

DIRECT TESTIMONY

of

MIKE OSTRANDER

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Reconciliation of Revenues Collected Under  
Gas Adjustment Charges With Actual  
Costs Prudently Incurred

Consumers Gas Company

Docket No. 11-0759

August 12, 2015

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1 **Witness Identification**

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

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

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

6 A. I am an Accountant in the Accounting Department of the Financial Analysis  
7 Division of the Illinois Commerce Commission (“ICC” or “Commission”).

8 **Q. Please describe your background and professional affiliations.**

9 A. I received a Bachelor of Business Administration in Accounting from the  
10 University of Notre Dame. I am a Certified Public Accountant and a Certified  
11 Internal Auditor. I joined the Commission Staff (“Staff”) in March 2006. Prior to  
12 joining the Commission, I was employed for three years as a Staff Accountant in  
13 public accounting, seventeen years in private industry with positions ranging from  
14 Accounting Manager to Corporate Officer encompassing all areas of accounting  
15 and internal auditing, and three years as Controller of a law firm and software  
16 company.

17 **Q. Have you previously testified before regulatory bodies?**

18 A. Yes, I have testified before the Commission on several occasions.

19 **Purpose of Testimony**

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

21 A. The purpose of my testimony is to report the results of my review of the  
22 Purchased Gas Adjustment (“PGA”) reconciliation of Consumers Gas Company  
23 (“Consumers” or “Company”) for the year ended December 31, 2011 as  
24 presented by their witness J. Glenn Robinson, on his Exhibit 3, Statement 1, and  
25 the underlying documents which support the calculations.

26 **Schedule Identification**

27 **Q. Are you sponsoring any schedules with your testimony?**

28 A. Yes, I prepared the following schedules relating to the Company, which show  
29 data as of, or for the 2011 reconciliation period:

30 Schedule 1.01 Reconciliation of Purchased Gas Adjustment Clause

31 Schedule 1.02 Factor O Summary

32 Schedule 1.03 Staff Adjustments to Interest on Factor O

33 Schedule 1.04 Staff Adjustment to PGA Revenues

34 **Results of the Review**

35 **Q. Please explain ICC Staff Exhibit 1.0, Schedule 1.01 - Reconciliation of**  
36 **Purchased Gas Adjustment Clause.**

37 A. Schedule 1.01 reflects a summary of the Staff adjustments to the Company’s  
38 proposed 2011 PGA reconciliation. Column (e), Line 17 reflects the net effect of  
39 all adjustments and the resulting 2011 Factor O. I am proposing adjustments to  
40 the Company’s reconciliation as follows: (1) Inclusion of Factor O from prior  
41 orders; (2) Interest on Factor O from prior periods and (3) Adjustment to PGA

42 Revenues for the difference between sales support summary and amounts  
43 included in monthly rate filings.

44 **Inclusion of Factor O from Prior Orders**

45 **Q. Please explain the adjustment for the inclusion of Factor O from prior**  
46 **orders in Column (c), Line 4 of Schedule 1.01.**

47 A. My \$(336,083) adjustment on Column (c), Line 4 is the cumulative Factor O as  
48 ordered in Docket Nos. 05-0741, 06-0744, 07-0570 08-0625, 09-0539 and 10-  
49 0686, the 2005 through 2010 reconciliations, respectively. See Schedule 1.02.

50 The Final Order in Docket No. 05-0741, the 2005 PGA reconciliation, ordered  
51 the Company to refund a Factor O of \$(36,210). Inclusion of the 2005 Factor O  
52 in this reconciliation provides for tracking of the 2005 Factor O until the period in  
53 which it is refunded to ratepayers. The Factor O plus interest were included by  
54 the Company in its determination of March 2009 PGA rates. The remaining  
55 refund amount of \$(241), as shown on Schedule 1.02, is due to incorrect interest  
56 expense refunded to rate payers.

57 The Final Order in Docket No. 06-0744, the 2006 PGA reconciliation, ordered  
58 the Company to refund a Factor O of \$(193,441). Inclusion of the 2006 Factor O  
59 in this reconciliation provides for tracking of the 2006 Factor O until the period in  
60 which it is refunded to ratepayers. The Factor O plus interest were included by  
61 the Company in its determination of May 2011 PGA rates. The remaining refund  
62 amount of \$(663), as shown on Schedule 1.02, is due to incorrect interest  
63 expense refunded to rate payers.

64

65 The Final Order in Docket No. 07-0570, the 2007 PGA reconciliation, ordered  
66 the Company to refund a Factor O of \$(305,570). Inclusion of the 2007 Factor O  
67 in this reconciliation provides for tracking of the 2007 Factor O until the period in  
68 which it is refunded to ratepayers. The Factor O plus interest were included by  
69 the Company in its determination of December 2014 PGA rates.

70 The Final Order in Docket No. 08-0625, the 2008 PGA reconciliation, ordered  
71 the Company to refund a Factor O of \$(16,809). Inclusion of the 2008 Factor O  
72 in this reconciliation provides for tracking of the 2008 Factor O until the period in  
73 which it is refunded to ratepayers.

74 The Final Order in Docket No. 09-0539, the 2009 PGA reconciliation, ordered  
75 the Company to collect a Factor O of \$16,284. Inclusion of the 2009 Factor O in  
76 this reconciliation provides for tracking of the 2009 Factor O until the period in  
77 which it is refunded to ratepayers.

78 The Final Order in Docket No. 10-0686, the 2010 PGA reconciliation, ordered  
79 the Company to refund a Factor O of \$(13,812). Inclusion of the 2010 Factor O  
80 in this reconciliation provides for tracking of the 2010 Factor O until the period in  
81 which it is refunded to ratepayers.

82 The Company filed its testimony in 2012 prior to the date the Commission  
83 entered its Orders concerning the 2007 through 2010 reconciliations. Thus, the

84 Company could not have reflected these Factor O refunds within its 2011  
85 reconciliation.

86 **Interest on Factor O from Prior Orders**

87 **Q. Please explain the adjustment for the interest on Factor O from prior orders**  
88 **in Column (c), Line 11 of Schedule 1.01.**

89 A. My \$(2,032) adjustment in Column (c), Line 11 reflects the interest on prior  
90 period Factor O refunds as ordered in the 2005 through 2010 reconciliations.  
91 The adjustment reflects interest calculated for the 2011 reconciliation year. See  
92 Schedule 1.03.

93 **Adjustments to PGA Revenues**

94 **Q. Please explain the adjustment to the 2011 PGA revenues in Column (d),**  
95 **Line 7 of Schedule 1.01.**

96 A. My \$(539) adjustment in Column (d), Line 7 corrects 2011 PGA revenues to be  
97 the summation of the 2011 monthly sales reports. My review of the monthly sales  
98 reports and summary schedules provided by the Company in response to Staff  
99 Data Requests noted errors in the recording of the monthly PGA revenues.

100 **Recommendations**

101 **Q. Do you have any recommendations?**

102 A. Yes. I recommend that the Commission adopt the following reconciliation  
103 schedules and attach the indicated schedules as an Appendix to the Final Order  
104 in this proceeding:

105 Schedule 1.01 – Reconciliation of Purchased Gas Adjustment Clause

106 Schedule 1.02 – Factor O Summary

107 Schedule 1.03 – Staff Adjustments to Interest on Factor O

108 I also recommend that the Commission direct Consumers to refund in the first  
109 monthly PGA filed after the date of the Final Order in this docket the Factor O  
110 amount of \$(1,755) plus interest as reflected in ICC Staff Exhibit 1.0, Schedule  
111 1.01, Column (e), Line 17.

112 **Conclusion**

113 **Q. Does this question end your prepared direct testimony?**

114 **A. Yes.**

**Consumers Gas Company**  
**Reconciliation of Purchased Gas Adjustment Clause**  
**For the Twelve Months Ended December 31, 2011**  
**(In Dollars)**

Line No.	Description	Amount per Company	Adjustment from Prior Orders	Staff Adjustments	Amount per Staff (b)+(c)+(d)
	(a)	(b)	(c)	(d)	(e)
<b><u>Balances to be Collected / (Refunded) from Prior Years</u></b>					
1	Unamortized Balance as of 12/31/2010 per 2010 Reconciliation	\$ 200,000	-	-	\$ 200,000
2	Factor A Adjustments Amortized to Schedule I at 12/31/2010	38,471	-	-	38,471
3	Factor O Collected / (Refunded) during 2011	(213,076)	-	-	(213,076)
4	Factor O Collected / (Refunded) in future years	-	(336,083)	-	(336,083)
5	Balance to be Collected / (Refunded) from prior years (Sum of Lines 1 - 4)	<u>\$ 25,395</u>	<u>\$ (336,083)</u>	<u>\$ -</u>	<u>\$ (310,688)</u>
<b><u>Under / (Over) Recovery from Current Year</u></b>					
6	2011 Gas Costs	2,839,894	-	-	\$ 2,839,894
7	2011 PGA Revenues	(2,873,974)	-	(539)	(2,874,513)
8	Pipeline Surcharges / (Refunds)	-	-	-	-
9	Other Adjustments	-	-	-	-
10	Interest - Unamortized Balance	(1,314)	-	-	(1,314)
11	Interest - Factor O	-	(2,032)	-	(2,032)
12	2011 Under / (Over) Recovery (Sum of Lines 6-11)	<u>\$ (35,394)</u>	<u>\$ (2,032)</u>	<u>\$ (539)</u>	<u>\$ (37,965)</u>
13	Under / (Over) Recovery Balance at 12/31/2011 (Line 5 + 12)	<u>\$ (9,999)</u>	<u>\$ (338,115)</u>	<u>\$ (539)</u>	<u>\$ (348,653)</u>
<b><u>Disposition of Under / (Over) Recovery Balance at 12/31/2011</u></b>					
14	Factor A Adjustments Amortized to Schedule I at 12/31/2011	\$ (14,074)	\$ -	\$ -	\$ (14,074)
15	Factor O Refunded in future years	-	(338,115)	-	(338,115)
16	Unamortized Balance as of 12/31/2011	5,291	-	-	5,291
17	2011 Requested Factor O to be Collected / (Refunded) (Line 13 - 14 - 15 - 16)	<u>(1,216)</u>	<u>0</u>	<u>(539)</u>	<u>(1,755)</u>
18	<b>Under / (Over) Recovery Balance at 12/31/2011 (Line 14 + 15 + 16 + 17)</b>	<u>\$ (9,999)</u>	<u>\$ (338,115)</u>	<u>\$ (539)</u>	<u>\$ (348,653)</u>

Sources:

- Column (b): Consumers Exhibit 3 Statement 1
- Column (c), Line 4: Schedule 1.02, Column (b), Line 7 + Column (d), Line 7
- Column (c), Line 11: Schedule 1.02, Column (e), Line 7
- Column (c), Line 15: Schedule 1.02, Column (f), Line 7
- Column (d), Line 6: Schedule 1.04, Column (b), Line 3

**Consumers Gas Company  
 Factor O Summary  
 For the Twelve Months Ended December 31, 2011  
 (In Dollars)**

Line No.	Description	Balance at 12/31/2010	2011 (Collections)	2011 Refunds	2011 Interest	Balance at 12/31/2011 (b)+(c)+(d)+(e)
	(a)	(b)	(c)	(d)	(e)	(f)
1	Docket No.05-0741	\$ (240)	-	-	(1)	\$ (241)
2	Docket No.06-0744	(213,386)	-	213,076	(353)	(663)
3	Docket No. 07-0570	(321,025)	-	-	(1,605)	(322,630)
4	Docket No. 08-0625	(17,062)	-	-	(85)	(17,147)
5	Docket No. 09-0539	16,365	-	-	82	16,447
6	Docket No. 10-0686	<u>(13,812)</u>	<u>-</u>	<u>-</u>	<u>(69)</u>	<u>(13,881)</u>
7	Totals (Sum of Lines 1 - 6)	<u>\$ (549,159)</u>	<u>\$ -</u>	<u>\$ 213,076</u>	<u>\$ (2,032)</u>	<u>\$ (338,115)</u>

Sources:  
 Column (b), Line 1: Schedule 1.03, Column (g), Line 6  
 Column (b), Line 2: Schedule 1.03, Column (g), Line 12  
 Column (b), Line 3: Schedule 1.03, Column (g), Line 18  
 Column (b), Line 4: Schedule 1.03, Column (g), Line 24  
 Column (b), Line 5: Schedule 1.03, Column (g), Line 30  
 Column (b), Line 6: Schedule 1.03, Column (g), Line 36  
 Column (d), Line 2: Schedule 1.03, Column (h), Line 11  
 Column (e), Line 1: Schedule 1.03, Column (h), Line 4  
 Column (e), Line 2: Schedule 1.03, Column (h), Line 10 + Column (i), Line 10  
 Column (e), Line 3: Schedule 1.03, Column (h), Line 16  
 Column (e), Line 4: Schedule 1.03, Column (h), Line 22  
 Column (e), Line 5: Schedule 1.03, Column (h), Line 28

Consumers Gas Company  
 Staff Adjustments to Interest on Factor O  
 For the Twelve Months Ended December 31, 2011  
 (In Dollars)

Line No.	Description	2006	2007	2008	2009	2009	2010	2011	2011
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<b>Docket No. 05-0741 Factor O</b>									
1	Factor O	\$ (36,210)							
2	Interest Rate	4.5%	5%	3.50%	1.00%	1.00%	0.50%	0.50%	
3	% of Year	100%	100%	100%	16.16%	83.84%	100%	100%	
4	Interest on Factor O ( 2006 = Line 1 x Line 2 x Line 3) ( 2011 = Line 6 x Line 2 x Line 3)	(1,629)	(1,892)	(1,391)	(66)	(2)	(1)	(1)	
5	Amount Refunded - March 2009	-	-	-	40,952	-	-	-	
6	Ending Balance (Line 1 + Line 4 + Line 5)	<u>\$ (37,839)</u>	<u>\$ (39,731)</u>	<u>\$ (41,122)</u>	<u>\$ (236)</u>	<u>\$ (238)</u>	<u>\$ (240)</u>	<u>\$ (241)</u>	
<b>Docket No. 06-0744 Factor O</b>									
7	Factor O		\$ (193,441)						
8	Interest Rate		5%	3.50%	1.00%		0.50%	0.50%	0.50%
9	% of Year		100%	100%	100%		100%	32.88%	67.12%
10	Interest on Factor O ( 2007 = Line 7 x Line 8 x Line 9) ( 2011 = Line 12 x Line 8 x Line 9)		(9,672)	(7,109)	(2,102)		(1,062)	(351)	(2)
11	Amount Refunded - May 2011		-	-	-		-	213,076	
12	Ending Balance (Line 7 + Line 10 + Line 11)		<u>\$ (203,113)</u>	<u>\$ (210,222)</u>	<u>\$ (212,324)</u>		<u>\$ (213,386)</u>	<u>\$ (661)</u>	<u>\$ (663)</u>
<b>Docket No. 07-0570 Factor O</b>									
13	Factor O			\$ (305,570)					
14	Interest Rate			3.50%	1.00%		0.50%	0.50%	
15	% of Year			100%	100%		100%	100%	
16	Interest on Factor O ( 2008 = Line 13 x Line 14 x Line 15) ( 2011 = Line 18 x Line 14 x Line 15)			(10,695)	(3,163)		(1,597)	(1,605)	
17	Amount Refunded - December 2014			-	-		-	-	
18	Ending Balance (Line 13 + Line 16 + Line 17)			<u>\$ (316,265)</u>	<u>\$ (319,428)</u>		<u>\$ (321,025)</u>	<u>\$ (322,630)</u>	
<b>Docket No. 08-0625 Factor O</b>									
19	Factor O			\$ (16,809)					
20	Interest Rate			1.00%			0.50%	0.50%	
21	% of Year			100%			100%	100%	
22	Interest on Factor O (2009 = Line 19 x Line 20 x Line 21) (2011 = Line 24 x Line 20 x Line 21)			(168)			(85)	(85)	
23	Amount Refunded			-	-		-	-	
24	Ending Balance (Line 19 + Line 22 + Line 23)			<u>\$ (16,977)</u>			<u>\$ (17,062)</u>	<u>\$ (17,147)</u>	
<b>Docket No. 09-0539 Factor O</b>									
25	Factor O						\$ 16,284		
26	Interest Rate						0.50%	0.50%	
27	% of Year						100%	100%	
28	Interest on Factor O ( 2010 = Line 25 x Line 26 x Line 27) ( 2011 = Line 30 x Line 26 x Line 27)						81	82	
29	Amount Collected						-	-	
30	Ending Balance (Line 25 + Line 28 + Line 29)						<u>\$ 16,365</u>	<u>\$ 16,447</u>	
<b>Docket No. 10-0686 Factor O</b>									
31	Factor O							\$ (13,812)	
32	Interest Rate							0.50%	
33	% of Year							100%	
34	Interest on Factor O ( Line 25 x Line 26 x Line 27)							(69)	
35	Amount Refunded							-	
36	Ending Balance (Line 31 + Line 34 + Line 35)							<u>\$ (13,881)</u>	

Sources:

Column (b) Line 1: Docket No 05-0741, Order Appendix  
 Column (c) Line 7: Docket No 06-0744, Order Appendix  
 Column (d) Line 13: Docket No. 07-0570, Order Appendix:  
 Column (e) Line 19: Docket No. 08-0625, Order Appendix:  
 Column (g) Line 25: Docket No. 09-0539, Order Appendix:  
 Column (h) Line 31: Docket No. 10-0686, Order Appendix:

Consumers Gas Company  
 Staff Adjustments to PGA Revenues  
 For the Twelve Months Ended December 31, 2011  
 (In Dollars)

Line No.	Description (a)	Amount (b)	Source (c)
	<u>PGA Revenues</u>		
1	Total Actual PGA Revenues per Staff	\$ (2,874,513)	Monthly Sales Summary provided by Company in Response to Staff Year-End Data Requests
2	Total PGA Revenues per Company	<u>(2,873,974)</u>	Consumers Exhibit 3 Statement 1
3	Staff Adjustment	<u><u>\$ (539)</u></u>	Line 1 - Line 2

State of Illinois            )  
  )  
County of Sangamon        )

**AFFIDAVIT OF MIKE OSTRANDER**

I, Mike Ostrander, being first duly sworn upon oath, depose and state as follows:

- 1. My name is Mike Ostrander. My business address is 527 E. Capitol Avenue, Springfield, Illinois 62701. I am employed by the Illinois Commerce Commission (“Commission”) as an Accountant in the Accounting Department of the Financial Analysis Division.
- 2. On today’s date, my direct testimony was filed in this proceeding via the Commission’s e-Docket system (“Direct Testimony”). My Direct Testimony was prepared by me or under my direction and control, is marked for identification as ICC Staff Exhibit 1.0, and consists of a cover page, Table of Contents, 6 pages of questions and answers, and Schedules 1.01-1.04.
- 3. If asked under oath or affirmation the questions posed in my Direct Testimony, I would provide the same answers contained therein.
- 4. The answers contained in my Direct Testimony are true and accurate to the best of my knowledge and belief.

Further affiant sayeth naught.

Mike Ostrander  
Mike Ostrander  
Illinois Commerce Commission

Subscribed and sworn to before me  
this 12<sup>th</sup> day of August, 2015.

[Signature]  
Notary Public

