013

<u>Line No.</u>	<u>Description</u> <u>(A)</u>	<u>Per Company</u> <u>(B)</u>	<u>Source</u> <u>(C)</u>	<u>Adjustments</u> <u>per Staff</u> <u>(D)</u>	<u>as Adjusted</u> <u>per Staff</u> <u>(Col. (B) + (D))</u> <u>(E)</u>
1	<u>Carry Over - Prior Year</u>				
2	RA to be billed-Prior Year	\$ 958,663	(1a)		\$ 958,663
2a	RA-actual billings-Prior Year	1,118,259	(1b)		1,118,259
2b	Amount to be Recovered (Refunded) through RA	\$ (159,596)	(1)		\$ (159,596)
3	Factor O - Prior Reconciliation	0	(2)		-
4	Interest (0 %)		(7)		-
5	Under / (Over) from prior years	\$ (159,596)	(3)		\$ (159,596)
5a	Allocation to Non-Heating	\$ (272)	(3a)		\$ (272)
6					
7	<u>Current Year</u>				
8	Rate Case Revenues	\$ 52,819	(4)	\$ -	\$ 52,819
9	Actual Distribution Revenues	54,881	(5)	-	54,881
10		-			-
11	Amount to be Recovered (Refunded)	\$ (2,062)	In 8 - In 9	-	(2,062)
12	Percentage of Fixed Costs	100%	(6)		
13		-			-
14		-			-
15		-			-
16	Annual Adjustment Under / (Over) Current Year	\$ (2,062)	(8)	-	\$ (2,062)
17					
18					
19	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (161,658)	(9)	-	\$ (161,658)
20					
21					
22	<u>Disposition of Cumulative (Over)/Under Recovery</u>				
23					
24	Annual Adjustment	\$ (2,062)	line 16		\$ (2,062)
25	RA	(272)	line 5a		(272)
26	Factor O - Current Reconciliation	-	n/a		-
27		-			-
28	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (2,333)	line 19	-	\$ (2,333)

Sources:

- (1) NSG Ex. 1.1, p. 2, Col. (B), line 9; Agrees to Sch. 1.2, line 2 - line 2a
- (1a) NSG Ex. 1.1, p. 2, Col. (B), line 7; Agrees to Docket Nos. 13-0220/13-0221 (cons.), Appendix A, line 28
- (1b) NSG Ex. 1.1, p. 2, Col. (B), line 8
- (2) NSG Ex. 1.1, p. 2, Col. (B), line 10
- (3) NSG Ex. 1.1, p. 2, Col. (B), line 11; Agrees to Sch. 1.2, line 1 + line 2
- (3a) NSG Ex. 1.1, p. 2, Col. (B), line 17
- (4) NSG Ex. 1.1, p. 2, Col. (B), line 1
- (5) NSG Ex. 1.1, p. 2, Col. (B), line 2
- (6) NSG Ex. 1.1, p. 2, Col. (B), line 3
- (7) NSG Ex. 1.1, p. 2, footnote (6)
- (8) NSG Ex. 1.1, p. 2, Col. (B), line 4; Agrees to Sch. 1.2, line 11 x line 12
- (9) NSG Ex. 1.1, p. 2, Col. (B), line 18; Agrees to Sch. 1.2, line 5 + line 16

North Shore Gas Company
 Rider VBA Reconciliation Summary-SC 2
 For the Period January 1 through December 31, 2013

Line No.	Description (A)	Per Company (B)	Source (C)	Adjustments per Staff (D)	as Adjusted per Staff (Col. (B) + (D)) (E)
1	<u>Carry Over - Prior Year</u>				
2	RA to be billed-Prior Year	\$ 724,598	(1a)		\$ 724,598
2a	RA-actual billings-Prior Year	880,474	(1b)		880,474
2b	Amount to be Recovered (Refunded) through RA	\$ (155,875)	(1)		\$ (155,875)
3	Factor O - Prior Reconciliation	0	(2)		-
4	Interest (0 %)		(7)		-
5	Under / (Over) from prior years	\$ (155,875)	(3)		\$ (155,875)
6					
7	<u>Current Year</u>				
8	Rate Case Revenues	\$ 5,894,953	(4)	\$ -	\$ 5,894,953
9	Actual Distribution Revenues	6,465,269	(5)	-	6,465,269
10					
11	Amount to be Recovered (Refunded)	\$ (570,316)	In 8 - In 9	-	(570,316)
12	Percentage of Fixed Costs	100%	(6)		
13					
14					
15					
16	Annual Adjustment Under / (Over) Current Year	\$ (570,316)	(8)	-	\$ (570,316)
17					
18					
19	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (726,191)	(9)	-	\$ (726,191)
20					
21					
22	<u>Disposition of Cumulative (Over)/Under Recovery</u>				
23					
24	Annual Adjustment	\$ (570,316)	line 16		\$ (570,316)
25	RA	(155,875)	line 2		(155,875)
26	Factor O - Current Reconciliation	-	n/a		-
27					
28	Cumulative (Refundable)/Recoverable Incl. Interest	\$ (726,191)	line 19	-	\$ (726,191)

Sources:

- (1) NSG Ex. 1.1, p. 2, Col. (C), line 9; Agrees to Sch. 1.3, line 2 - line 2a
- (1a) NSG Ex. 1.1, p. 2, Col. (C), line 7; Agrees to Docket Nos. 13-0220/13-0221 (cons.), Appendix A, line 28
- (1b) NSG Ex. 1.1, p. 2, Col. (C), line 8
- (2) NSG Ex. 1.1, p. 2, Col. (C), line 10
- (3) NSG Ex. 1.1, p. 2, Col. (C), line 11; Agrees to Sch. 1.3, line 1 + line 2
- (4) NSG Ex. 1.1, p. 2, Col. (C), line 1
- (5) NSG Ex. 1.1, p. 2, Col. (C), line 2
- (6) NSG Ex. 1.1, p. 2, Col. (C), line 3
- (7) NSG Ex. 1.1, p. 2, footnote (6)
- (8) NSG Ex. 1.1, p. 2, Col. (C), line 4; Agrees to Sch. 1.3, line 11 x line 12
- (9) NSG Ex. 1.1, p. 2, Col. (C), line 18; Agrees to Sch. 1.3, line 5 + line 16