

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission,)	
On Its Own Motion)	
)	
v.)	ICC No.: 11-0120
)	
The Peoples Gas Light and Coke Company)	
)	
Reconciliation of revenues collected under)	
Coal Tar riders with prudent costs associated)	
with coal tar cleanup expenditures.)	
)	

DIRECT TESTIMONY OF
BRIAN F. BARTOSZEK

- 1 Q. Please state your name.
- 2 A. My name is Brian F. Bartoszek.
- 3 Q. Please describe your educational background and employment history.
- 4 A. I received a Bachelor of Science degree in Environmental Engineering
- 5 from Michigan Technological University in 1994. I began my career as a Staff
- 6 Engineer in 1994 with an environmental consulting firm where I remained
- 7 employed until 2004, leaving with the title of Senior Engineer. In August, 2004 I
- 8 began employment with Wisconsin Public Service Corporation ("WPSC"), now an
- 9 affiliate of the Respondent, The Peoples Gas Light and Coke Company
- 10 ("Respondent", "Peoples" or the "Company") as an Environmental Consultant. I
- 11 became the Manager of Remediation and Solid Waste in 2007. On February 21,
- 12 2007, a corporate merger occurred whereby Peoples and WPSC became one of
- 13 several subsidiaries of Integrys Energy Group, Inc.; other subsidiaries include
- 14 North Shore Gas Company and Integrys Business Support, LLC ("IBS"). I

15 currently hold the title of Manager of Remediation and Solid Waste for IBS,
16 Peoples' affiliate service provider company. In that position I oversee certain
17 environmental activities for both Peoples and North Shore Gas Company.

18 Q. What are your responsibilities as Manager of Remediation and Solid
19 Waste?

20 A. As Manager, I have responsibility for the management of environmental
21 activities conducted for Respondent by the Environmental Services Department.
22 I managed these responsibilities exclusively beginning in July, 2009 and am
23 therefore familiar with all such activities that took place during the four quarters
24 beginning January 1, 2010 and ending December 31, 2010, the reconciliation
25 year for purposes of this proceeding ("Fiscal Year 2010").

26 Q. Please describe the environmental activities and responsibilities of the
27 Environmental Services Department as they relate to the Company's former
28 manufactured gas operations.

29 A. The Environmental Services Department has the primary responsibility for
30 the oversight of the environmental operations of the Company. Personnel from
31 the Environmental Services Department review and comment upon documents
32 and technical materials that are prepared by the Company's environmental
33 consultants and also review the invoices that those consultants submit to the
34 Company for the work that they perform. In addition, personnel from the
35 Environmental Services Department oversee and assist the Company's
36 environmental consultants in conducting field investigations.

37 Q. What is the purpose of your testimony?

38 A. My testimony is given for the purpose of describing the environmental
39 activities that have given rise to the incremental costs that were recorded by
40 Peoples under its Rider 11, "Adjustment for Incremental Costs of Environmental
41 Activities," during Fiscal Year 2010.

42 Q. What is the nature of the incremental costs that Respondent records under
43 Rider 11?

44 A. The incremental costs that Peoples records under its Rider 11 are the
45 costs that it incurs in connection with the environmental activities that are
46 required in order to comply with environmental laws and regulations. These
47 incremental costs relate to manufactured gas operations that were formerly
48 conducted by Peoples and its corporate predecessors and affiliates.

49 Q. What is Respondent's policy on complying with environmental laws and
50 regulations?

51 A. It is the Company's policy to comply fully with environmental laws and
52 regulations.

53 Q. What is Peoples' policy regarding the costs that are incurred as a result of
54 its policy to fully comply with environmental laws and regulations?

55 A. It is the policy of Peoples to control such costs to the fullest possible
56 extent. Because of this policy to control costs, Peoples will make expenditures
57 only when it is determined to be prudent to do so.

58 Q. What standard does Respondent use in determining the prudence of the
59 expenditures that it makes in complying with environmental laws and
60 regulations?

61 A. In determining whether or not to make expenditures in complying with
62 environmental laws and regulations, the Company uses the following standards:
63 1) reasonable and appropriate business standards; 2) the requirements of other
64 relevant state and/or federal authorities; 3) the minimization of costs to
65 ratepayers in a manner that is consistent with safety, reliability and quality
66 assurance; and 4) the facts that are known to the Company at the time that the
67 expenditures are made.

68 Q. How does Peoples control the costs it incurs in connection with complying
69 with environmental laws and regulations?

70 A. The most effective way for Peoples to control those costs is to be actively
71 involved in the determinations that are made regarding the timing, choice and
72 scope of environmental activities. This participation is necessary because of
73 Peoples' desire to keep the cost of its service competitive.

74 Q. When did Peoples and its corporate predecessors and affiliates conduct
75 manufactured gas operations?

76 A. In Peoples' territory, manufactured gas operations were conducted over
77 some 110 years -- from 1850 to about 1960. Manufactured gas was essentially
78 the only gas sold in Chicago until 1931, when natural gas became available
79 through the interstate pipeline system. From 1931 to 1956, Respondent sold a
80 mixed gas comprised of manufactured gas and natural gas. Natural gas became
81 the sole base supply in 1956. For a few years after 1956, manufactured gas was
82 used in declining quantities, and then only for peaking purposes.

83 Q. Does Peoples currently conduct and manufactured gas operations?

84 A. No. The gas supply that Peoples currently distributes to its customers is
85 the natural gas obtained from the gas producing regions of the United States and
86 Canada that is transported to Peoples' service territory through the intrastate and
87 interstate pipeline systems.

88 Q. Please describe the process by which Respondent and its corporate
89 predecessors and affiliates previously manufactured and stored gas.

90 A. Coal, coke (an energy rich material converted from coal) and oil were the
91 primary raw materials used in the manufacturing processes. Depending upon
92 the type of manufactured process, coal or coke was loaded into ovens and
93 heated, which thereby produced a low-Btu gas. Oil was then added to enrich the
94 heating value of the gas to the required level, which was approximately half the
95 heating value of the natural gas that is distributed today. At this point in the
96 manufacturing process, the gas stream passed through a variety of purifying
97 processes in order to make the gas suitable for distribution.

98 The manufactured gas was then stored in vessels, called holders, until it
99 was later distributed to customers. In addition to the holders that were located at
100 these manufacturing facilities, holders were also placed at strategic locations in
101 the utility's system to assist in balancing the gas sendout requirements.

102 Q. Do the costs that are recovered through Rider 11 arise because of a
103 failure to comply with laws in effect at the time the manufactured gas operations
104 were conducted?

105 A. No. The incremental costs that Peoples incurs are the result of various
106 duties and obligations that are imposed by laws and regulations enacted long

107 after Peoples discontinued manufactured gas operations. The manufactured gas
108 operations were conducted in accordance with then-existing industry standards.
109 We have found no indication that those operations violated any laws in existence
110 at that time.

111 Q. Please describe the types of costs that Peoples has typically incurred
112 during the course of its environmental activities.

113 A. Costs have been incurred, and continue to be incurred, in connection with
114 a variety of environmental activities that are related to former manufactured gas
115 operations. These activities can generally be divided into four phases.

116 First, there are those activities which are conducted before the actual
117 study of a site begins. These activities may include negotiations with the United
118 States Environmental Protection Agency ("USEPA") or the Illinois Environmental
119 Protection Agency ("IEPA"), as well as with other potentially responsible parties
120 ("PRPs"). A PRP is a party that is potentially liable for any contamination, or
121 portion of any contamination that might be present at a site. Therefore, a PRP is
122 potentially liable for the cost of any necessary investigative and remedial work at
123 the site. Costs which are associated with the negotiation of a consent decree or
124 of any other formal agreement may also be incurred during the first phase.

125 Second, an actual study of the site is conducted in order to determine the
126 nature and extent of the contamination that is present, and to identify and
127 develop alternative remediation strategies.

128 Third, a remediation strategy is chosen which may entail public hearings
129 conducted by the USEPA or the IEPA.

130 Fourth, the remediation strategy is implemented and monitored.
131 The activities that are conducted during each of these phases require a
132 highly technical and specialized level of experience and expertise that is obtained
133 from carefully chosen environmental engineers and consultants, laboratory and
134 testing services, law firms, and contractors who perform field work during the
135 investigative and remedial phases. Substantial costs are incurred by the
136 Company as a result of the work that is performed by these vendors.

137 The Company may also incur costs because of the issuance of a
138 judgment, or of an order entered by a court, or of a state or federal regulatory
139 agency. In addition, costs may arise from activities related to the identification of
140 PRPs and insurance carriers and in connection with cost recovery litigation
141 against them.

142 Q. What is Respondent's policy with regard to PRPs and insurance carriers?

143 A. It is the Company's policy to make all reasonable efforts necessary to
144 vigorously pursue recovery of incremental costs from PRPs and insurance
145 carriers that are incurred as a result of environmental activity.

146 Q. Does the Company incur any other types of costs in connection with
147 environmental activities at its sites?

148 A. Yes. With respect to property acquired before October 1, 2005, the
149 Company has incurred and will continue to incur costs in connection with the
150 acquisition and subsequent ownership of all or a portion of a site. The purpose of
151 such an acquisition is to enable the Company to better control the timing and
152 extent of remediation of the property which it acquires and to eliminate or reduce

153 the potential for various types of claims associated with the property. The
154 Company bases its decision to purchase the property after evaluating some or all
155 of the following factors: (1) information about market value of the property without
156 consideration for environmental factors; (2) nature and extent of contamination;
157 (3) range of remedial levels and associated costs; (4) litigation costs and
158 potential litigation outcomes; (5) timing of remedial expenditures; (6) claims for
159 reimbursement of technical and legal fees associated with the review of
160 environmental reports; (7) claims for lease payments or access payments during
161 remediation; (8) claims for reimbursement of business interruption and relocation
162 costs; and (9) claims for reimbursement of costs associated with the
163 management of contaminated soil and groundwater remaining on the property
164 after remediation.

165 Q. What does the Company do with any income which it realizes in
166 connection with a property which it has acquired under the circumstances
167 described above?

168 A. In the event that the Company realizes income on a property which it has
169 acquired (through sale, lease or otherwise), it credits the income back to the
170 ratepayer under Rider 11.

171 Q. Does Respondent incur costs in connection with environmental activities
172 that it does not recover under Rider 11?

173 A. Yes. The in-house environmental engineers, regulatory personnel and
174 attorneys of IBS, the Company's corporate affiliate, are actively involved in the
175 Company's environmental activities. The Company incurs costs for wages or

176 salaries of these employees in connection with their environmental-related
177 activities. These costs are not "incremental costs" under Rider 11, and therefore
178 are not recoverable by the Company under Rider 11.

179 Q. Please describe Respondent's Exhibit 1.

180 A. Respondent's Exhibit 1 includes Peoples' verified report regarding its
181 Incremental Costs of Environmental Activities, which was filed with the Illinois
182 Commerce Commission on February 10, 2011. It was filed pursuant to the
183 Commission's Order dated October 6, 1992 in Docket 91-0586, and Section D of
184 Rider 11 of the Company's Schedule of Rates. Respondent's Exhibit 1 details
185 the incremental costs of environmental activities that Respondent incurred during
186 the quarter ended December 31, 2010, and during Fiscal Year 2010, and
187 cumulative through December 31, 2010. Also included in Respondent's Exhibit 1
188 is the related certification by Peoples' independent public accountant, Deloitte &
189 Touche, LLP, as required by the Company's Rider 11.

190 Page 8 of Respondent's Exhibit 1 consists of "Statement of Activity in,
191 Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2010,
192 Fiscal Year 2010 and Cumulative through December 31, 2010". Line 1 of
193 Column C shows that Respondent had a balance at the beginning of Fiscal Year
194 2010 of \$8,332,163.41, which represents environmental costs incurred prior to
195 Fiscal Year 2010 which were subject to recovery. Line 4 of Column C represents
196 debits (increases) to the account of \$4,111,666.80, which were incurred during
197 Fiscal Year 2010. Line 7 of Column C represents credits (decreases) to the
198 account of \$8,508,587.55 that were recovered from ratepayers during Fiscal

199 Year 2010 through operation of Rider 11. Line 10 of Column C represents
200 credits (decreases) to the account of \$27,341.77 that were recovered through the
201 settlement fund, which I will discuss later in my testimony. Line 12 of Column C
202 represents the Fiscal 2010 year-end balance in the account of \$3,907,900.89.
203 This balance will remain in the account until recovered through rates, through the
204 settlement fund, or through reimbursement by other PRPs or insurance carriers.

205 Page 9 of Respondent's Exhibit 1 consists of a "Statement of Activity in
206 the Settlement Fund, Quarter Ended December 31, 2010, Fiscal Year 2010, and
207 Cumulative through December 31, 2010".

208 Page 10 consists of a "Summary of Incremental Costs, Quarter Ended
209 December 31, 2010, Fiscal Year 2010, and Cumulative through December 31,
210 2010". Line 36 of Column D shows the Fiscal Year 2010 costs of \$4,111,666.80,
211 broken down by site, or by other category for those costs that are not attributable
212 to a specific site.

213 Q. Please describe the Settlement Fund.

214 A. On February 26, 1999, the Commission, in Docket R-18958, granted
215 Peoples' Request for Special Permission to revise Rider 11 to add provisions
216 relating to amounts received from insurance carriers or other entities in
217 settlement of the Company's claims where the payments apply to future costs.
218 The occasion for the Company's filing was the receipt of a substantial payment
219 by an insurance carrier in settlement of claims made in a pending lawsuit. The
220 Commission approved Peoples' proposal to establish a settlement fund to
221 identify and track the amounts arising from settlements with insurance carriers or

222 other entities that are available to pay costs otherwise recoverable under Rider
223 11. Beginning with incremental costs incurred in December 1998, 50% of such
224 costs are recovered through the settlement fund and 50% through Rider 11.

225 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010 Respondent
226 recovered \$27,341.77 from the Settlement Fund. Please describe this recovery.

227 A. During the Fiscal Year ending December 31, 2010, the Company
228 recovered \$27,341.77 in a settlement with an insurance carrier, which recovery
229 was accounted for through the Settlement Fund. Normally, this amount would
230 represent 50% of the amount available to recover for the net incremental costs
231 incurred by the Company during the Fiscal Year, but as of December 31, 2009,
232 and except for one-time recoveries such as the \$27,341.77 settlement described
233 herein, the Settlement Fund has been depleted.

234 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
235 incurred a total of \$191.00 in incremental costs for environmental activities
236 related to the Archives Site. Please describe the activities that resulted in
237 Peoples incurring incremental costs related to the Archives Site during Fiscal
238 Year 2010.

239 A. Costs were incurred in for professional services provided by outside legal
240 counsel. Additional costs were partially offset by a credit recorded as a result of
241 actual costs incurred coming in under previously estimated costs for outside legal
242 counsel.

243 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010 Respondent
244 realized a net credit of \$262,592.47 under Rider 11 for environmental activities

245 associated with the Crawford Station. Please describe the activities that resulted
246 in Respondent's realizing a credit related to the Crawford Station during Fiscal
247 Year 2010.

248 A. The credit was realized due to rental income received from companies
249 leasing portions of the property which had previously been repurchased by the
250 Company under the Rider and also for real estate tax accrual true-up on a
251 portion of the Crawford Station property previously purchased under the Rider.
252 The income was partially off-set by costs incurred primarily in connection with
253 site investigation and remediation activities at portions of the site by an outside
254 environmental consultant. Costs were also incurred for professional services
255 provided by outside legal counsel and real estate taxes accrued on site
256 purchases.

257 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
258 incurred a total of \$125,785.51 in incremental costs for environmental activities
259 related to the Division Street Station. Please describe the activities that resulted
260 in Peoples incurring incremental costs related to the Division Street Station
261 during Fiscal Year 2010.

262 A. Costs were incurred in connection with payments to the USEPA, the
263 performance of site investigation and remediation activities by an outside
264 environmental consultant and professional services provided by outside legal
265 counsel.

266 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
267 incurred \$8,234.80 in incremental costs under Rider 11 for environmental

268 activities that are associated with the Equitable Distribution Station. Please
269 describe the activities that resulted in Respondent's incurring incremental costs
270 related to the Equitable Distribution Station during Fiscal Year 2010.

271 A. Costs were primarily incurred in connection with payments made to the
272 IEPA, environmental site remediation activities by an outside environmental
273 consultant and professional services provided by outside legal counsel.

274 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
275 incurred a total of \$45,048.22 in incremental costs for environmental activities
276 related to the Hawthorne Station. Please describe the activities that resulted in
277 Peoples incurring incremental costs related to the Hawthorne Station during
278 Fiscal Year 2010.

279 A. Costs were primarily incurred in connection with payment to the USEPA,
280 professional services provided by outside legal counsel and for environmental
281 site remediation and investigation activities performed by outside environmental
282 consultants.

283 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
284 incurred a net total of \$45,356.81 in incremental costs for environmental activities
285 related to the Hough Place Station. Please describe the activities that resulted in
286 Peoples incurring net incremental costs related to the Hough Place Station
287 during Fiscal Year 2010.

288 A. Costs were incurred for payments to the USEPA, environmental site
289 investigation and remediation activities performed by an outside environmental
290 consultant and professional services provided by outside legal counsel.

291 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
292 realized a credit of \$1,677.00 for environmental activities related to the Irving
293 Park Road Station. Please describe the activities that resulted in Peoples
294 realizing a credit related to the Irving Park Road Station.

295 A. The Company recorded a credit due to actual costs that came in under
296 previously estimated costs. The credit was partially offset by costs incurred for
297 environmental investigation and remediation activities performed by an outside
298 consultant.

299 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
300 incurred a net total of \$11,898.86 in incremental costs for environmental activities
301 related to the Mutual Fuel Gas Works site. Please describe the activities that
302 resulted in Peoples incurring incremental costs related to the Mutual Fuel Gas
303 Works site.

304 A. Costs were incurred for legal services provided by outside legal counsel
305 and were partially offset by a credit associated with professional services that
306 came in under a previously recorded estimate.

307 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
308 incurred a total of \$31,895.35 in incremental costs for environmental activities
309 related to the North Shore Avenue Station. Please describe the activities that
310 resulted in Peoples incurring incremental costs related to the North Shore
311 Avenue Station during Fiscal Year 2010.

312 A. Costs were incurred for payments made to the USEPA and environmental
313 site investigation and remediation activities by outside environmental consultants.

314 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
315 incurred a total of \$27,143.77 in incremental costs for environmental activities
316 related to the North Station. Please describe the activities that resulted in
317 Peoples incurring incremental costs related to the North Station during Fiscal
318 Year 2010.

319 A. Costs were incurred primarily for environmental site investigation and
320 remediation activities performed by outside environmental consultants. The
321 Company incurred additional costs for professional legal services provided by
322 outside legal counsel and payments to the USEPA.

323 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
324 incurred \$186,410.25 in incremental costs under Rider 11 for environmental
325 activities that are associated with the Pitney Court Station. Please describe the
326 activities that were conducted in Fiscal Year 2010 relative to the Pitney Court
327 Station that resulted in Respondent incurring incremental costs.

328 A. Costs incurred are primarily attributable to environmental site remediation
329 and investigation activities performed by outside environmental consultants,
330 professional services provided by outside legal counsel and real estate taxes
331 accrued during the reconciliation period. Costs were also incurred for grounds
332 maintenance and payments to the USEPA.

333 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
334 incurred \$90,733.78 in incremental costs under Rider 11 for environmental
335 activities that are associated with the Pullman Station. Please describe the
336 activities that were conducted in Fiscal Year 2010 relative to the Pullman Station

337 that resulted in Respondent incurring incremental costs.

338 A. The Pullman Station costs were primarily attributable to professional
339 services provided by outside legal counsel.

340 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
341 incurred \$2,751.03 in incremental costs under Rider 11 for environmental
342 activities associated with the Roosevelt Road Station. Please describe the
343 activities that were conducted in Fiscal Year 2010 that resulted in incremental
344 costs for Roosevelt Road Station.

345 A. Environmental site investigation activities performed by an outside
346 environmental consultant resulted in costs attributable to the Roosevelt Road
347 Station.

348 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
349 incurred \$281,219.48 in net incremental costs under Rider 11 for environmental
350 activities that are associated with the South Station. Please describe the
351 activities that were conducted in Fiscal Year 2010 relative to the South Station
352 that resulted in Respondent incurring incremental costs.

353 A. Costs were primarily incurred at South Station in connection with
354 payments to the USEPA, environmental site remediation and investigation
355 activities performed by outside environmental consultants and professional
356 services provided by outside legal counsel. The Company also incurred costs for
357 grounds maintenance, disposal of environmental waste by and outside waste
358 disposal company and for real estate taxes accrued during the reconciliation
359 period. Cash received for a lease agreement partially offset costs incurred.

360 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
361 incurred a total of \$17,126.76 in incremental costs for environmental activities
362 that are associated with the Throop Street Station. Please describe the activities
363 that were conducted in Fiscal Year 2010 relative to the Throop Street Station that
364 resulted in Respondent incurring incremental costs.

365 A. Costs were incurred for payment to the USEPA, environmental site
366 remediation and investigation activities provided by an outside environmental
367 consultant and for professional services provided by outside legal counsel.

368 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
369 incurred a total of \$59,023.66 in incremental costs for environmental activities
370 related to the Willow Street Station. Please describe the activities that resulted in
371 Peoples incurring incremental costs related to the Willow Street Station during
372 Fiscal Year 2010.

373 A. The Company incurred costs primarily in connection with payment to the
374 USEPA, environmental site remediation and investigation activities by outside
375 environmental consultants and for professional services provided by outside legal
376 counsel.

377 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
378 incurred a total of \$153,954.53 in incremental costs for environmental activities
379 related to the 22nd Street Station. Please describe the activities that resulted in
380 Peoples incurring incremental costs related to the 22nd Street Station during
381 Fiscal Year 2010.

382 A. Costs were primarily incurred in connection with environmental site

383 remediation and investigation activities by an outside environmental consultant,
384 professional services rendered by outside legal counsel and payments made to
385 the USEPA. Costs were also incurred for transportation and disposal of
386 environmental waste material by an outside company.

387 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
388 incurred a total of \$349,837.42 in incremental costs for environmental activities
389 related to the 24th Place Station. Please describe the activities that resulted in
390 Peoples incurring incremental costs related to the 24th Place Station during Fiscal
391 Year 2010.

392 A. Costs were primarily incurred in connection with environmental site
393 investigation and remediation services performed by an outside environmental
394 consultant, waste disposal services provided by an outside waste disposal
395 company and for security services provided during site investigation by an
396 outside security company. The Company also incurred costs for professional
397 services provided by outside legal counsel.

398 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
399 incurred a total of \$4,983.26 in incremental costs for environmental activities
400 related to the 31st Street Station. Please describe the activities that resulted in
401 Peoples incurring incremental costs related to the 31st Street Station during
402 Fiscal Year 2010.

403 A. The Company's payment to the IEPA accounted for the costs associated
404 with 31st Street Station.

405 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent

406 incurred a total of \$454.98 in incremental costs for environmental activities
407 related to the 64th Street Station. Please describe the activities that resulted in
408 Peoples incurring incremental costs related to the 64th Street Station during
409 Fiscal Year 2010.

410 A. The Company's reimbursement payment to the IEPA and professional
411 services provided by outside legal counsel accounted for the costs associated
412 with 64th Street Station.

413 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
414 incurred \$1,776,999.09 in incremental costs under Rider 11 for environmental
415 activities that are associated with the 73rd Street Station. Please describe the
416 activities that were conducted in Fiscal Year 2010 relative to the 73rd Street
417 Station that resulted in Respondent incurring incremental costs.

418 A. The Company incurred costs primarily associated with environmental
419 remediation and investigation services provided by outside environmental
420 consultants. Costs were also incurred for reimbursement to the IEPA,
421 transportation and disposal services provided by an outside waste disposal
422 company and security services provided during site remediation. Additional
423 costs were incurred for grounds maintenance and repairs, partially offset by
424 scrap material reimbursements.

425 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
426 incurred a total of \$56,637.68 in incremental costs for environmental activities
427 related to the 96th Street Station. Please describe the activities that resulted in
428 Peoples incurring incremental costs related to the 96th Street Station during

429 Fiscal Year 2010.

430 A. Costs were primarily incurred in connection with site investigation and
431 remediation activities performed by outside environmental consultants and real
432 estate taxes accrued on property previously purchased under the Rider, prior to
433 October 1, 2005.

434 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
435 incurred \$19,309.62 in net incremental costs under Rider 11 for environmental
436 activities that are associated with the 110th Street Purifying Station. Please
437 describe the activities that resulted in Peoples incurring incremental costs related
438 to the 110th Street Purifying Station in Fiscal Year 2010.

439 A. Costs were incurred in connection with environmental site remediation and
440 investigation activities by an outside environmental consultant, reimbursement
441 payments made to the IEPA and for real estate tax accruals. A real estate tax
442 true-up partially offset costs incurred.

443 Q. What does Respondent's Exhibit 1 show in regards to Insurance Related
444 Costs and Recoveries incurred by Respondent during Fiscal Year 2010?

445 A. Exhibit 1 indicates that Respondent incurred no Insurance Related Costs
446 and Recoveries during Fiscal Year 2010. However, upon preparation of this
447 testimony, it was noted that certain insurance costs were misclassified into
448 General and Unallocated Costs. With the next quarterly filing, these costs will be
449 reclassified into the proper Insurance Related Costs and Recoveries category.
450 The amount of General and Unallocated Costs will be reduced by \$105,997.97,
451 and the amount of Insurance Related Costs will increase by \$105,997.97. This

452 correction will have no net effect on the total Fiscal Year 2010 costs incurred and
453 to be recovered from rate payers, as shown on Exhibit 1, Page 10, Line 36.

454 Q. Respondent's Exhibit 1 shows that during Fiscal Year 2010, Respondent
455 incurred \$823,164.72 in General and Unallocated Costs under Rider 11 for
456 environmental activities. Please describe the activities that gave rise to these
457 costs.

458 A. As previously noted, upon the preparation of my testimony, it was noted
459 that certain insurance related costs were misclassified into General and
460 Unallocated Costs. With the next quarterly filing, these costs will be reclassified
461 into the proper Insurance Related Costs and Recoveries category. General and
462 Unallocated Costs will be reduced by \$105,997.97 and Insurance Related Costs
463 will increased by \$105,997.97. The General and Unallocated Costs reflected on
464 Exhibit 1 were primarily attributable to miscellaneous charges and professional
465 services provided by outside legal counsel and outside consultants not allocable
466 to environmental activity at a specific former manufactured gas plant site.

467 Q. According to Respondent's Exhibit 1, Respondent incurred \$257,775.69 in
468 carrying charges in Fiscal Year 2010. Please explain.

469 A. Pursuant to Respondent's Rider 11 and the Commission's Order on
470 Remand in Consolidated Dockets 91-0080, *et al.*, Respondent is entitled to
471 recover carrying charges on its unrecovered balance of incremental costs of
472 environmental activities. The amount of \$257,775.69 was calculated and
473 recorded pursuant to Rider 11.

474 Q. In the Initiating Order for this proceeding, the Commission ordered the

475 Company to include as part of its filing cumulative totals of recoveries by
476 customer class. Has the Company provided this data?

477 A. Yes. Respondent's Exhibit 2 presents by customer class, the cumulative
478 total of recoveries through rates of \$286,442,552.95 as summarized in Line 7,
479 Column D, Page 8 of Exhibit 1.

480 Q. In Ordering Paragraph No. (8) in the Final Order entered in Docket No. 04-
481 0112, the Commission directed the Company to provide information in its direct
482 testimony regarding the status of all properties for which purchase costs were
483 previously recovered through Rider 11. Has the Company provided this data?

484 A. Yes. Respondent's Exhibit 3 presents all land acquisitions for
485 environmental remediation purposes that were made prior to October 1, 2005
486 and for which recovery was allowed under Rider 11.

487 Q. Since October 1, 2005, has the Company made any additional land
488 acquisitions for environmental remediation purposes?

489 A. No.

490 Q. How does the Company plan to treat any costs associated with land acquisitions
491 for environmental remediation purposes incurred after October 1, 2005?

492 A. Pursuant to the Commission's Order, as outlined in Order Paragraph No.
493 (6) in the Final Order entered in Docket 04-0112, if any land purchases are
494 made, any costs associated with land acquisitions for environmental remediation
495 purposes shall be treated as a rate base asset in a rate case.

496 Q. In the Initiating Order for this proceeding the Commission ordered the
497 Company to provide notice of its filing in the manner that notice be made for a

498 general rate increase prescribed under Part 255 of the Illinois Administrative
499 Code. Will the Company comply with those filing requirements?

500 A. Yes.

501 Q. Does this conclude your direct testimony?

502 A. Yes, it does.

Docket 11-0120

The Peoples Gas Light and Coke Company

Exhibit 1

The Peoples Gas Light and Coke Company
Report To Illinois Commerce Commission
With Respect To Operation Of Rider 11, Adjustment
For Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2010
And Fiscal Year 2010

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2010 And Fiscal Year 2010

This report addresses the operation of the Company's Rider 11, Adjustment For Incremental Costs of Environmental Activities, during the quarter ended December 31, 2010, and during fiscal year 2010.

Fourth quarter of Fiscal 2010 reflects activity from October 2010 through December 2010 to recognize calendar year reporting made pursuant to the Order of Illinois Commerce Commission entered on February 7, 2007 in Docket #06-0540.

Section D of the Company's Rider 11, Adjustment for Incremental Costs of Environmental Activities, requires that the Company file quarterly reports with the Commission. Rider 11 further requires that each such report contain: a statement of activity in the Deferred Account for the quarter and for the fiscal year through the quarter; a statement of activity in the Settlement Fund for the quarter and for the fiscal year through the quarter; a statement of adjustments that were terminated during the quarter; a summary of the incremental costs incurred during the quarter and for the fiscal year through the quarter; and a description of the environmental activities in which the Company was involved during the quarter. Cumulative incremental costs and recoveries through December 31, 2010 are also included in these reports.

Statement Of Activity In The Deferred Account

Under its Rider 11, the Company recorded the amount of \$2,103,816.59 in the Deferred Account during the quarter ended December 31, 2010, the fourth quarter of fiscal 2010. This amount represents the incremental costs that were incurred in connection with the environmental activities that were conducted by the Company during the quarter ended December 31, 2010. This amount is offset by a credit of \$175.40 representing the amount available for recovery through the Settlement Fund.

During the quarter ended December 31, 2010, the Company recognized \$1,180,479.42 in revenues arising from the application of the adjustments determined under Rider 11.

Page 8 of this report presents the "Statement Of Activity In Account 182.3, Other Regulatory Assets, Quarter Ended December 31, 2010, Fiscal Year 2010, And Cumulative Through December 31, 2010".

Statement of Activity in Settlement Fund

On February 26, 1999, the Commission approved changes in Rider 11, including the establishment of the Settlement Fund, by Special Permission No. R-18958. The revision to the rider provides that the lesser of 50% of the incremental costs incurred or the Settlement Fund balance are recovered monthly through the Settlement Fund. At December 31, 2009 the Settlement Fund balance was \$0.00. In January 2010, March 2010, September 2010, and December 2010, the Company received monies as a result of insurance settlements. All transactions were recorded after income taxes. All settlements received by the Company were completely depleted by December 31, 2010. Therefore, a net balance of \$0.00 is shown for the quarter ended December 31, 2010, which results from a deduction of \$105.70, a portion (less than 50%) of the quarter's net incremental costs less income tax benefits, and the addition of interest (after tax) of \$0.00.

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2010 And Fiscal Year 2010

Page 9 of this report presents the "Statement of Activity in the Settlement Fund, Quarter Ended December 31, 2010, Fiscal Year 2010 And Cumulative Through December 31, 2010".

Summary Of Incremental Costs

The Company experienced a total of \$2,103,816.59 in incremental costs relative to the environmental activities that were conducted during the quarter ended December 31, 2010. Of this amount, \$455.00 is attributable to the Archives; a credit of \$176,517.77 is attributable to the Crawford Station; \$33,892.32 is attributable to the Division Street Station; \$2,500.00 is attributable to the Equitable Distribution Station; \$16,159.81 is attributable to the Hawthorne Station; a credit of \$14,658.00 is attributable to the Hough Place Station; a credit of \$280.00 is attributable to the Mutual Fuel Gas Works; \$1,878.12 is attributable to the North Shore Avenue Station; \$5,074.31 is attributable to the North Station; \$50,796.60 is attributable to the Pitney Court Station; \$18,530.80 is attributable to Pullman Station; \$2,751.03 is attributable to the Roosevelt Road Station; \$66,323.15 is attributable to the South Station; \$1,282.00 is attributable to the Throop Street Station; \$9,449.76 is attributable to the Willow Street Station; \$1,282.00 is attributable to the 22nd Street Station; \$301,268.75 is attributable to the 24th Place Station; \$364.00 is attributable to the 64th Street Station; \$1,649,121.16 is attributable to the 73rd Street Station; \$28,500.38 is attributable to the 96th Street Station; a credit of \$3,916.63 is attributable to the 110th Street Purifying Station; \$55,880.14 is attributable to General and Unallocated Costs; and \$53,679.66 is attributable to Carrying Charges.

Page 10 of this report presents the "Summary Of Incremental Costs, Quarter Ended December 31, 2010, Fiscal Year 2010, And Cumulative Through December 31, 2010".

Description Of Environmental Activities

Archives

During the quarter ended December 31, 2010, the Company recorded \$455.00 in incremental costs associated with environmental activities that were conducted relative to the Archives site. This is primarily due to professional services provided by outside legal counsel.

Crawford Station

During the quarter ended December 31, 2010, the Company incurred a credit of \$176,517.77 associated with environmental activities that were conducted relative to the Crawford Station. This credit is primarily due to lease payments received from lease agreements, partially offset by professional services provided by outside legal counsel and costs incurred in connection with environmental site investigative activities performed by outside consultants. Also contributing to the credit was a real estate tax accrual true-up on the property previously purchased under the Rider prior to October 1, 2005.

Division Street Station

During the quarter ended December 31, 2010, the Company incurred \$33,892.32 in

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2010 And Fiscal Year 2010

incremental costs associated with the environmental activities that were conducted relative to the Division Street Station. Costs were primarily incurred for environmental site investigative activities performed by outside environmental consultants. Costs were also incurred for professional services provided by outside legal counsel.

Equitable Distribution Station

During the quarter ended December 31, 2010, the Company incurred \$2,500.00 in incremental costs associated with environmental activities that were conducted relative to the Equitable Distribution Station. Costs were incurred for payments to the Illinois EPA.

Hawthorne Station

During the quarter ended December 31, 2010, the Company incurred \$16,159.81 in incremental costs associated with environmental activities that were conducted relative to the Hawthorne Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants and professional services provided by outside legal counsel.

Hough Place Station

During the quarter ended December 31, 2010, the Company incurred a credit of \$14,658.00 in incremental costs associated with environmental activities that were conducted relative to the Hough Place Station. The credit represents costs that came in under estimates, partially offset by environmental site investigative activities performed by outside environmental consultants. Costs were also incurred for professional services provided by outside legal counsel.

Mutual Fuel Gas Works

During the quarter ended December 31, 2010, the Company incurred a credit of \$280.00 in incremental costs associated with environmental activities that were conducted relative to the Mutual Fuel Gas Works. Costs were incurred for professional services that came in under estimate.

North Shore Avenue Station

During the quarter ended December 31, 2010, the Company incurred \$1,878.12 in incremental costs associated with environmental activities that were conducted relative to the North Shore Avenue Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants.

North Station

During the quarter ended December 31, 2010, the Company incurred \$5,074.31 in incremental costs associated with the environmental activities that were conducted relative to the

The Peoples Gas Light and Coke Company
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Quarter Ended December 31, 2010 And Fiscal Year 2010

North Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants.

Pitney Court Station

During the quarter ended December 31, 2010, the Company incurred \$50,796.60 in incremental costs associated with the environmental activities that were conducted relative to the former Pitney Court Station. Costs were incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005. Other costs were incurred for environmental site investigative activities performed by outside environmental consultants, professional services provided by outside legal counsel and grounds maintenance.

Pullman Station

During the quarter ended December 31, 2010, the Company incurred \$18,530.80 in incremental costs associated with the environmental activities that were conducted relative to the former Pullman Station. Costs were incurred for professional services provided by outside legal counsel.

Roosevelt Road Station

During the quarter ended December 31, 2010, the Company incurred \$2,751.03 in incremental costs associated with the environmental activities that were conducted relative to the Roosevelt Road Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants.

South Station

During the quarter ended December 31, 2010, the Company incurred \$66,323.15 in incremental costs associated with the environmental activities that were conducted relative to the South Station. Costs were primarily incurred for real estate taxes accrued on the property previously purchased under the Rider prior to October 1, 2005 and for environmental site investigative activities performed by outside environmental consultants. Other costs were incurred for grounds maintenance, partially offset by cash received for a lease agreement.

Throop Street Station

During the quarter ended December 31, 2010, the Company incurred \$1,282.00 in incremental costs associated with the environmental activities that were conducted relative to the Throop Street Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants.

Willow Street Station

During the quarter ended December 31, 2010, the Company incurred \$9,449.76 in incremental costs associated with the environmental activities that were conducted relative to the Willow Street Station. Costs were incurred for environmental site investigative activities performed

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Quarter Ended December 31, 2010 And Fiscal Year 2010

by outside environmental consultants. Costs were also incurred for professional service provided by outside legal counsel.

22nd Street Station

During the quarter ended December 31, 2010, the Company incurred \$1,282.00 in incremental costs associated with the environmental activities that were conducted relative to the 22nd Street Station. Costs were incurred for environmental site investigative activities performed by outside environmental consultants.

24th Street Station

During the quarter ended December 31, 2010, the Company incurred \$301,268.75 in incremental costs associated with the environmental activities that were conducted relative to the 24th Street Station. Costs were incurred in connection with environmental site investigative activities by an outside environmental consultant and professional services provided by outside legal counsel. Costs were also incurred for transportation and disposal of environmental waste material by an outside waste disposal company and security services provided for site investigation by an outside company.

64th Street Station

During the quarter ended December 31, 2010, the Company incurred \$364.00 in incremental costs associated with the environmental activities that were conducted relative to the 64th Street Station. Costs were incurred for professional services provided by outside legal counsel.

73rd Street Station

During the quarter ended December 31, 2010, the Company incurred \$1,649,121.16 in incremental costs associated with the environmental activities that were conducted relative to the 73rd Street Station. Costs were incurred in connection with environmental site remediation activities performed by an outside environmental consultant. Costs were also incurred for transportation and disposal of environmental waste material by an outside waste disposal company and security services provided for site remediation by an outside company. Additional costs were incurred for ground maintenance and repairs, partially offset by scrap material reimbursements.

96th Street Station

During the quarter ended December 31, 2010, the Company incurred \$28,500.38 in incremental costs associated with the environmental activities that were conducted relative to the 96th Street Station. Costs were primarily incurred for environmental site remediation and investigation activities performed by an outside environmental consultant and real estate tax accrual true-up on the property previously purchased under the Rider prior to October 1, 2005.

The Peoples Gas Light and Coke Company
Operation Of Rider 11, Adjustment For
Incremental Costs Of Environmental Activities
Quarter Ended December 31, 2010 And Fiscal Year 2010

110th Street Purifying Station

During the quarter ended December 31, 2010, the Company incurred a credit of \$3,916.63 in incremental costs associated with the environmental activities that were conducted relative to the 110th Street Station. The credit was incurred due to real estate tax accrual true-up on the property previously purchased under the Rider prior to October 1, 2005, partially offset by environmental site remediation performed by an outside environmental consultant and grounds maintenance.

General And Unallocated Costs

During the quarter ended December 31, 2010, the Company incurred \$55,880.14 in general and unallocated incremental costs which are not associated with any one particular site. Costs were incurred for professional services provided by outside legal counsel, outside environmental consultants, and other miscellaneous charges.

Carrying Charges

During the quarter ended December 31, 2010, the Company incurred \$53,679.66 in carrying charges. This amount represents the cost of carrying amounts in the deferred account before recovery through the Settlement Fund and application of adjustments determined under Rider 11.

Cost Recoveries from Settlement Fund

During the quarter ended December 31, 2010, the Company recovered \$175.40 through the Settlement Fund. Settlement Fund recoveries represent up to 50% of the net incremental costs, excluding carrying charges, incurred by the Company for the quarter ended December 31, 2010. However, all prior Settlement Fund amounts received by the Company were completely depleted at the start of the quarter, and as the amount above recovered during the fourth quarter of 2010 was less than 50% of the net incremental costs incurred during the quarter, the Settlement Fund was again completely depleted as of December 31, 2010.

Adjustments

Page 11 of this report presents the "Adjustments Under Rider 11 Terminated During Quarter Ended December 31, 2010". Three adjustments were terminated during the quarter ended December 31, 2010.

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS
QUARTER ENDED DECEMBER 31, 2010, FISCAL YEAR 2010, AND
CUMULATIVE THROUGH DECEMBER 31, 2010

Line No.	Description	Quarter Ended 12/31/2010 (B)	Fiscal Year 2010 (C)	Cumulative Through 12/31/2010 (D)
1	Balance at Beginning of Period	\$ 2,984,739.12	\$ 8,332,163.41	\$ -
2	Plus Costs Incurred:			
3	Quarter (Page 10, Line 36, Col. C)	2,103,816.59	-	-
4	Fiscal Year (Page 10, Line 36, Col. D)	-	4,111,666.80	-
5	Cumulative (Page 10, Line 36, Col. E)	-	-	314,510,851.74
6	Subtotal	\$ 5,088,555.71	\$ 12,443,830.21	\$ 314,510,851.74
7	Less Costs Recovered Through Rates	1,180,479.42	8,508,587.55	286,442,552.95
8	Less Recovery Through Settlement Fund:			
9	Quarter (Page 10, Line 37, Col. C)	175.40	-	-
10	Fiscal Year (Page 10, Line 37, Col. D)	-	27,341.77	-
11	Cumulative (Page 10, Line 37, Col. E)	-	-	24,160,397.90
12	Balance at End of Period	\$ 3,907,900.89	\$ 3,907,900.89	\$ 3,907,900.89

THE PEOPLES GAS LIGHT AND COKE COMPANY
STATEMENT OF ACTIVITY IN THE SETTLEMENT FUND
QUARTER ENDED DECEMBER 31, 2010, FISCAL YEAR 2010, AND
CUMULATIVE THROUGH DECEMBER 31, 2010

Line No.		Quarter Ended 12/31/2010	Fiscal Year 2010	Cumulative Through 12/31/2010
1	Balance at Beginning of Period	\$ -	\$ -	\$ -
2	Add: Settlements with insurance carriers			
3	Or other entities (after tax)	105.70	16,474.80	13,750,676.20
4	Deduct: 50% of net incremental costs,			
5	Less income tax benefit (See note)	105.70	16,474.80	14,576,239.20
6	Add: Interest (after-tax)	-	-	825,562.99
7	Balance at end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.00)</u>
Note:	Incremental costs, excluding carrying charges	\$ 2,050,136.93	\$ 3,853,891.11	\$ 289,303,933.57
	Less: Incremental costs recovered from insurance carriers or other entities	-	-	-
	Net incremental costs	<u>\$ 2,050,136.93</u>	<u>\$ 3,853,891.11</u>	<u>\$ 289,303,933.57</u>
	50% of net incremental costs	\$ 1,025,068.47	\$ 1,926,945.56	\$ 144,651,966.78
	Less: Amount not available from Settlement Fund to recover incremental costs incurred	1,024,893.07	1,899,603.79	120,491,568.88
	Recover incremental costs incurred (Page 10, Line 37)	175.40	27,341.77	24,160,397.90
	Adjustments to interest on Settlement Fund	-	-	7.29
	Amount to recover through Settlement Fund	175.40	27,341.77	24,160,405.19
	Less: Adjustment to Amount to recover through Settlement Fund rounding	-	-	0.01
	Less: Income tax benefit calculated at State and Federal Rate of 39.667% through 12/31/04	-	-	9,350,729.03
	Less: Income tax benefit calculated at an Effective State and Federal Rate of 39.745%**	69.70	10,866.97	233,436.95
	Total	<u>\$ 105.70</u>	<u>\$ 16,474.80</u>	<u>\$ 14,576,239.20</u>

**Effective January 1, 2005 @ 39.745%

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
SUMMARY OF INCREMENTAL COSTS (1)
QUARTER ENDED DECEMBER 31, 2010, FISCAL YEAR 2010, AND
CUMULATIVE THROUGH DECEMBER 31, 2010

Line No.	Site or Other Category of Costs (A)	Recorded in Account (B)	Quarter Ended 12/31/2010 (C)	Fiscal Year 2010 (D)	Cumulative Through 12/31/2010 (E)
1	Archives	182024	\$ 455.00	\$ 191.00	\$ 1,861,232.22
2	Bow en and Langley Station	182024	0.00	0.00	644,534.46
3	Calumet Station	182024	0.00	0.00	6,964,484.09
4	Craw ford Station	182024	(176,517.77)	(262,592.47)	15,593,852.62
5	Division Street Station	182024	33,892.32	125,785.51	21,563,747.60
6	Equitable Distribution Station	182024	2,500.00	8,234.80	1,817,749.62
7	Haw thorne Station	182024	16,159.81	45,048.22	1,924,333.91
8	Hough Place Station	182024	(14,658.00)	45,356.81	33,082,833.36
9	Irving Park Road Station	182024	0.00	(1,677.00)	3,818,557.63
10	Lake Gas Works	182024	0.00	0.00	2,754,659.44
11	Market Street Station	182024	0.00	0.00	45,948.89
12	Mutual Fuel Gas Works	182024	(280.00)	11,898.86	29,723.12
13	North Shore Avenue Station	182024	1,878.12	31,895.35	3,137,360.08
14	North Station	182024	5,074.31	27,143.77	6,026,080.42
15	Pitney Court Station	182024	50,796.60	186,410.25	31,277,550.08
16	Pullman Station	182024	18,530.80	90,733.78	268,809.85
17	Roosevelt Road Station	182024	2,751.03	2,751.03	157,283.52
18	South Station	182024	66,323.15	281,219.48	31,975,089.39
19	Superior Street Holders	182024	0.00	0.00	42,197.12
20	Throop Street Station	182024	1,282.00	17,126.76	770,341.72
21	Willow Street Station	182024	9,449.76	59,023.66	14,063,042.87
22	22 nd Street Station	182024	1,282.00	153,954.53	63,344,097.13
23	24 th Place Station	182024	301,268.75	349,837.42	848,567.65
24	31 st Street Station	182024	0.00	4,983.26	10,525,303.24
25	40 th Street Holder	182024	0.00	0.00	88,666.35
26	64 th Street Station	182024	364.00	454.98	619,257.45
27	73 rd Street Station	182024	1,649,121.16	1,776,999.09	6,840,030.36
28	96 th Street Station	182024	28,500.38	56,637.68	6,753,040.80
29	110 th Street Purifying Station	182024	(3,916.63)	19,309.62	14,065,605.23
30	McCook Property	182024	0.00	0.00	0.00
31	Cicero Refining	182024	0.00	0.00	0.00
32	Community Relations Program	182024	0.00	0.00	72,422.93
33	Insurance Related Costs and Recoveries	182024	0.00	0.00	10,374,513.98
34	General and Unallocated Costs	182024	55,880.14	823,164.72	7,245,841.84
35	Carrying Charges	182020	<u>53,679.66</u>	<u>257,775.69</u>	<u>15,914,092.77</u>
36	Total		\$ 2,103,816.59	\$ 4,111,666.80	\$ 314,510,851.74
37	Less: Recovery Through Settlement Fund (Page 9)	182024	<u>175.40</u>	<u>27,341.77</u>	<u>24,160,397.90</u>
38	Net Total after Settlement Fund recovery		<u>\$ 2,103,641.19</u>	<u>\$ 4,084,325.03</u>	<u>\$ 290,350,453.84</u>

(1) Recorded in Account 182.3, Other Regulatory Assets

THE PEOPLES GAS LIGHT AND COKE COMPANY
INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES
ADJUSTMENTS UNDER RIDER 11 TERMINATED
DURING QUARTER ENDED DECEMBER 31, 2010

Adjustments Effective Beginning: <u>(A)</u>	Amount Reflected In Determination Of Adjustment <u>(B)</u>	Amount Recovered Through Rates <u>(C)</u>	<u>Difference (1)</u> <u>(D)</u>
October 1, 2009	\$ 337,805.23	\$ 329,753.94	\$ 8,051.29
November 1, 2009	\$ 299,733.85	\$ 331,517.36	\$ (31,783.51)
December 1, 2009	\$ 1,435,379.84	\$ 1,356,040.93	\$ 79,338.91

(1) Maintained in deferred account for inclusion in subsequent determination of an adjustment.

The Peoples Gas Light and Coke Company

Report to the Illinois Commerce Commission on
Incremental Costs of Environmental Activities —
Statement of Activity in Account 182.3, Other Regulatory
Assets and Statement of Activity in Settlement Fund for the
Year Ended December 31, 2010, and Independent
Auditors' Report



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Peoples Gas Light and Coke Company
Chicago, Illinois

We have audited, in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of The Peoples Gas Light and Coke Company and subsidiary (the "Company") for the year ended December 31, 2010, and have issued our report thereon dated February 28, 2011 (which report expresses an unqualified opinion). We have also audited the Company's Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities — Statement of Activity in Account 182.3, Other Regulatory Assets and Report to the Illinois Commerce Commission on Incremental Costs of Environmental Activities — Statement of Activity in Settlement Fund (the "Statements") of The Peoples Gas Light and Coke Company (the "Company") for the year ended December 31, 2010, pursuant to Section D of the Company's Rider 11, in effect and on file with Illinois Commerce Commission. These Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Statements based on our audit.

We conducted our audit of the Statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as it relates to the Statement as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting as it relates to the Statements. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Statements. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statements were prepared for the purpose of complying with Section D of the Company's Rider 11 filed with the Illinois Commerce Commission, and are not intended to be a complete presentation of the Company's revenues and expenses, nor are they intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Statements referred to above present fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2010, in accordance with the Company's Rider 11, in effect and on file with the Illinois Commerce Commission.

This report is intended solely for the information and use of the management and the Board of Directors of the Company and the Illinois Commerce Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 8, 2011

PEOPLES GAS LIGHT AND COKE COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES — STATEMENT OF ACTIVITY IN ACCOUNT 182.3, OTHER REGULATORY ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010

BALANCE — Beginning of year	\$ 8,332,163
Plus costs incurred	<u>4,111,667</u>
Subtotal	12,443,830
Less costs recovered through rates	8,508,587
Less recovery through settlement fund	<u>27,342</u>
BALANCE — End of year	<u>\$ 3,907,901</u>

PEOPLES GAS LIGHT AND COKE COMPANY

REPORT TO THE ILLINOIS COMMERCE COMMISSION ON INCREMENTAL COSTS OF ENVIRONMENTAL ACTIVITIES — STATEMENT OF ACTIVITY IN SETTLEMENT FUND FOR THE YEAR ENDED DECEMBER 31, 2010

BALANCE — Beginning of year	\$ -
Add settlements with insurance carriers or other entities (after tax)	16,475
Deduct 50% of net incremental costs — less income tax benefit	16,475
Add interest (after tax)	<u>-</u>
BALANCE — End of year	<u>\$ -</u>
Note: Incremental costs — excluding carrying charges	\$ 3,853,891
Less incremental costs recovered from insurance carriers or other entities	<u>-</u>
Net incremental costs	<u>\$ 3,853,891</u>
50% of net incremental costs	\$ 1,926,946
Less amounts not available from settlement fund	<u>1,899,604</u>
Amount to recover through settlement fund	27,342
Less income tax benefit calculated at an effective state and federal rate of 39.745%	<u>10,867</u>
TOTAL	<u>\$ 16,475</u>

The Peoples Gas Light and Coke Company
Rider 11 Recoveries by Customer Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
1994	\$ 106,145.08	\$ 49,179.46	\$ 29,394.16	\$ 184,718.70
1995	123,763.24	59,623.49	41,084.55	224,471.28
1996	1,328,169.69	530,011.39	324,110.77	2,182,291.85
1997	1,769,849.14	687,354.20	368,246.80	2,825,450.14
1998	732,632.13	306,529.73	191,015.37	1,230,177.23
1999	1,523,320.04	622,818.39	364,030.06	2,510,168.49
2000	916,167.60	398,724.43	235,364.89	1,550,256.92
2001	3,584,701.37	1,455,099.45	691,471.74	5,731,272.56
2002	3,514,988.32	1,576,177.45	796,504.57	5,887,670.34
2003	13,169,382.06	5,267,527.40	2,097,406.33	20,534,315.79
2004	9,993,730.07	4,370,799.14	1,841,369.95	16,205,899.16
2005	17,664,850.77	7,706,268.56	3,202,703.73	28,573,823.06
2006	19,366,815.53	8,757,352.07	3,464,279.74	31,588,447.34
2007	40,401,775.31	18,227,824.60	6,485,009.54	65,114,609.45
2008	35,945,691.28	16,320,598.00	5,623,534.72	57,889,824.00
2009	22,536,376.14	10,158,985.81	3,005,207.14	35,700,569.09
2010	<u>5,359,925.96</u>	<u>2,403,731.47</u>	<u>744,930.12</u>	<u>8,508,587.55</u>
Total	<u>\$ 178,038,283.73</u>	<u>\$ 78,898,605.04</u>	<u>\$ 29,505,664.18</u>	<u>\$ 286,442,552.95</u>

The Peoples Gas Light and Coke Company
Property Purchased Prior to October 1, 2005
for which Purchase Costs were Recovered through Rider 11

Docket No. 11-0120
Respondent's Exhibit 3

Property Acquired in Fiscal Year	Property Description	PIN's	Current Ownership/Lease	Current Property Use
1999	South Station - M&M Parcel A	17-29-301-014-0000	PGL Owns	Vacant - SAS RI in Progress (see note 1)
2000	110th Street - Main Parcel	25-13-400-005-0000	PGL Owns	Vacant - Remediating under Illinois EPA SRP (see note 2)
	South Station - M&M Parcel B	17-29-301-013-0000	PGL Owns	Vacant - SAS RI in Progress (see note 1)
2002	Crawford - TIP	16-34-209-015-0000	PGL Owns Property leased with proceeds to Rider	Trailer Storage yard
		16-34-209-016-0000		
		16-34-209-017-0000		
		16-34-302-009-0000		
		16-34-302-018-0000		
		16-34-400-013-0000		
		16-34-400-014-0000		
		16-34-400-015-0000		
16-34-400-016-0000				
2003	96th Street Station	26-06-428-032-0000	PGL Owns	Vacant - Remediating under Illinois EPA SRP (see note 2)
2004	Crawford - Xtra	16-34-302-023-0000	PGL Owns Property leased with proceeds to Rider	Trailer Storage yard
		16-34-302-014-0000		
2005	Pitney Court	17-29-319-001-0000	PGL Owns	Vacant - Pending SAS RI 1 (see note 1)
		17-29-319-002-0000		

¹ SAS RI - USEPA Superfund Alternate Sites Program Remedial Investigation

² SRP - Site Remediation Program