

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

The Peoples Gas Light and Coke Company	)	
North Shore Gas Company	)	Docket No. 14-0225
	)	Docket No. 14-0224
Proposed General Increase	)	(consolidated)
In Rates for Gas Service	)	

**REPLY OF THE PEOPLE OF THE STATE OF ILLINOIS  
TO THE RESPONSE OF NORTH SHORE GAS COMPANY AND  
THE PEOPLES GAS LIGHT AND COKE COMPANY  
TO THE PEOPLE’S MOTION TO ADMIT NEW INFORMATION**

The People of the State of Illinois (“AG” or “the People”), by LISA MADIGAN, Attorney General of the State of Illinois, pursuant to Part 200.190 of the Illinois Commerce Commission’s (“the Commission”) rules, 83 Ill.Admin.Code § 200.190, hereby file their Reply to the Response filed by North Shore Gas Company (“North Shore” or “North Shore Gas” or “NS”) and Peoples Gas Light & Coke Company (“Peoples” or “Peoples Gas” or “PGL”) (collectively “the Companies”) on October 31, 2014 to the People’s Motion to Admit New Information (the “Motion”) filed on October 30, 2014. The People’s Motion sought admission of the Joint Applicants’<sup>1</sup> data request response (“DRR”) numbered AG 3.05, with its Attachment 1, in Docket No. 14-0496<sup>2</sup> (the “merger docket” or “merger proceeding”), dated October 22, 2014, into the record of this rate proceeding. The Joint Applicants’ DRR to AG 3.05 included future budget forecasts for the Integrys Customer Experience (“ICE”) project that were severely

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<sup>1</sup> The Joint Applicants in Docket No. 14-0496 include, *inter alia*, the Companies as well as their corporate parent, Integrys Energy Group, Inc.

<sup>2</sup> Docket No. 14-0496 is the Commission proceeding whereby Wisconsin Energy Corporation, Integrys Energy Group, Inc., Peoples Energy, LLC, Peoples Gas, North Shore, ATC Management Inc., and American Transmission Company LLC (“Joint Applicants”) are seeking Commission approval of a reorganization of the Companies under Section 7-204 of the Public Utilities Act.

at odds with forecasts advanced by the Companies in this proceeding. In support of their Motion and in reply to the Companies, the People state as follows:

**The Companies' Response Actually Supports the AG Position That NS/PGL Forecasted ICE-Related Test Year Expenses Are Not Reliable.**

The Companies argue at paragraph 1 and 9 of their Response that the ICE cost data in the Joint Applicants' DRR to AG 3.05 in the merger docket is from a 2012 forecast, as shown in the first page of the Attachment to DRR AG 3.05. The Companies also state in those paragraphs that the DRR to Staff data request DLH 35.01 from the instant rate case, included in the record as AG Cross Exhibit 8, indicates that the ICE cost projections advanced in the merger docket were revised after 2012, when the in-service date of the ICE project shifted, and that the Companies' estimates<sup>3</sup> of future ICE project costs advanced in the instant rate proceeding are based on the revised estimated in-service date. The Companies aver at paragraph 12 of their Response that the conflicting budget estimates "will necessarily be inconsistent, because the two sets of information were prepared at different points in time." NS/PGL Response at 5.

But conspicuously absent in the Response is any explanation of the fact that, as the People noted in their Motion at paragraph 3, the DRR to AG 3.05 in the merger docket (based on allegedly slightly older estimates) [REDACTED] for PGL and NSG related to the ICE project, while the Companies stated in a discovery response in the instant rate case that the respective figures for 2015 would be \$1.378 million and \$7.263 million. The Companies' Response also attaches their response to data request **AG 3.06** dated October 22, 2014 in the merger docket, in which the Companies explained that the 2012 budget estimates contained in the Attachment to DRR AG 3.05 were revised when the estimated ICE project implementation date shifted from the second quarter of 2015 to the third quarter. The

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<sup>3</sup> The Companies state at paragraph 4 of their Response that their forecast of future costs of the ICE project in this instant rate proceeding was prepared in 2013, citing the direct testimony of NS/PGL witness Gregor.

Companies fail to explain, however, how a *delay* of the projected 2015 in-service date by one quarter, as reported in the Companies' DRR to AG 3.06 in the merger docket, could cause forecasted depreciation and return in 2015 [REDACTED]

[REDACTED]. The response to AG 3.06 in the merger docket simply confirms the position highlighted in Mr. Effron's proposed ICE-related adjustments<sup>4</sup> – that the forecasted ICE expense numbers provided in this rate case are entirely inconsistent with data supplied in the merger docket. The data in both the DRRs to AG 3.05 and AG 3.06 directly contradict the data supplied by the Companies in this docket, and thus throws doubt upon the credibility of the Companies' testimony and projections in the instant proceeding.

In their Response, the Companies also ignore the fact that, as the People showed in their Motion at paragraph 4, the allegedly older estimates provided in the DRR to AG 3.05 in the merger docket show the O&M costs from the ICE project [REDACTED]

[REDACTED] 2015. The Companies make no effort in their Response to explain why delaying the in-service date of the ICE project by one quarter would cause [REDACTED] future O&M costs. Again, the data in the DRR to AG 3.05 in the merger docket throws doubt upon the credibility of the Companies' testimony and projections in this rate case.

Indeed, the Companies' decision to attach to their October 31st Response their DRR to AG 3.06 in the merger docket supports the AG position that the NS/PGL forecasted level of ICE-related test-year expenses is not reliable. In that data request, the Companies were specifically invited to explain the variance in the merger docket testimony compared to the Companies' earlier forecasts of ICE-related O&M expense made in the instant rate case. But that DRR

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<sup>4</sup> See AG Corrected Initial Brief at 51-55.

reveals that the only change to the earlier forecasted information (relevant to the issues in this rate case) was the aforementioned delay in the in-service date by one quarter.

Further, in their Response, the Companies [REDACTED] 2015 ICE O&M expense forecasted in the rate case and that provided in their responses in the merger docket to AG 3.05 and 3.06. As noted in the AG Motion, the expense amounts allocated to PGL and NS according to the DRR to AG 3.05 in the merger docket [REDACTED] [REDACTED] the amounts allocated to the two Companies in this instant rate case (\$9.058 million and \$1.504 million, respectively). The Companies make no effort to explain why *delaying* the in-service date by one quarter [REDACTED] 2015 O&M costs.

The Companies suggest without explanation that the People’s Motion to admit the DRR from the merger proceeding will cause “undue delay” or “waste of time.” NS/PGL Response at ¶ 14. But, as the People stated in their Motion at paragraph 11, they did not primarily propose<sup>5</sup> to delay the briefing schedule in this proceeding; they requested that the ALJs rule on their Motion in time so that the DRR in question may be discussed in the Reply Briefs due on November 5th. Following the filing of the People’s Motion, the ALJs issued a ruling on November 3rd that extended the Reply Brief filing date from November 5th to November 6th. This one-day postponement of the filing of the Reply Brief clearly would not delay the issuance of the Proposed Order, which was and is scheduled to be issued on December 5th.

**The Companies’ Responses to Data Request AG 3.05 (and AG 3.06) in Docket No. 14-0496 Should Be Admitted Because They Are Relevant To Commission Assessment Of The Credibility And Reliability Of The Companies’ Test-Year Forecast Of ICE Expenses.**

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<sup>5</sup> It is true that the People suggested that the ALJs could delay the briefing schedule if “the ALJs see fit,” but that was not their primary proposal as to scheduling.

At paragraphs 12 and 14 of their Response, the Companies suggest that the proposed new evidence is not relevant. But conflicting data that the Companies or their affiliates provided in another docket regarding projected test-year costs of the ICE project could not be more relevant to the development of the revenue requirement in this instant rate case. While the Companies attempt to dismiss the DRR to AG 3.05 in the merger docket as the proverbial old news, it is important that the Commission consider the information in that discovery response to assess whether the Companies' projections of 2015 test-year costs in this instant proceeding are credible, particularly in light of the proposed reductions to the Companies' forecasts made by AG witness Effron. *See* AG Corrected Initial Brief at 51-55. The Companies do not explain, too, why they, or their affiliates, based their direct testimony in the merger docket, JA Exhibit 4.1<sup>6</sup> CONFIDENTIAL, upon ICE project budget estimates from 2012, if more recently updated budget estimates of the ICE project from 2013 were available when the merger docket testimony was filed in August 2014. The Companies' conflicting messages regarding the ICE project estimates call into question the credibility of the data they advanced in the instant proceeding. Consequently, it is important that the DRR to AG 3.05, *as well as the DRR to AG 3.06*, from the merger proceeding be admitted into the instant rate case.

**There Are No Procedural Irregularities To The People's Motion To Admit.**

At paragraphs 12 and 14 of their Response, the Companies suggest that the proposed new evidence would cause "confusion" and would be "possibl[y] misleading . . . when presented out of context as it would be here." But the Companies are sophisticated parties with able counsel who can, in their Reply Brief, appropriately situate the context of the new evidence as the

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<sup>6</sup> By reviewing (i) the contested DRR to AG 3.05 in the merger docket, as well as (ii) the DRR to AG 2.13 from the merger docket, which is contained at AG Cross Ex. 8, page 2 in this rate case, it can be seen that data request AG 3.05 in the merger docket was asking for analyses supportive of the Joint Applicants' Exhibit 4.1 CONFIDENTIAL in the merger docket.

Companies see it – just as they did in their Response to the Motion. The Companies should not underestimate the Commission’s capacity to understand complex issues like this one. Similarly, while the Companies argue at paragraphs 3, 12, and 14 that granting the People’s Motion would be “unfairly prejudicial” to them, the Companies will have an opportunity to comment on the new evidence in their Reply Brief, just as the People and any other party will.

The Companies note with apparent disapproval at paragraphs 1, 2, and 13 of their Response that the People’s Motion to Admit New Information comes “over a month after the evidentiary hearing.” What they do not mention is that the information in the Joint Applicants’ response to DRR AG 3.05 did not become available to the People until 29 days after the evidentiary hearing, on October 22nd. The People filed their Motion (under a different styling) on October 29th (and re-filed it under the “Motion to Admit New Information” styling the following day), following a few days of carefully assessing the new information.

Similarly, the Companies note at paragraphs 10 and 13 of their Response that the People elected to waive cross-examination of NS/PGL witness Lisa Gast regarding the topic of ICE cost forecasts during the evidentiary hearing and instead chose to move AG Cross Exhibit 8 into evidence. But the Companies fail to mention two important points. First, Ms. Gast was not the witness who testified regarding the test-year forecast of ICE-related expenses. That person was NS/PGL witness Tracy Kupsh, whom the People *did* cross-examine. Second, Ms. Gast’s name did not come up within the context of ICE issues until that cross-examination, when the People were seeking to admit AG Cross Exhibit 8. It was not until that moment in time that the People were informed that, inexplicably, despite Ms. Kupsh’s addressing the ICE topic in her testimony in this case, it was Ms. Gast<sup>7</sup> (who is based in Green Bay, Wisconsin and was not present in the

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<sup>7</sup> Ms. Gast addressed exclusively rate of return issues in her testimony in this instant rate case. See NS Ex. 2.0 at i; PGL Ex. 2.0 at i; NS-PGL Ex. 18.0 at i; NS-PGL Ex. 34.0 at i.

hearing room<sup>8</sup>) who had responded to the Staff data request DLH 35.01 included at AG Cross Exhibit 8. Tr. at 90:21-91:11. The Companies then stated on the record that they would not object to the admission of the AG Cross exhibit (through Ms. Kupsh). Tr. at 93:16-17; Tr. at 141-142. So, NS/PGL's suggestion that the People purposely waived the right to cross-examine the Companies on that information is misleading. Indeed, if the People had contemporaneously known about the Joint Applicants' DRR to AG 3.05 in the merger docket, they assuredly would have requested to cross-examine Ms. Gast to explore that discovery response. As noted above, the DRR to AG 3.05 in the merger docket was not made available until nearly one month after the evidentiary hearing.

WHEREFORE, for the reasons stated above, the People of the State of Illinois request that the Commission grant their Motion to Admit New Information and admit the Joint Applicants' responses from Docket No. 14-0496 to data request AG 3.05 (with its Attachment 1) *and* AG 3.06 (which was attached to the Companies' Response) into the record in this docket.

Respectfully submitted,

THE PEOPLE OF THE STATE OF ILLINOIS

By LISA MADIGAN, Attorney General

By: \_\_\_\_\_ /s/ \_\_\_\_\_

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<sup>8</sup> See Tr. at 93:7-8.