

Docket No. 00-0720
ICC Staff EX. 1.00

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I.C.C. DOCKET NO. 00-0720

ICC Staff Exhibit No. L. 00

Witness Gorniak

Date 8/28/01 Reporter J.W.

DIRECT TESTIMONY

OF

GARRET E. GORNIAK

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

THE PEOPLES GAS LIGHT AND COKE COMPANY

DOCKET NO. 00-0720

MAY 31, 2001

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

2

3 A. My name is Garret E. Gomiak. My business address is 160 N. LaSalle
4 Street Suite C-800 Chicago, Illinois 60601.

5

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

7

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

10

11 **Q. What is the function of the Commission's Accounting Department?**

12

13 A. The Department's function is to monitor the financial condition of public
14 utilities as part of the Commission's responsibilities under Article IV of the
15 Public Utilities Act (220 ILCS 5/1-101 *et seq.*) and to provide accounting
16 expertise on matters before the Commission.

17

18 **Q. Please describe your background and professional affiliation.**

19

20 A. In 1969 I received a Bachelor of Science Degree in Management from the
21 University of Illinois. I have a Master of Business Administration In
22 Accounting from the University of Chicago. My prior accounting experience

23 includes two and one half years as a staff auditor for Arthur Young &
24 Company, Certified Public Accountants. I am a Certified Public Accountant,
25 licensed to practice in the State of Illinois, and a member of the Illinois
26 Society of Certified Public Accountants. I joined the Commission's staff
27 ("Staff") in October 1975.

28

29 **Q. Have you previously testified before a regulatory body?**

30

31 A. Yes, I have testified on numerous occasions before the Commission.

32

33 **Q. What are your responsibilities in this case?**

34

35 A. I have been assigned to this case by the Commission's Manager of the
36 Accounting Department. I am to review The Peoples Gas Light & Coke
37 Company's ("Peoples" or "Company") reconciliation of its purchased gas
38 adjustment ("PGA") clause revenues and costs for the fiscal year ended
39 September 30, 2000, analyze the underlying data and propose adjustments
40 when appropriate.

41

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

43

44 A. The purpose of my testimony is to report the results of my review of Peoples
45 Gas' PGA reconciliation as presented by its witness Valerie Grace on
46 Respondent's Exhibit 1, page 2 of 9, and the underlying documents which
47 support the calculations.

48

49 **Q. Please describe the steps you took for your review of the PGA**
50 **reconciliation.**

51

52 The review steps included:

53 1) Tracing gas costs and revenues from the annual reconciliation to the
54 monthly PGA reports filed with the Commission to verify that the amounts
55 reported on the annual reconciliation were the amounts actually flowed
56 through the PGA clause;

57 2) Tracing gas costs and therm sales from the annual reconciliation to
58 the Company's Statement Ledger to verify that the amounts reported in the
59 annual reconciliation were the amounts recorded in the financial records of
60 the Company;

61 3) Tracing 100% of the gas costs for a randomly selected month to
62 supplier invoices to ensure that only eligible costs are recovered through the
63 PGA clause;

64 4) Recalculating the PGA charge for a sample of customer bills from
65 each billing cycle during a randomly selected month for customers in the

- 66 residential, commercial and industrial classes to ensure that the PGA rate
67 has been properly billed;
- 68 5) Verifying gas revenue for a randomly selected month by applying that
69 month's gas charge to the total therms sold for the month to ensure that the
70 reported PGA monthly revenues were appropriately stated;
- 71 6) Tracing revenues from Peoples Gas' PGA annual reconciliation to the
72 Company's sales summary to ensure that the annual PGA revenues reported
73 in the reconciliation were supported by the sales summary;
- 74 7) Reviewing the Company's methodology used to cost injections and
75 withdrawals to and from storage fields to ensure that storage activity was
76 appropriately calculated in accordance with an acceptable and consistently
77 applied accounting method;
- 78 8) Reviewing workpapers developed by the Company's external
79 independent auditors for their audit of the company's PGA reconciliation to
80 determine whether there were any findings from the external audit that
81 should be considered in my review; and
- 82 9) Reviewing workpapers developed by the Company's internal auditors
83 for their audit of the company's PGA reconciliation to determine whether
84 there were any findings from the internal audits that should be considered in
85 my review.

86

87 **Q. Based on your review, do you recommend any adjustments to**
88 **Peoples Gas' PGA reconciliation?**

89

90 A. No. I have found no reason to object to the Company's reconciliation of PGA
91 revenues collected under its PGA clause with the actual cost of gas supplies.

92 I recommend that the Commission accept the reconciliation of revenues

93 collected under the PGA clause with the actual costs as reflected on

94 Respondent's Exhibit 1 sponsored by Company witness Valerie Grace.

95

96 The reconciliation in this proceeding does not require an Ordered

97 Reconciliation Factor (Factor O). The under recovery balance at the end of

98 the reconciliation year has been carried over to the following year through the

99 Adjustment Factor (Factor A) in accordance with 83 Ill. Adm. Code 525.50.

100

101 **Q. Does this conclude your testimony?**

102

103 A. Yes, it does.