

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company	:	
	:	15-0207
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	:	(Cons.)
	:	
The Peoples Gas Light and Coke Company	:	
	:	
Petition Pursuant to Rider VBA of	:	15-0208
Schedule of Rates for Gas Service to	:	
Initiate a Proceeding to Determine the	:	
Accuracy of the Rider VBA	:	
Reconciliation Statement	:	

PROPOSED FORM OF ORDER

By the Commission:

I. PROCEDURAL HISTORY

On March 20, 2015, North Shore Gas Company (“North Shore”) and The Peoples Gas Light and Coke Company (“Peoples Gas”) (together, the “Utilities”) each filed a Petition to initiate an annual reconciliation proceeding to determine the accuracy of the statement that each utility submitted pursuant to Rider VBA of its Schedule of Rates for Gas Service (“Rider VBA”). With their Petitions, North Shore and Peoples Gas each also filed the direct testimony and exhibit of Karen A. Tiedmann, Rate Case Consultant in Regulatory Affairs.

The Commission docketed the North Shore filing as Docket No. 15-0207 and the Peoples Gas filing as Docket No. 15-0208.

On March 23, 2015, the Office of the Illinois Attorney General entered appearances.

On May 26, 2015, the Administrative Law Judge (“ALJ”) consolidated the dockets.

On September 9, 2015, the Commission Staff filed the Direct Testimony of Theresa Ebrey, an Accountant in the Accounting Department of the Financial Analysis Division.

An evidentiary hearing was held on October 21, 2015. Admitted into the record, by affidavit, were the direct testimony and exhibits of Karen A. Tiedmann, on behalf of each of North Shore (NSG Exs. 1.0 and 1.1) and Peoples Gas (PGL Exs. 1.0 and 1.1) and her affidavit (NSG-PGL Ex. 1.0). Also admitted into the record, by affidavit, were the Direct Testimony of Theresa Ebrey (ICC Staff Ex. 1.0) and her affidavit (ICC Staff Ex. 1.01).

On October 21, 2015, the ALJ marked the record “Heard and Taken.”

On November 18, 2015, the Utilities filed an agreed form of draft proposed order.

The Commission considers the whole of the record and the arguments presented.

II. ISSUES

A. The Utilities’ Position

North Shore’s and Peoples Gas’ Schedule of Rates for Gas Service each include Rider VBA, Volume Balancing Adjustment. The Commission approved a permanent version of Rider VBA in its Order in *North Shore Gas Co., et al.*, Docket Nos. 11-0280/11-0281 (cons.). NSG Ex. 1.0 at 2-3; PGL Ex. 1.0 at 2-3. Utilities witness Ms. Tiedmann stated that the reconciliation period is January 1, 2014, through December 31, 2014. NSG Ex. 1.0 at 4; PGL Ex. 1.0 at 4.

Ms. Tiedmann stated that in December 2013 the Commission issued a final order on Rehearing in Docket Nos. 12-0511/12-0512 (cons.) (the “2012 Rate Order”). In compliance with the 2012 Rate Order and Section F of Rider VBA, North Shore and Peoples Gas each filed, on December 20, 2013, a Rider VBA Compliance Report with the new baselines for each Service Classification (“S.C.”) (and for S.C. No. 1 Heating and Non-Heating separately) for Rate Case Revenue (RCR) and Percentage of Fixed Costs (PFC). The second baseline shown in this report is applicable to this Rider VBA filing as it reflects the rates that were effective January 1, 2014, and in effect for an entire year at the rates approved in the 2012 Rate Order. NSG Ex. 1.0 at 4-5; PGL Ex. 1.0 at 4-5.

Ms. Tiedmann testified that the annual adjustment component for 2014 for North Shore’s S.C. No. 1 Heating customers is a refund of \$3,405,793.07 and the RA component is a recovery of \$243,215.72, resulting in a total refund amount of \$3,162,577.35. This results in a 3.20 cents per therm credit for S.C. No. 1 Heating customers over the nine-month period beginning April 1, 2015. NSG Ex. 1.0 at 9; NSG Ex. 1.1.

She testified that the annual adjustment component for 2014 for North Shore’s S.C. No. 1 Non-Heating customers is a refund of \$1,848.44 and the RA component is a recovery of \$330.58, resulting in a total refund amount of \$1,517.86. This results in a 0.98 cents per therm credit for S.C. No. 1 Non-Heating customers over the nine-month period beginning April 1, 2015. NSG Ex. 1.0 at 9-10; NSG Ex. 1.1.

Ms. Tiedmann testified that the annual adjustment component for 2014 for North Shore’s S.C. No. 2 customers is a refund of \$1,139,945.22 and the RA component is a recovery of \$166,927.68, resulting in a total refund amount of \$973,017.54. This results

in a 1.86 cents per therm credit for S.C. No. 2 customers over the nine-month period beginning April 1, 2015. NSG Ex. 1.0 at 10; NSG Ex. 1.1.

Ms. Tiedmann testified that the annual adjustment component for 2014 for Peoples Gas' S.C. No. 1 Heating customers is a refund of \$19,676,237.51 and the RA component is a recovery of \$1,401,893.77, resulting in a total refund amount of \$18,274,343.74. This results in a 5.17 cents per therm credit for S.C. No. 1 Heating customers over the nine-month period beginning April 1, 2015. PGL Ex. 1.0 at 9; PGL Ex. 1.1.

She testified that the annual adjustment component for 2014 for Peoples Gas' S.C. No. 1 Non-Heating customers is a recovery of \$4,069.21 and the RA component is a recovery of \$4,524.71, resulting in a total recovery amount of \$8,593.92. This results in a 0.15 cents per therm charge for S.C. No. 1 Non-Heating customers over the nine-month period beginning April 1, 2015. PGL Ex. 1.0 at 9-10; PGL Ex. 1.1.

Ms. Tiedmann testified that the annual adjustment component for 2014 for Peoples Gas' S.C. No. 2 customers is a refund of \$10,182,782.58 and the RA component is a recovery of \$945,164.52, resulting in a total refund amount of \$9,237,618.06. This results in a 2.56 cents per therm credit for S.C. No. 2 customers over the nine-month period beginning April 1, 2015. PGL Ex. 1.0 at 10; PGL Ex. 1.1.

In addition, the Utilities each filed with their Petitions data showing their rates of return ("ROR") and their returns on equity ("ROE") with and without Rider VBA. Those data are:

	With Rider VBA		Without Rider VBA	
	ROR	ROE	ROR	ROE
North Shore	6.97%	11.13%	8.06%	13.18%
Peoples Gas	4.50%	5.29%	5.48%	7.21%

B. Staff's Position

Staff witness Ms. Ebrey stated that she was not sponsoring any schedules with her testimony because she was not recommending any adjustments. Instead, she recommended that the Commission attach NSG Ex. 1.1, pages 2 through 4, and PGL Ex. 1.1, pages 2 through 4, to the Final Order in this proceeding as the approved reconciliation schedules. ICC Staff Ex. 1.0 at 2-3.

Ms. Ebrey also addressed the Utilities' rate of return data and presented the following comparisons:

North Shore 2014 Results	Including Rider VBA	Excluding Rider VBA	Authorized per Order in Docket Nos. 12-0511/12-0512 (cons.)
ROR	6.97%	8.06%	6.72%
ROE	11.13%	13.18%	9.28%

She stated that this means Rider VBA lowered North Shore's 2014 ROR and ROE by 1.09% and 2.05%, respectively. *Id.* at 4.

Peoples Gas 2014 Results	Including Rider VBA	Excluding Rider VBA	Authorized per Order in Docket Nos. 12-0511/12-0512 (cons.)
ROR	4.50%	5.48%	6.67%
ROE	5.29%	7.21%	9.28%

Ms. Ebrey stated that this means Rider VBA lowered Peoples Gas' 2014 ROR and ROE by 0.98% and 1.92%, respectively. *Id.*

Ms. Ebrey further testified that, at the time she submitted her direct testimony, she had outstanding data requests concerning the calculations of North Shore's ROR and ROE. She stated she may file supplemental direct testimony after receiving and analyzing the data responses. Ms. Ebrey did not file supplemental direct testimony.

III. COMMISSION ANALYSIS AND CONCLUSION

Upon consideration of the whole of the record and the arguments presented, the Commission finds Staff's recommendations reasonable and they are hereby adopted. The Commission adopts Staff's recommendation and accepts Petitioners' determination of the Adjustments for 2014 and the accuracy of the statement pursuant to Rider VBA, as shown on pages 2-4 of each of NSG Ex. 1.1 and PGL Ex. 1.1, appended to this Order.

IV. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) North Shore Gas Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) The Peoples Gas Light and Coke Company is an Illinois corporation engaged in the distribution of natural gas to the public in the State of Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (3) the Commission has jurisdiction over North Shore and Peoples Gas and of the subject matter of this proceeding;
- (4) the recitals of fact and the conclusions reached in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (5) North Shore and Peoples Gas each filed a reconciliation of rate case revenue and actual revenue under Rider VBA, Volume Balancing Adjustment, of its Schedule of Rates, for the period January 1, 2014,

through December 31, 2014, including a reconciliation of adjustments billed under the rider during the fiscal year;

- (6) Staff recommended that the Commission accept the reconciliation adjustments presented by North Shore and Peoples Gas, as shown in pages 2-4 of each of NSG Ex. 1.1 and PGL Ex. 1.1, and Appendices A (North Shore) and B (Peoples Gas), attached to this Order, show the information from those pages;
- (7) the 2014 fiscal year adjustments and the RA components that each of North Shore and Peoples Gas implemented for the nine-month period beginning April 1, 2015, are uncontested;
- (8) North Shore's return on equity for 2014 including Rider VBA results was 11.13% and excluding Rider VBA results was 13.18%, and its rate of return for 2014 including Rider VBA was 6.97% and the rate of return excluding Rider VBA was 8.06%;
- (9) Peoples Gas' return on equity for 2014 including Rider VBA results was 5.29% and excluding Rider VBA results was 7.21%, and its rate of return for 2014 including Rider VBA was 4.50% and the rate of return excluding Rider VBA was 5.48%; and
- (10) all motions, petitions, objections or other matters in this proceeding which remain undisposed of should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED that, North Shore's and Peoples Gas' reconciliation statements and the Reconciliation Adjustments are approved, as shown in Appendix A (North Shore) and Appendix B (Peoples Gas);

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this _____ day of _____, 201__.

(SIGNED) Brien Sheahan

CHAIRMAN