

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	
v.	)	
	)	
The Peoples Gas Light and	)	Docket No. 10-0693
Coke Company	)	
	)	
Reconciliation of revenues	)	
collected under gas adjustment	)	
charges with actual costs prudently	)	
incurred.	)	

DIRECT TESTIMONY  
OF  
DANIEL MARSHALL

- 1 Q. Please state your name and business address.
- 2 A. Daniel Marshall, 130 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. Integrys Business Support, LLC.
- 5 Q. What position do you hold with Integrys Business Support, LLC?
- 6 A. I am a Regulatory Fuel Cost Recovery Analyst in the Gas Regulatory
- 7 Services department.
- 8 Q. What are your responsibilities in that position?
- 9 A. I am responsible for gas charge related matters involving the maintenance
- 10 and forecasts of gas fuel costs, gas charge revenues, reconciliation balances
- 11 and rates as they pertain to Rider 2 of the rate schedules for Respondent, The

12 Peoples Gas Light and Coke Company (“Peoples Gas”) and an affiliate, North  
13 Shore Gas Company.

14 Q. Please summarize your educational background and experience.

15 A. My educational background includes Northern Illinois University and De  
16 Paul University with emphases in the accounting and finance disciplines. I have  
17 been employed by Peoples Gas or its affiliates since 1982 in various positions in  
18 the treasury, internal auditing, regulatory affairs, gas accounting and rates areas.  
19 I have been in my present position since June 2007.

20 Q. Please give a brief description of the operations and status of Peoples  
21 Gas.

22 A. I am advised by counsel that Peoples Gas is a corporation organized and  
23 existing under the laws of the State of Illinois, having its principal office at 130  
24 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of  
25 purchasing, distributing, and selling natural gas to approximately 819,000  
26 customers in the City of Chicago. I am advised by counsel that Peoples Gas is a  
27 public utility within the meaning of the Public Utilities Act.

28 Q. Please describe the subject matter of this proceeding.

29 A. Pursuant to Section 9-220 of the Public Utilities Act, on December 2, 2010,  
30 the Illinois Commerce Commission (“Commission”) entered a citation order  
31 (“order”) directed to eleven Illinois gas utilities, including Peoples Gas. The order  
32 requires Peoples Gas to present evidence to the Commission at a public hearing  
33 in Docket No. 10-0693 reconciling revenue collected under the purchased gas  
34 adjustment clause (Rider 2, Gas Charge, of Peoples Gas’ Schedule of Rates)

35 with the actual costs prudently incurred and recoverable under Rider 2, for the  
36 twelve months ended December 31, 2010. The order also requires Peoples Gas'  
37 filing to reflect fourteen specified data for each of its Gas Charges. The order  
38 further requires that notice of the filing of this evidence be made in accordance  
39 with the requirements of 83 Illinois Administrative Code Part 255.

40 Q. Please describe the notice of the filing that Peoples Gas gave in this case.

41 A. At the time Peoples Gas made the filing in this proceeding, it placed  
42 copies of the filed evidence, available for public inspection, in each of its offices.  
43 It also posted public notice of the filing in each of these offices. Further, Peoples  
44 Gas published notice of the filing in the Chicago Tribune, a secular newspaper of  
45 general circulation in Peoples Gas' service territory, in accordance with the  
46 requirements of 83 Illinois Administrative Code Part 255.

47 Q. Please describe PGL Ex. 2.1.

48 A. PGL Ex. 2.1 includes a copy of the audit report of Peoples Gas'  
49 independent public accountants, Deloitte & Touche LLP, and the verification by  
50 Peoples Gas' President, Willard S. Evans, Jr. The audit report includes a copy of  
51 Peoples Gas' Statement to Illinois Commerce Commission – Determination of  
52 Reconciliation Balance for Gas Charge for the Year Ended December 31, 2010  
53 ("Statement") and Independent Auditors' Report, as described in Rider 2, Section  
54 G, of Peoples Gas' Schedule of Rates.

55 Q. Was the Statement prepared under your supervision and direction?

56 A. Yes, it was.

57 Q. Are the verification and the audit report true and correct copies of Mr.  
58 Evans' verification and the audit report of the independent public accountants?

59 A. Yes, they are.

60 Q. What are the types of Gas Charges that Peoples Gas files pursuant to its  
61 Rider 2 and what costs do the Gas Charges recover?

62 A. Each month, Peoples Gas files a Commodity Gas Charge ("CGC"), a Non-  
63 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), and an  
64 Aggregation Balancing Gas Charge ("ABGC"). Peoples Gas also files two Hub  
65 Credit Gas Charges ("HCGC<sub>1</sub>" and "HCGC<sub>2</sub>"). The sum of the CGC, NCGC and  
66 HCGC<sub>1</sub> is the Gas Charge, which is applied to all Peoples Gas-supplied therms  
67 except standby therms supplied to transportation customers.

68 Standby therms are priced at the standby commodity charge. Until  
69 January 28, 2010, the standby commodity charge was the sum of the CGC and  
70 13% of the NCGC. With rates effective January 28, 2010, the standby  
71 commodity charge was determined on a daily price component and a monthly  
72 price component as defined in Rider SST, Section L, of Peoples Gas' Schedule  
73 of Rates.

74 The CGC recovers commodity-related costs. The NCGC recovers non-  
75 commodity related costs. The DGC also recovers non-commodity related costs  
76 but from transportation customers. A Diversity Factor is applied to the DGC,  
77 which is applied to each therm of transportation customers' contracted for  
78 standby service. Peoples Gas credits revenues arising from the application of  
79 the DGC against the non-commodity related costs used in computing the NCGC.

80 The ABGC also recovers non-commodity related costs, but from participants  
81 under Peoples Gas' small volume transportation program. The ABGC is applied  
82 to all therms delivered or estimated to be delivered by Peoples Gas to customers  
83 served under Rider CFY. Peoples Gas credits revenues arising from the  
84 application of the ABGC against the non-commodity related costs used in  
85 computing the NCGC. Given that the NCGC, DGC and ABGC all recover non-  
86 commodity related costs, revenues recovered under these three charges are  
87 jointly reconciled with such costs.

88 The HCGC<sub>1</sub> and HCGC<sub>2</sub> are a credit for revenues Peoples Gas receives  
89 from interstate transportation and storage services that it offers under the Federal  
90 Energy Regulatory Commission's jurisdiction. These services are often called  
91 "hub" services. For Rider CFY customers, the HCGC<sub>1</sub> is included in the  
92 Aggregation Balancing Charge, and, for large volume transportation customers,  
93 the HCGC<sub>2</sub> is a stand alone credit.

94 Q. The Commission's order requires Peoples Gas to include certain data from  
95 the prior reconciliation year in its determination of the current year's  
96 reconciliation. Please specify any unamortized balance at December 31, 2009.

97 A. The unamortized balance at December 31, 2009, for each respective Gas  
98 Charge is shown on Page 2, Line 1, of PGL Ex. 2.1. Peoples Gas' unamortized  
99 Factor A balance at December 31, 2009, reflects a refundable balance of  
100 \$13,637,782.95 for the CGC, and a refundable balance of \$1,233,190.74 for the  
101 NCGC, DGC and ABGC, for a total refundable balance of \$14,870,973.69.

102 These amounts are also reflected on Page 2, Line 13, of Peoples Gas' Statement

103 to Illinois Commerce Commission, Determination of Reconciliation Balance for  
104 Gas Charge for the Year Ended December 31, 2009 (“2009 Statement”).  
105 Peoples Gas filed this document as PGL Ex. 2.1 with my direct testimony in  
106 Docket No. 09-0546, reconciliation of revenues collected under gas adjustment  
107 charges with actual costs prudently incurred for the period January 1, 2009,  
108 through December 31, 2009.

109 Q. Please specify the total adjustments to gas costs (that is, Factor A) that  
110 were amortized to Schedule I in Peoples Gas’ 2009 monthly filings but were not  
111 yet reconciled through Schedule II of Peoples Gas’ monthly filings at December  
112 31, 2009.

113 A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable  
114 amount of \$21,103,929.07 for the CGC, a refundable amount of \$557,497.13 for  
115 the NCGC, DGC and ABGC, and a refundable amount of \$1,400.82 for the  
116 HCGC, for a total refundable Factor A of \$21,662,827.02. These adjustments,  
117 for the reported months of November and December 2009, were not yet  
118 reconciled at December 31, 2009. However, they are reflected in the CGC,  
119 NCGC, DGC and ABGC, and HCGC Gas Charges for the effective months of  
120 January and February 2010. These amounts are shown on Page 2, Line 2, of  
121 PGL Ex. 2.1. They are also reflected on Page 2, Line 12, of Peoples Gas’ 2009  
122 Statement.

123 Q. What was Peoples Gas’ refundable or recoverable balance for the year  
124 ended December 31, 2009?

125 A. Peoples Gas' refundable or recoverable balance for the year ended  
126 December 31, 2009, which is determined by summing the amounts on Page 2,  
127 Lines 1 through 3, of PGL Ex. 2.1, reflects a refundable balance of  
128 \$34,741,712.02 for the CGC, a refundable balance of \$1,790,687.87 for the  
129 NCGC, DGC and ABGC, and a refundable balance of \$1,400.82 for the HCGC,  
130 for a total refundable balance of \$36,533,800.71. These amounts are shown on  
131 Page 2, Line 4, of PGL Ex. 2.1. They are also reflected on Page 2, Line 11, of  
132 Peoples Gas' 2009 Statement.

133 Q. What are Peoples Gas' 2010 recoverable gas costs and revenues?

134 A. Recoverable gas costs and revenues are summarized and shown on Page  
135 2, Line 5 and Line 6, respectively, of PGL Ex. 2.1. Recoverable gas costs  
136 summarized and shown on Page 2, Line 5, of PGL Ex. 2.1 are \$500,081,636.62  
137 for the CGC, \$53,104,817.94 for the NCGC, DGC and ABGC and hub revenues  
138 to be credited of \$10,335,876.77 for the HCGC, for a total of \$542,850,577.79 to  
139 be recovered under the Gas Charge. Revenues arising through the application  
140 of each Gas Charge summarized and shown on Page 2, Line 6, of PGL Ex. 2.1  
141 are \$490,621,054.01 for the CGC, \$53,595,133.33 for the NCGC, DGC and  
142 ABGC, and a credit amount of \$10,483,855.09 for the HCGC, for a total of  
143 \$533,732,332.25 recovered under the Gas Charge. Recoverable gas costs and  
144 revenues are shown in more detail on Pages 3, 4, and 5 of PGL Ex. 2.1 for the  
145 CGC, NCGC, DGC and ABGC, and HCGC, respectively.

146 Q. Please specify the pipeline refunds or surcharges that Peoples Gas  
147 separately reported in 2010 monthly Gas Charge filings.

148 A. No pipeline refunds were separately reported in 2010 monthly Gas Charge  
149 filings due to a change in the treatment of such items by the accounting function.  
150 The revised accounting methodology records any pipeline refunds received  
151 directly into the relevant gas cost account as offsets to total costs. In 2010,  
152 Peoples Gas received a total of \$46,867.40 in pipeline refunds accounted for in  
153 this manner. This amount was included as an offset to recoverable gas costs for  
154 the NCGC, DGC and ABGC.

155 Q. Please specify any other adjustments that were separately reported in  
156 2010.

157 A. Other adjustments that were separately reported, which are summarized  
158 and shown on Page 2, Line 8, of PGL Ex. 2.1, include a debit adjustment of  
159 \$38.10 for the NCGC, DGC and ABGC, for a total debit adjustment of \$38.10.

160 Q. Please specify the interest, calculated pursuant to Section 525.50 of the  
161 Commission's rules, for inclusion in Adjustments to Gas Costs (Factor A).

162 A. Interest, calculated pursuant to Section 525.50, for inclusion in  
163 Adjustments to Gas Costs (Factor A), is shown on Page 2, Line 9, of PGL Ex.  
164 2.1, and reflects a refundable amount of \$159,506.46 for the CGC, a refundable  
165 amount of \$6,387.05 for the NCGC, DGC and ABGC, for a total refundable  
166 amount of \$165,893.51.

167 Q. What was Peoples Gas' over- or under- recovery for 2010?

168 A. Peoples Gas' over- or under-recovery for 2010 is shown on Page 2, Line  
169 10, of PGL Ex. 2.1. The over- or under-recovery for each Gas Charge can be  
170 determined by deducting the amount on Line 6 (revenues arising through the

171 application of each Gas Charge) from the amount on Line 5 (costs recoverable  
172 through each Gas Charge) and adding the amounts on Line 7 (separately  
173 reported pipeline refunds or surcharges), Line 8 (separately reported other  
174 adjustments), and Line 9 (interest). Using this calculation, Peoples Gas' over- or  
175 under-recovery for 2010 reflects an under-recovery of \$9,301,076.15 for the  
176 CGC, an over-recovery of \$496,664.34 for the NCGC, DGC and ABGC, and an  
177 under-recovery of \$147,978.32 for the HCGC for a total under-recovery of  
178 \$8,952,390.13.

179 Q. Please specify the recovery balance for the reconciliation year.

180 A. The recovery balance for the reconciliation year, which reflects the sum of  
181 the (refundable)/recoverable balances for prior periods and for the year ended  
182 December 2010 for each respective Gas Charge, is shown on Page 2, Line 11,  
183 of PGL Ex. 2.1. This amount, which can be determined by summing the amounts  
184 on Line 4 (prior periods balance) and Line 10 (2010 balance), reflects an over-  
185 recovery of \$25,440,635.87 for the CGC, an over-recovery of \$2,287,352.21 for  
186 the NCGC, DGC and ABGC and an under-recovery of \$146,577.50 for the  
187 HCGC, for a total over-recovery of \$27,581,410.58.

188 Q. Please specify any adjustments to gas costs that were not yet reconciled  
189 through Schedule II of Peoples Gas' monthly filings at December 31, 2010.

190 A. Total unreconciled adjustments to gas costs, which are shown on Page 2,  
191 Line 12, of PGL Ex. 2.1, reflect a refundable amount of \$16,090,014.60 for the  
192 CGC, a refundable amount of \$397,844.46 for the NCGC, DGC and ABGC and a  
193 recoverable amount of \$146,577.50 for the HCGC, for a total refundable amount

194 of \$16,341,281.56. The unreconciled adjustments to gas costs (Factor A), for the  
195 reported months of November and December 2010, are not yet reconciled at the  
196 end of 2010. However, they are reflected in the CGC, NCGC, DGC and ABGC,  
197 and HCGC Gas Charges for the effective months of January and February, 2011.

198 Q. Please specify any unamortized balance at the end of 2010.

199 A. The unamortized balance at the end of 2010 is shown on Page 2, Line 13,  
200 of PGL Ex. 2.1. The unamortized balance for each respective Gas Charge can  
201 be derived by deducting the amount on Line 12 (unreconciled adjustments) from  
202 the amount on Line 11 (the over- or under-recovery balance for the reconciliation  
203 year). Peoples Gas' unamortized balance at the end of 2010 reflects a  
204 refundable balance of \$9,350,621.27 for the CGC and a refundable balance of  
205 \$1,889,507.75 for the NCGC, DGC and ABGC, for a total refundable balance of  
206 \$11,240,129.02.

207 Q. Please specify any Factor O amounts requested by Peoples Gas for 2010.

208 A. Peoples Gas is not requesting any Factor O amounts for 2010.

209 Q. Does PGL Ex. 2.1 include other reports that support the summary  
210 amounts shown on Page 2?

211 A. Yes. PGL Ex. 2.1 includes a summary of the detailed Schedule II,  
212 Adjustments to Gas Costs (Factor A) reports that Peoples Gas filed as part of its  
213 monthly Gas Charge reports for 2010. Pages 6, 7 and 8 of PGL Ex. 2.1 reflect  
214 Schedule II reports filed for the CGC, NCGC, DGC and ABGC, and HCGC,  
215 respectively. These reports reflect the monthly reconciliation of recoverable gas  
216 costs and Gas Charge revenues, adjustments to gas costs (Factor A), refunds

217 and other adjustments, Factor A amortizations and unamortized balances, Factor  
218 O amortizations and unamortized balances, and interest determined for each  
219 Gas Charge. Finally, Page 9 of PGL Ex. 2.1 contains notes that explain Gas  
220 Charge reconciliation summary items noted on Page 2 of PGL Ex. 2.1.

221 Q. Does this conclude your direct testimony?

222 A. Yes, it does.

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DIRECT TESTIMONY  
OF  
RICHARD E. DOBSON

- 1 Q. Please state your name and business address.
- 2 A. My name is Richard E. Dobson. My business address is 130 E. Randolph
- 3 Street, Chicago, Illinois 60601.
- 4 Q. By whom are you employed?
- 5 A. Integrys Business Support, LLC ("IBS").
- 6 Q. What position do you hold with IBS?
- 7 A. I am Manager of Gas Supply for Respondent, The Peoples Gas Light and
- 8 Coke Company ("Peoples Gas"), and North Shore Gas Company ("North
- 9 Shore").
- 10 Q. What are your responsibilities in that position?

11 A. I am responsible for directing the activities of the Gas Supply Department  
12 for Peoples Gas and North Shore, as well as the activities of Peoples Gas'  
13 interstate services area.

14 Q. Please summarize your educational background and experience.

15 A. I have a Bachelor's Degree in Geology from the University of Illinois and a  
16 Masters of Engineering Degree in Mining Engineering and Mineral Economics  
17 from The University of California, Berkeley. I have been employed by Peoples  
18 Gas or its affiliates since 1992 in positions related to gas supply, regulatory  
19 affairs and asset development. Prior to joining Peoples Gas, I was employed by  
20 The California Public Utilities Commission in various regulatory and rate  
21 positions, with an emphasis on gas supply markets and federal regulatory policy  
22 matters.

23 Q. What is the purpose of your direct testimony?

24 A. The purpose of my testimony is to describe Peoples Gas' 2010 supply and  
25 capacity procurement practices, including negotiation of contracts and related  
26 accounting and auditing practices. This includes a description of how Peoples  
27 Gas' company-owned storage field, Manlove Field, fits into Peoples Gas' portfolio  
28 and how Peoples Gas allocated available capacity among Peoples Gas, North  
29 Shore and Peoples Gas' interstate storage services. In addition, I discuss steps  
30 that Peoples Gas took to reduce gas price volatility. I also address the prudence  
31 of Peoples Gas' 2010 supply and capacity and the resulting gas costs that  
32 Peoples Gas billed to customers.

33

34 **2010 PROCUREMENT OVERVIEW**

35 Q. Please describe Peoples Gas' 2010 gas supply procurement process.

36 A. IBS provides services for Peoples Gas under an affiliated interest  
37 agreement approved by the Illinois Commerce Commission ("Commission"). In  
38 general, personnel in the Gas Supply Department, and others, as appropriate,  
39 developed specific gas supply recommendations and put those forward for  
40 management approval. The Gas Supply Department was responsible for  
41 entering into and administering contracts for gas supply and for purchases of  
42 transportation and storage services.

43 Q. What procedure did Peoples Gas follow in 2010 in order to select its  
44 resource mix?

45 A. Prior to the start of the year, Peoples Gas developed a number of  
46 interconnected forecasts, including: a peak day forecast, a long-term sales  
47 forecast, and a gas sendout requirements forecast. These forecasts support the  
48 Gas Dispatch Model, which calculates daily sendout requirements and balances  
49 the normal year's daily requirements with available gas supply, including term  
50 purchases, spot market purchases, customer-owned deliveries and gas available  
51 for withdrawal or injection. The Gas Dispatch Model optimizes, from a full-year  
52 perspective, the daily gas dispatching activities by forecasting the supply and  
53 storage mix to meet the expected customer sendout requirements for each day  
54 of the forecast year. Using the annual Gas Dispatch Model as a starting point  
55 and just prior to the start of each month, the Gas Supply Department computed  
56 at least three potential load forecasts for the coming month and met to address

57 purchasing decisions for the upcoming month. After establishing the monthly  
58 plan, Gas Supply personnel, on a daily basis, as changing requirements and the  
59 market dictated, addressed any changes necessary to accommodate the need  
60 for additional or reduced amounts of supply or capacity.

61 Q. Please describe Peoples Gas' contractually available sources of firm gas  
62 supply during the reconciliation period.

63 A. Peoples Gas purchased firm gas supply from many parties under three  
64 general forms: field baseload, field swing, and citygate delivered swing and call.

65 Q. Please describe the field baseload purchases.

66 A. Peoples Gas contracted for baseload supplies that it purchased at field  
67 locations and transported to the citygate using its transportation. Peoples Gas  
68 made these purchases on a long term and a seasonal basis. The baseload  
69 contracts called for Peoples Gas to purchase the same quantity each day and  
70 were priced either on a First of the Month ("FOM") index price or with a fixed  
71 price (discussed below).

72 Q. Please describe the field swing purchases.

73 A. Field swing purchases are firm supplies that were available at a daily  
74 index price, and, when purchased, were transported to the citygate using  
75 Peoples Gas' transportation. Peoples Gas made these purchases on a seasonal  
76 (November through March) and January 2010 only basis. In each case, the  
77 quantity that Peoples Gas could purchase each day could vary between zero and  
78 the maximum quantity stated in the contract. Under these contracts, the supplier

79 had the obligation to deliver the gas, but Peoples Gas had no obligation to ever  
80 purchase any gas.

81 Q. Please describe the citygate delivered swing and call purchases.

82 A. Citygate delivered swing purchases are firm supplies that were, when  
83 requested by Peoples Gas, delivered to the citygate by the supplier and available  
84 on any day during the November 2009 through March 2010 and the November  
85 2010 through March 2011 periods at a daily index price. Under these contracts,  
86 the supplier had the obligation to deliver the gas, but Peoples Gas had no  
87 obligation to ever purchase any gas.

88 Citygate delivered call purchases are firm supplies that were, when  
89 requested by Peoples Gas, delivered to the citygate by the supplier subject to the  
90 unique call rights specified in the contract. The call rights were in two forms:  
91 available on any day during January 2010 at an FOM price, but for no more than  
92 a specified number of days during that month; and available on any day during  
93 January 2010 at an FOM price, provided a criterion tied to the temperature  
94 forecast for O'Hare was met. For both forms, the supplier had the obligation to  
95 deliver the gas, but Peoples Gas had no obligation to ever trigger the call.

96 Q. Did Peoples Gas have any other sources of gas available for system  
97 supply?

98 A. Yes. Peoples Gas purchased supply on the spot market. These  
99 transactions were typically for less than one month and were often for only a  
100 single day or a few days. Once contracted, these sources were firm.

101           Also, a significant portion of Peoples Gas' end use market opts for  
102 deliveries of customer-owned gas under Peoples Gas' Schedule of Rates. This  
103 gas was another source available to Peoples Gas for system supply. However,  
104 Peoples Gas did not know the customer-owned gas quantity that it will receive  
105 until customers and their suppliers nominated it and North Shore and the  
106 pipelines confirmed it.

107 Q.     How many suppliers did Peoples Gas purchase from during the  
108 reconciliation period?

109 A.     During 2010 Peoples Gas purchased gas from 38 suppliers.

110 Q.     Please describe Peoples Gas' contractual agreements for the purchase of  
111 supply and capacity recovered through the monthly Gas Charge filings.

112 A.     During 2010 Peoples Gas purchased the majority of its supply under firm  
113 contracts with suppliers. It made these purchases under the terms of the  
114 individual contracts that Peoples Gas had with each supplier. Peoples Gas  
115 purchased a portion of its total supply volumes as spot purchases from various  
116 suppliers. It made spot purchases, on an as-needed basis, from suppliers under  
117 the terms of the individual contracts that Peoples Gas had with each supplier.

118           Capacity (both pipeline storage and transportation) transactions are  
119 subject to contracts with the pipelines and the pipelines' Federal Energy  
120 Regulatory Commission ("FERC") Gas Tariffs.

121 Q.     Did Peoples Gas purchase gas or release capacity under an asset  
122 management arrangement during the reconciliation period?

123 A.     No.

124 Q. Did Peoples Gas conduct any after-the-fact analyses of its 2010 gas  
125 supply procurement?

126 A. Yes, three kinds of after-the-fact analyses were conducted. One reviewed  
127 the performance on a monthly basis. The second analysis reviewed the peaking  
128 and call options included in the winter season portfolio. The third analysis looked  
129 at the entire year across a number of parameters.

### 130 **REQUESTS FOR PROPOSALS**

131 Q. Did Peoples Gas use a Request for Proposal (“RFP”) process for any of  
132 the purchases identified above?

133 A. Yes. Peoples Gas believes the RFP process allows the market to  
134 competitively bid to determine the fair value of the products sought. Peoples Gas  
135 issued RFPs, with specific directions to bidders, for each of the term field  
136 baseload and field swing purchases as well as the citygate delivered swing and  
137 call purchases. The goal of the RFP process is to reach as broad a market as  
138 possible to meet Peoples Gas’ requirements. Peoples Gas attempted to be as  
139 clear as possible in what it was seeking and what it would consider a conforming  
140 bid. This practice provided Peoples Gas with objective criteria with which to  
141 eliminate non-conforming bids and make a fair apples-to-apples comparison of  
142 bids received.

143 Q. You stated that Peoples Gas tries to be as clear as possible when it  
144 structures its RFPs. Please explain what you mean.

145 A. One of Peoples Gas’ goals is to receive bids that are in an identical format  
146 so that it can make fair comparisons. In its RFPs, it specifies all the key

147 commercial terms of service to limit the number of variables that it must consider  
148 in evaluating bids. For example, a typical RFP would specify the location(s) at  
149 which Peoples Gas would take delivery of supply; whether the supply would be  
150 baseload or swing and, if it is a swing supply, the conditions under which Peoples  
151 Gas can call on the supply; acceptable pricing structures, such as based on  
152 specific FOM or daily indices and whether demand charges would be acceptable;  
153 and any quantity limitations, such as bids must be in increments of 5,000  
154 dekatherms (“dth”) per day. In addition, the RFP specifies the credit terms that  
155 will apply to the winning bidder, and bidders must be parties to a master contract  
156 that will govern the transaction. Generally, the supplier need only select an  
157 acceptable delivery location from among those specified, specify a daily contract  
158 quantity and bid a price in the required form, for example, an addition to or  
159 subtraction from an index that Peoples Gas identified in the RFP. Peoples Gas  
160 can then perform an apples-to-apples comparison among the conforming bids  
161 and promptly notify the winning bidder(s).

162 Q. Did Peoples Gas conduct any RFPs that differed from the form it used in  
163 prior years?

164 A. Yes. Peoples Gas conducted one RFP using an electronic auction  
165 platform operated by World Energy Solutions, Inc.

166 Q. What is the World Energy platform?

167 A. The platform is an automated, web-based auction platform that supports  
168 both forward and reverse auctions. Peoples Gas used the reverse auction  
169 functionality of the platform to acquire baseload gas for various periods, generally

170 covering the May 2010 through October 2010 period, at four different field  
171 locations. The auctions occurred on April 21, 2010.

172 Q. What is a reverse auction?

173 A. A reverse auction is one where the prices from individual bidders go lower,  
174 rather than higher, as the auction progresses.

175 Q. Who was responsible for selecting the winning bids?

176 A. Peoples Gas selected the winning bids and was responsible for contacting  
177 the winning bidders to make the award.

178 Q. Were all bids open to all bidders?

179 A. No. While Peoples Gas could see all bid information, including prices and  
180 bidder names, individual bidders could only see their own bids and the current  
181 low price bid at the time.

182 Q. Were all the RFPs used to obtain the supplies discussed above completed  
183 in the reconciliation year?

184 A. No. Peoples Gas completed two RFPs prior to 2010 for gas that flowed in  
185 2010. The types of supply procured under those RFPs were baseload and non-  
186 baseload, *i.e.*, swing and call, gas supplies. The baseload supply obtained under  
187 one of the RFPs was for fixed price supply.

188 Q. Please describe what a fixed price means.

189 A. A fixed price is one that over the term of the agreement does not change.

190 Q. How was the fixed price established?

191 A. The fixed price was reached through an RFP with a two step process used  
192 to establish the final price. The first step was to determine the basis for the gas

193 to be purchased. Once the basis was established, within a short period of time  
194 Peoples Gas had the right to lock in a NYMEX reference price. Adding together  
195 the two parts of the price provided a final fixed price.

196 Q. In the process described above, you stated that Peoples Gas used a  
197 NYMEX reference price. Does that mean Peoples Gas entered into a financial  
198 position on the NYMEX or with the winning supplier(s)?

199 A. No. Peoples Gas used the NYMEX as purely a reference to the then  
200 existing market price. Peoples Gas did not enter into any financial contracts in  
201 support of these transactions.

202 Q. What criteria did Peoples Gas use in reviewing these RFP responses and  
203 awarding contracts?

204 A. The award criteria were lowest price first, and, where applicable,  
205 secondary considerations. Secondary considerations were the nomination  
206 deadline and the pipeline on which the supply was to be delivered. In addition,  
207 for the non-baseload RFP supplies, Peoples Gas used a bid valuation model to  
208 evaluate swing and call supply products with varying price, term and quantity  
209 attributes on an equal footing.

210 Q. Did Peoples Gas issue RFPs in 2010 for gas flowed in 2010?

211 A. Yes. Peoples Gas completed two RFPs in 2010 for gas that flowed in  
212 2010. The types of supply procured under those RFPs were baseload and non-  
213 baseload, *i.e.*, swing and call, gas supplies.

214 Q. What criteria did Peoples Gas use in reviewing these RFP responses and  
215 awarding contracts?

216 A. The award criteria were lowest price first, and, where applicable,  
217 secondary considerations. Secondary considerations were the nomination  
218 deadline and the pipeline on which the supply was to be delivered. Another  
219 criterion was vendor diversity, which was applied where applicable. Also, for the  
220 non-baseload RFP supplies, Peoples Gas used a bid valuation model to evaluate  
221 swing and call supply products with varying price, term and quantity attributes on  
222 an equal footing.

223 Q. Did Peoples Gas purchase all its gas through the RFP process?

224 A. No. Peoples Gas purchased all its spot gas pursuant to bilateral  
225 discussions with suppliers or through trades on the IntercontinentalExchange, an  
226 electronic trading platform.

#### 227 **CITYGATE PURCHASES**

228 Q. Did Peoples Gas purchase gas at the citygate in 2010?

229 A. Yes. Peoples Gas purchased term gas and spot gas delivered at the  
230 citygate in 2010. Citygate purchases accounted for about 13% of total purchase  
231 quantities and about 14% of total purchase costs.

232 Q. Why does Peoples Gas purchase term gas at the citygate, rather than  
233 making purchases in the field and using its transportation to move the gas to its  
234 citygate?

235 A. Peoples Gas buys term gas at the citygate for two main reasons. First, in  
236 the case of the swing and call gas, citygate purchases limit the amount of  
237 pipeline capacity that Peoples Gas needs to hold. Winter-only firm capacity is  
238 typically unavailable and year-round capacity would only be needed for winter or

239 peaking requirements. Second, it diversifies the type of pricing in the portfolio.

240 The Gas Charge will include a mix of field index purchases, citygate index

241 purchases and fixed price purchases.

242 Q. Why does Peoples Gas buy spot gas at the citygate?

243 A. Peoples Gas buys spot gas at the citygate to meet demands that vary

244 daily and are in excess of the transportation capacity held on interstate pipelines.

245 Because demands vary based on weather and customer-owned gas deliveries,

246 and, as such, are unpredictable, holding additional transportation from field

247 locations to meet them is not reasonable. Also, Peoples Gas buys at the citygate

248 when it is economically favorable.

#### 249 **TRANSPORTATION AND STORAGE CAPACITY**

250 Q. Did any significant changes to Peoples Gas' transportation and storage

251 capacity portfolio occur in 2010?

252 A. No.

253 Q. Were there any significant pipeline outages or interruptions during 2010?

254 A. Peoples Gas experienced three interstate pipeline outages during the

255 reconciliation period.

256 The first event occurred August 17 - October 13, 2010. Natural Gas

257 Pipeline Company of America ("NGPL") declared force majeure and performed a

258 hydrostatic test of two short sections of its Amarillo Line located in Iowa. This

259 work reduced capacity through the affected area to 77%. During the repair

260 period additional problems occurred, further reducing the capacity to 70%. This

261 additional capacity constraint took place September 22 - October 13, 2010.

262           The second occurrence caused reductions on October 21-26, 2010, when  
263 NGPL had a compressor outage in Kansas. NGPL declared force majeure and  
264 scheduled primary firm and secondary in-path firm transportation at 65% of  
265 contract quantity through the affected compressor.

266           The third event occurred November 9-12, 2010. NGPL discovered several  
267 pipeline anomalies on its Gulf Coast mainline that required an isolation of a  
268 pipeline section for repairs. During the outage, NGPL scheduled primary firm  
269 and secondary in-path firm transportation at 71% of contract quantity. Peoples  
270 Gas made arrangements with its baseload suppliers to deliver 71% of their  
271 supply commitment during the outage. Once NGPL restored full service, the  
272 suppliers provided make up gas to meet the expected monthly delivery.

273 Q.     How did Peoples Gas' planned and actual use of storage compare in  
274 2010?

275 A.     Peoples Gas begins each season with an established storage plan based  
276 on normal weather, estimated customer-owned gas deliveries and assumptions  
277 for other factors not precisely known at the time it creates the plan. Peoples Gas  
278 cannot reasonably plan for other storage activity, notably no-notice balancing.  
279 As a result, actual storage use will never exactly match planned storage use for a  
280 given month, and Peoples Gas may need to revise storage plans for future  
281 months to accommodate these differences. During 2010, actual storage  
282 withdrawals of 56,454 Mdth (thousand dekatherms) were 426 Mdth (0.8%) more  
283 than planned, a very small difference.

284 Q.     Is Peoples Gas' storage field, Manlove Field, part of its storage plan?

285 A. Yes. Manlove Field storage accounts for 34% of Peoples Gas' design day  
286 and 48% of the capacity in its annual storage portfolio. I discuss Manlove Field  
287 in more detail later in my testimony.

288 Q. Did Peoples Gas have contracts for NGPL Rate Schedule NSS service in  
289 its portfolio in 2009?

290 A. Yes. Pursuant to contracts with NGPL, Peoples Gas had the right to  
291 18,171.675 Mdth of NSS storage. This capacity was divided between the NGPL  
292 Gulf (13,366.950 Mdth) and Amarillo (4,804.725 Mdth) systems.

293 Q. Did Peoples Gas release any of the NSS capacity?

294 A. Yes.

295 Q. Was the capacity release a reasonable use of this capacity?

296 A. Yes. Peoples Gas could not use the capacity in its storage portfolio during  
297 the reconciliation period. However, NSS storage is a valuable service, and  
298 through the release, Peoples Gas was able to retain rights to this service at no  
299 incremental cost to customers. Peoples Gas did not permanently release the  
300 NSS capacity. In this way Peoples Gas retained the right of first refusal to renew  
301 this service at the end of the contract term with NGPL. Further, Peoples Gas  
302 retained these rights at no cost to customers. It should be noted that since  
303 Peoples Gas secured the NSS capacity, NGPL has expanded its NSS storage  
304 capacity a number of times, each with incremental capacity priced higher than  
305 the rates in Peoples Gas' contract. If Peoples Gas opts to retain the capacity  
306 after the term of the release, it will be able to pay the lower, pre-expansion cost.  
307 Therefore, it is Peoples Gas' opinion that maintaining a free option to storage that

308 is in excess of current demands, is unable to be used under the current portfolio  
309 configuration and that has been increasingly more valuable in the capacity  
310 markets, protects customers from cost increases.

311 Q. If the NSS storage is increasingly more valuable, could Peoples Gas have  
312 received more than the maximum tariff rate for the unused capacity?

313 A. No. At the time of the release, Peoples Gas could not release the  
314 capacity for more than the maximum rate applicable to the capacity it purchases.  
315 While NGPL offers expansion capacity at higher rates, those higher rates cannot  
316 be captured in a release of pre-expansion capacity. In any event, Peoples Gas  
317 released the capacity at the highest rate permitted by the FERC's rules at the  
318 time of the release.

319 **MANLOVE FIELD**

320 Q. You stated that Manlove Field storage is part of Peoples Gas' design day  
321 and annual storage portfolio. What is the cycled top gas quantity for Manlove  
322 Field?

323 A. The amount of top gas typically cycled annually from Manlove Field is  
324 36,500 Mdth.

325 Q. What quantity of this capacity does Peoples Gas use to serve its retail end  
326 use customers?

327 A. 27,800 Mdth.

328 Q. Do both retail sales and transportation customers receive services  
329 supported by Manlove Field?

330 A. Yes.

331 Q. Does anyone other than Peoples Gas' retail customers receive services  
332 supported by Manlove Field?

333 A. Yes. North Shore purchases a storage service from Peoples Gas under a  
334 Commission-approved contract. Peoples Gas also offers storage services in the  
335 interstate market under the FERC's authority. The interstate services are  
336 sometimes called "hub" services.

337 Q. Please describe the storage service that North Shore purchases.

338 A. Under its agreement North Shore delivers gas to the Peoples Gas system  
339 for injection into Manlove Field during the injection period. Peoples Gas' and  
340 North Shore's systems are not physically interconnected. When North Shore  
341 calls on gas for withdrawal, Peoples Gas will withdraw the gas and by  
342 displacement deliver an equivalent quantity to North Shore using gas supplies  
343 that Peoples Gas otherwise had flowing on either the NGPL or ANR Pipeline  
344 Company ("ANR") system.

345 Q. Please describe the interstate services that Peoples Gas provides.

346 A. Under a FERC-approved Operating Statement Peoples Gas may offer six  
347 services: Firm Transportation, Interruptible Transportation, Firm Storage  
348 Service, Interruptible Storage Service, Parking and Lending Service, and One-  
349 Cycle Exchange service. Peoples Gas supports these services with capacity at  
350 Manlove Field and on the Mahomet Pipeline, which connects Manlove Field to  
351 Peoples Gas' service territory. During 2010, Peoples Gas provided only Parking  
352 and Lending Service, which is an interruptible service.

353 Q. Did Peoples Gas enter into any significant interstate service agreements  
354 during the reconciliation period?

355 A. No. In 2009, Peoples Gas, through a competitive bid, RFP process  
356 entered into a two year, 5,000 Mdth park and loan transaction with NGPL that  
357 remained in effect in 2010.

358 Q. How does Peoples Gas determine the amount of Manlove Field capacity  
359 that is available to North Shore?

360 A. The quantity that North Shore receives is defined in its contract with  
361 Peoples Gas. The parties last changed that quantity in 1995.

362 Q. How does Peoples Gas determine how much capacity is available for  
363 interstate services?

364 A. The determination process is an extension of Peoples Gas' existing  
365 optimization models. The process is a point in time analysis that Peoples Gas  
366 performs at least once per year but not longer than 18 months after the previous  
367 study. The process is designed to allocate Manlove Field storage capacity in a  
368 way that does not adversely affect Peoples Gas' retail customers with the  
369 principal goal of maintaining performance at Manlove Field. Peoples Gas first  
370 performed this analysis in 2008. Peoples Gas performed this analysis again  
371 during the reconciliation period in October.

372 Q. What were the results of implementing this process for 2010?

373 A. An October 2010 decision, based on the 2010 analysis, was to retain the  
374 existing allocation for the 2010-2011 injection/withdrawal season.

375 Q. Is this process a reasonable way to allocate capacity among Peoples Gas'  
376 retail customers, North Shore and Peoples Gas' interstate customers and why?

377 A. Yes. The process takes steps to include and update as many market,  
378 asset availability, and operating constraints as reasonably practicable. It also  
379 takes advantage of advances in analytical tools and does so in a way that fits  
380 Manlove Field into the comprehensive portfolio plan.

381 Q. Does Peoples Gas own and operate an LNG facility?

382 A. Yes. The LNG facility is part of the Manlove Field complex.

383 Q. Please describe Peoples Gas' use of the LNG facility in 2010.

384 A. Peoples Gas continued to use the LNG facility as a source of needle  
385 peaking supply and to supplement late-season withdrawals from Manlove Field.  
386 Peoples Gas continued the multi-year process to cycle the existing LNG  
387 inventory that began in 2009.

388 Q. Please explain how LNG operations affected gas supply activities in 2010.

389 A. Peoples Gas developed a gas supply plan that provided for up to 75 days  
390 of liquefaction during the spring and fall of 2010. This plan allowed Peoples Gas  
391 to liquefy the desired amount of LNG as of the end of November 2010.

## 392 **RESERVE MARGIN**

393 Q. What was Peoples Gas' design day reserve margin in 2010?

394 A. Peoples Gas 2010 design day reserve margin was approximately 3%.

395 Peoples Gas defines its design day as the sendout expected to occur on a  
396 January weekday with a temperature of -20 degrees Fahrenheit (equivalent to 85  
397 degree days) and an average wind speed of 23.5 miles per hour (mph) following

398 a day with a temperature of -2 degrees Fahrenheit and an average wind speed of  
399 21 mph where the weather-normalized monthly sales and number of customers  
400 are consistent with Peoples Gas' most recent normal weather budget forecast for  
401 the January containing the design day.

402 The reserve margin is intended to ensure that Peoples Gas will be able to  
403 serve its customers under extreme conditions. Because of the serious effects on  
404 public health and safety of a gas outage, in addition to the difficulties of restoring  
405 gas service, it is imperative that Peoples Gas plan for extreme conditions. Firm  
406 gas supply and deliverability to Peoples Gas' distribution system were thus set at  
407 levels that provide a margin over Peoples Gas' projected peak day requirements.  
408 This reserve margin was necessary to accommodate, among other things, the  
409 fact that Peoples Gas is located near the end of NGPL's and Northern Border  
410 Pipeline Company's ("Northern Border") facilities, the possibility of deliverability  
411 shortfalls in connection with storage and flow gas, and the fact that requirements  
412 could exceed design day projections.

#### 413 **PRICE RISK MANAGEMENT**

414 Q. Please describe the steps taken to address price volatility, including any  
415 hedging strategies.

416 A. Peoples Gas took several steps to address price volatility. During the  
417 year, Peoples Gas followed a price protection program, approved by the  
418 Regulated Risk Oversight Committee, which was specifically designed to mitigate  
419 the effects of gas price volatility. Under this program a significant portion of  
420 Peoples Gas' purchases were protected using approved financial derivative tools

421 including fixed price swaps, call options, synthetic calls or consumer collars  
422 (purchased calls and sold puts simultaneously). These purchases were either  
423 hedged physically through fixed forward purchases directly with a supplier or  
424 through the use of financial derivative instruments. Under the plan, Peoples Gas  
425 began executing its hedges nineteen months prior to the start of each season  
426 (*i.e.*, winter or summer). The timing of the transaction execution follows a time  
427 driven matrix approach and results in 100% of the planned hedges in place prior  
428 to the start of the season. Under normal weather conditions, Peoples Gas would  
429 expect to hedge between 25% and 50% of its annual purchases under this plan  
430 with a target of 37.5%.

431 Peoples Gas' supply portfolio also contained storage assets, both owned  
432 and under contract, that allowed it to use the natural physical hedge that  
433 seasonal storage provides. Peoples Gas also purchased natural gas supplies  
434 from a variety of parties and from different producing regions to protect against  
435 regional price anomalies.

436 Q. How much of its annual purchases did Peoples Gas hedge under its plan?

437 A. For the reconciliation period, slightly less than 36% of actual annual  
438 purchases were financially hedged. While the financially hedged percentage was  
439 below the 37.5% target noted above, it was within the plan parameters.

440 Q. What is a "time driven matrix" approach?

441 A. The "time driven matrix" approach is meant to convey that Peoples Gas  
442 executed its hedge transactions on a defined schedule, unless predefined market  
443 conditions were met and Peoples Gas elected to accelerate its financial hedge

444 purchases. This is in contrast to, for example, purchasing all of the hedges  
445 eighteen months prior or waiting until one month prior to the hedged period to  
446 purchase the hedges.

447 Q. Were there any changes made to this plan that affected the reconciliation  
448 period?

449 A. No. Further, the plan was reauthorized by the Regulated Risk Oversight  
450 Committee in September, 2010.

451 Q. Were there any significant deviations from this plan?

452 A. No.

453 Q. Please describe the impact on the Gas Charge of the hedging strategies.

454 A. As a result of Peoples Gas' purchases under its price protection programs,  
455 customers were partially insulated against price volatility. By taking fixed price  
456 positions on a large portion of the anticipated baseload purchases, Peoples Gas  
457 can dampen the effect that large swings in the price of natural gas have on its  
458 total cost of gas. This, in turn, leads to more stable prices for Peoples Gas'  
459 customers. In the absence of this program, customers would be exposed to the  
460 full risk of market fluctuations. Peoples Gas' price protection strategies were not  
461 aimed at guaranteeing the lowest possible price for gas. The programs' purpose  
462 is to mitigate volatility.

### 463 **INTERSTATE SERVICES**

464 Q. You testified that Peoples Gas provides interstate services. What revenue  
465 did Peoples Gas receive from interstate transactions in 2010?

466 A. Interstate services transactions resulted in approximately \$10.3 million in  
467 revenue that Peoples Gas flowed through its Gas Charge during 2010.

468 Q. Do hub transactions increase gas costs to customers?

469 A. No. First, the revenues generated through the provision of hub services  
470 are a credit to the Gas Charge and, as such, reduce costs to customers.

471 Second, hub services tend to increase the liquidity at Peoples Gas' citygate.

472 Generally, the more liquid the trading point the better the price signals and the  
473 easier it is for supply to meet demand.

474 Q. Did Peoples Gas enter into any off-system gas sales for resale during  
475 2010?

476 A. Yes. Peoples Gas entered into off-system sales transactions that were  
477 supported by approximately 3% of Peoples Gas' purchases in terms of quantity  
478 and approximately 3% in terms of cost for the year. These transactions were for  
479 operational purposes to help balance the system and to avoid oversupply  
480 situations, as well as for asset optimization reasons.

481 Q. Did Peoples Gas release any capacity in 2010?

482 A. Yes. In addition to the NSS release discussed above, Peoples Gas  
483 released some capacity on a short term basis on both NGPL and Northern  
484 Border.

#### 485 **AFFILIATE TRANSACTIONS**

486 Q. Did Peoples Gas enter into any transactions with any affiliate that affected  
487 the Gas Charge?

488 A. No.

489 Q. Does Peoples Gas have any gas supply related transactions with its  
490 affiliates?

491 A. Yes. Peoples Gas provides a storage service to North Shore, an affiliated  
492 gas utility, pursuant to a Commission-approved agreement. This service does  
493 not affect Peoples Gas' Gas Charge.

494 **PRUDENCE OF 2010 GAS COSTS**

495 Q. Were Peoples Gas' incurred expenditures for 2010 gas supply prudent?

496 A. Yes. The incurred gas supply expenditures for 2010 reflected Peoples  
497 Gas' continuing efforts to minimize the cost of its gas supply consistent with  
498 operational and contractual constraints and the statutory obligation to provide  
499 adequate and reliable service to customers during all periods of the year. In  
500 particular, following RFP processes, Peoples Gas purchased supply from a  
501 diverse pool of suppliers to fill its storage services and to supply its customers. It  
502 purchased supply at the citygate and in the field, which both diversifies the  
503 pricing applicable to those purchases and enhances reliability. It met a large  
504 portion of its peak day and seasonal requirements from storage. It also used  
505 storage to help it balance its system on a daily and intra-day basis. Finally, it  
506 hedged a significant portion of its annual purchases, which helps to mitigate price  
507 volatility for customers.

508 Q. What other efforts has Peoples Gas made to ensure that pipelines serving  
509 it provide reliable services on a best-cost basis?

510 A. Peoples Gas made efforts to maintain adequate, reliable services from  
511 pipeline transporters and to keep gas costs to a minimum by active participation

512 in its pipeline transporters' rate and certificate proceedings and other matters  
513 before the FERC. Peoples Gas monitored the filings of its principal pipeline  
514 suppliers of storage and transportation services and other pipelines  
515 interconnecting with Peoples Gas' system -- NGPL, Northern Border, Kinder  
516 Morgan Illinois Pipeline LLC ("KMIP"), Trunkline Gas Company ("Trunkline"),  
517 Midwestern Gas Transmission Company ("Midwestern"), ANR, Guardian  
518 Pipeline, L.L.C. ("Guardian") and Alliance Pipeline, Ltd. ("Alliance"). In addition,  
519 Peoples Gas monitored FERC rulemaking and policy proceedings.

520         Based on its review of pipeline filings, Peoples Gas intervened in  
521 significant proceedings, including NGPL's Section 5 rate review proceeding that  
522 FERC initiated. Peoples Gas also continued to participate actively as a member  
523 of the American Gas Association in FERC rulemakings and other generic  
524 proceedings affecting its customers.

## 525 **MEASUREMENT AND MONITORING OF PIPELINE DELIVERIES**

526 Q.     Please describe the control procedures and monitoring related to contract  
527 enforcement for Peoples Gas' pipeline purchases.

528 A.     The control procedures and monitoring related to enforcement of contracts  
529 for gas delivered by pipelines interconnecting with Peoples Gas were as follows:

530         1.     Natural gas delivered by NGPL to Peoples Gas is registered by  
531 Peoples Gas' electronic flow measurement ("EFM") equipment located at seven  
532 locations (excluding direct pipeline supplied customer locations), including  
533 Peoples Gas' Manlove Field. One of NGPL's seven locations, the Torrence  
534 Avenue station, is also the point at which energy is delivered to Peoples Gas

535 from KMIP. Peoples Gas' Gas Control Department reviewed and monitored the  
536 accuracy of energy that NGPL billed at all seven of those meters on a daily basis  
537 as well as for KMIP at the Torrence point. Peoples Gas independently operates  
538 equipment verifying the accuracy of NGPL's and KMIP's meters. If the Gas  
539 Control Department's measurement review indicated a discrepancy, the Gas  
540 Control Department would contact NGPL or KMIP to resolve the discrepancy.  
541 NGPL and KMIP also calibrate their EFM equipment once a month. Peoples  
542 Gas' representative may be present at these calibrations. Peoples Gas'  
543 representative is present for physical changes (e.g., orifice plate inspection or  
544 replacement) involving a meter.

545 2. ANR operates EFM equipment at its station near East Joliet, Illinois  
546 and at its Sharp Road station near Elwood, Illinois. Trunkline operates EFM  
547 equipment at Peoples Gas' Manlove Field. Northern Border operates EFM  
548 equipment at the Manhattan-South interconnect located near Manhattan, Illinois,  
549 the Manhattan-North interconnect located near Lemont, Illinois, and the Sharp  
550 Road interconnect located near Elwood, Illinois. Midwestern operates EFM  
551 equipment at its station near Union Hill, Illinois. Alliance operates EFM  
552 equipment at its station near Elwood, Illinois. Guardian operates EFM equipment  
553 at its station near Elwood, Illinois. ANR, Trunkline, Midwestern, Northern Border,  
554 Guardian, and Alliance calibrate their EFM equipment once a month. A Peoples  
555 Gas representative may be present at these calibrations. Peoples Gas'  
556 representative is present for physical changes (e.g., orifice plate inspections or  
557 replacement) involving a meter. Peoples Gas independently operates equipment

558 verifying the accuracy of ANR's, Trunkline's, Midwestern's, Northern Border's,  
559 Guardian's, and Alliance's measurement equipment. Peoples Gas' Gas Control  
560 Department reviews and monitors the accuracy of energy that is billed from these  
561 pipelines' meters. If this review identified a discrepancy, Gas Control would  
562 contact the pipeline and resolve the discrepancy.

563 3. If the Gas Control Department's measurement verification between the  
564 EFM equipment and nomination systems (Peoples Gas' and pipelines'  
565 nomination websites) indicates a discrepancy, the Gas Control Department will  
566 contact the pipeline to resolve the discrepancy. Once Gas Control has resolved  
567 all discrepancies, the Gas Supply Department will verify the amount of gas  
568 nominated to the Gas Supply transaction tracking database (TRM, formerly  
569 Monaco). This ensures that all gas nominated is recorded in TRM. The Fuel and  
570 Supply Accounting Department confirms data from TRM with the pipelines'  
571 invoices.

572 4. ANR, Midwestern, Guardian and Trunkline determine gas quality and  
573 heating value by use of onsite chromatographs at those meter stations. NGPL  
574 determines gas quality and heating value by use of chromatographs at a point on  
575 its system near Joliet, Illinois and at Peoples Gas' Manlove Field. Northern  
576 Border determines gas quality and heating value by use of a chromatograph on  
577 its system near Ventura, Iowa. Alliance determines gas quality and heating value  
578 by use of a chromatograph on its system near Morris, Illinois. Peoples Gas  
579 independently monitors gas quality and heating value by means of  
580 chromatographs owned by Peoples Gas at the citygates, Manlove Field, at the

581 ANR and Midwestern meter stations, and at two of the three Northern Border  
582 meter stations. These chromatographs are calibrated on a regular basis.

583 5. Internal Audit Services examines the accuracy and performance of  
584 procedures identified by management as SOX controls annually during its  
585 Sarbanes-Oxley Act of 2002, Section 404, testing to support management's  
586 assertion that the internal control structure is operating as designed. These tests  
587 include examination of the various records and reports used by the Fuel and  
588 Supply Accounting Department to record volumetric and pricing information  
589 including the various reconciliations to source measurement and pipeline  
590 information.

591 Q. Please describe the control procedures and monitoring programs related  
592 to enforcement of Peoples Gas' contracts for purchases from suppliers.

593 A. The gas purchased by Peoples Gas from each supplier was invoiced  
594 based on quantities delivered at the agreed delivery points. Each month the Fuel  
595 and Supply Accounting Department verified that suppliers used the appropriate  
596 unit prices in their invoicing to Peoples Gas, and it also confirmed that suppliers  
597 delivered volumes based on the agreed to delivery point on the pipeline invoices.

598 Q. Please describe the control procedures and monitoring programs that  
599 Peoples Gas uses with respect to its gas transportation contracts.

600 A. The control procedures and monitoring related to the enforcement of the  
601 transportation contracts and point operator agreements with ANR, NGPL, KMIP,  
602 Northern Border and Midwestern were as follows:

603       1.       Each of these pipelines rendered monthly statements of the quantity of  
604 gas received on behalf of Peoples Gas from each supplier at each receipt point  
605 and the quantity of gas each transporter delivered to Peoples Gas. The  
606 quantities of gas received and delivered by each transporter were measured in  
607 accordance with the General Terms and Conditions of its respective FERC Gas  
608 Tariff. Peoples Gas has access to transporters' measurement equipment at the  
609 receipt and delivery points under the tariff provisions. The Fuel and Supply  
610 Accounting Department verified the accuracy of each monthly statement based  
611 on records maintained by the Gas Supply area in coordination with each  
612 transporting pipeline.

613       2.       Transportation charges for each of the various receipt points also  
614 include a percentage retained by the transporter from gas received for Peoples  
615 Gas' account to compensate for the transporter's compressor fuel and lost-and-  
616 unaccounted-for gas. The Fuel and Supply Accounting Department reviewed for  
617 accuracy the quantities that the transporter retained, the transportation charges  
618 and the reservation fees against published tariffs, contracts or discount letters or  
619 agreements, as appropriate.

620 Q.       Does this conclude your direct testimony?

621 A.       Yes, it does.

# The Peoples Gas Light and Coke Company

Statement to Illinois Commerce Commission  
Determination of Reconciliation Balance for Gas Charge  
for the Year Ended December 31, 2010, and  
Independent Auditors' Report



Deloitte & Touche LLP  
111 S. Wacker Drive  
Chicago, IL 60606-4301  
USA

Tel: +1 312 486 1000  
Fax: +1 312 486 1486  
www.deloitte.com

## 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 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 accompanying Statement to Illinois Commerce Commission — Determination of Reconciliation Balance for Gas Charge (the "Statement") of The Peoples Gas Light and Coke Company (the "Company") for the year ended December 31, 2010, pursuant to Rider 2 of the Company's rate schedule in effect and on file with the Illinois Commerce Commission. This Statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this Statement based on our audit.

We conducted our audit of the Statement 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 Statement is 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 Statement. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement was prepared for the purpose of complying with Rider 2 of the Company's rate schedule in effect and on file with the Illinois Commerce Commission and is not intended to be a complete presentation of the Company's revenues and expenses, nor is it intended to be a presentation in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, the Statement referred to above presents fairly, in all material respects, the information set forth therein of the Company for the year ended December 31, 2010, in accordance with Rider 2 of the Company's rate schedule 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

The Peoples Gas Light and Coke Company

STATEMENT TO ILLINOIS COMMERCE COMMISSION

DETERMINATION OF RECONCILIATION BALANCE

FOR GAS CHARGE

FOR THE YEAR ENDED DECEMBER 31, 2010

**The Peoples Gas Light and Coke Company**  
**Statement to Illinois Commerce Commission - Determination of Reconciliation Balance (1)**  
**For the Year Ended December 31, 2010**

<u>Line</u>	<u>Commodity Gas Charge (CGC)</u>	<u>Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge (NCGC, DGC and ABGC)</u>	<u>Hub Credit Gas Charge (HCGC)</u>	<u>Total Gas Charge</u>	
<b>Year Ended December 31, 2009</b>					
1	Unamortized Balance at December 31, 2009 (Refund)/Recovery (2)	(\$13,637,782.95)	(\$1,233,190.74)	\$0.00	(\$14,870,973.69)
2	Factor A Adjustments unreconciled at December 31, 2009 (Refund)/Recovery (3)	(21,103,929.07)	(557,497.13)	(1,400.82)	(21,662,827.02)
3	Factor O (Refunded)/Recovered in 2010	0.00	0.00	0.00	0.00
4	Balance (Refundable)/Recoverable from Prior Periods (Line 1 + Line 2 + Line 3)	(34,741,712.02)	(1,790,687.87)	(1,400.82)	(36,533,800.71)
<b>Year Ended December 31, 2010</b>					
5	Costs Recoverable through the Gas Charge (4)	500,081,636.62	53,104,817.94	(10,335,876.77)	542,850,577.79
6	Revenues Arising through Application of the Gas Charge (5)	490,621,054.01	53,595,133.33	(10,483,855.09)	533,732,332.25
7	Separately Reported Pipeline Refunds or Surcharges	0.00	0.00	0.00	0.00
8	Separately Reported Other Adjustments (6)	0.00	38.10	0.00	38.10
9	Interest	(159,506.46)	(6,387.05)	0.00	(165,893.51)
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	9,301,076.15	(496,664.34)	147,978.32	8,952,390.13
11	(Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	(25,440,635.87)	(2,287,352.21)	146,577.50	(27,581,410.58)
12	Factor A Adjustments unreconciled at December 31, 2010 (Refund)/Recovery (7)	(16,090,014.60)	(397,844.46)	146,577.50	(16,341,281.56)
13	Unamortized Balance at December 31, 2010 (Refund) / Recovery (Line 11 - Line 12) (8)	(\$9,350,621.27)	(\$1,889,507.75)	\$0.00	(11,240,129.02)
14	Requested Factor O (Line 11 - Line 12 - Line 13)	\$0.00	\$0.00	\$0.00	0.00

The Peoples Gas Light and Coke Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE  
FOR THE COMMODITY GAS CHARGE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2010			
1.	Gas Costs by Type:			
	a. Purchases	\$ 497,880,456.93		
	b. Liability For Redelivery of Customer-Owned Gas	<u>(10,391,575.00)</u>		
2.	TOTAL GAS COSTS		\$ 487,488,881.93	Sum Lines 1a - 1b
3.	Less: Gas Used by Company	\$ 0.00		
4.	a. Add: Gas Withdrawn from Storage	277,466,081.11		
	b. Less: Gas Injected into Storage	<u>(264,406,186.74)</u>		
5.	Less: Off-System Transaction Revenues	(249,461.19)		
6.	Less: Penalty / Imbalance Charge Revenues	(24,146.41)		
7.	a. Less: "Cash-Out" Schedule Revenues	(1,202,007.20)		
	b. Add: "Cash-Out" Schedule Costs	<u>1,008,475.12</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>12,592,754.69</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 500,081,636.62	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Commodity Gas Charge Revenues		<u>490,621,054.01</u>	
11.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
12.	Interest		(159,506.46)	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>9,301,076.15</u>	Line 9 - Line 10 + Line 11 + Line 12

The Peoples Gas Light and Coke Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE  
FOR THE NON-COMMODITY GAS CHARGE, DEMAND GAS CHARGE AND AGGREGATION BALANCING GAS CHARGE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2010				
1.	Gas Costs by Type:			
	a. Transportation	\$ 21,362,712.49		
	b. Storage	39,621,507.70		
	c. Demand Gas Charge Revenues	(5,071,168.82)		
	d. Aggregation Balancing Gas Charge Revenues	<u>(3,031,035.89)</u>		
2.	TOTAL GAS COSTS		\$ 52,882,015.48	Sum Lines 1a - 1d
3.	Less: Gas Used by Company	\$ 0.00		
4.	a. Add: Gas Withdrawn from Storage	11,782,519.79		
	b. Less: Gas Injected into Storage	(11,559,717.33)		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	0.00		
7.	a. Less: "Cash-Out" Schedule Revenues	0.00		
	b. Add: "Cash-Out" Schedule Costs	<u>0.00</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>222,802.46</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 53,104,817.94	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Non-Commodity Gas Charge Revenues	52,506,239.42		
	b. Excess Bank Charge	750,934.98		
	c. Rider TB Critical Day Balancing Charge	0.00		
	d. Rider TB Non-Critical Day Balancing Charge	0.00		
	e. Rider TB Daily Storage Charge	337,958.93		
	f. Rider TB Daily Scheduling Charge	<u>0.00</u>		
11.	TOTAL REVENUES		<u>53,595,133.33</u>	Sum Lines 10a - 10f
12.	Pipeline Surcharge/(Refunds)/Other Adjustments		38.10	
13.	Interest		(6,387.05)	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(496,664.34)</u>	Line 9 - Line 11 + Line 12 + Line 13

STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE  
FOR THE HUB CREDIT GAS CHARGE  
FOR THE YEAR ENDED DECEMBER 31, 2010

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2010				
1.	TOTAL ACTUAL HUB REVENUES (applicable to Hub Credit Gas Charge)		\$ (10,335,876.77)	
2.	LESS ACTUAL HUB CREDIT GAS CHARGE ADJUSTMENTS		<u>(10,483,855.09)</u>	
3.	Refunds/Other Adjustments		0.00	
4.	Interest		0.00	
5.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>147,978.32</u>	Line 1 - Line 2 + Line 3 + Line 4

The Peoples Gas Light and Coke Company  
 Statement to Illinois Commerce Commission - Determination of Reconciliation Balance  
 Commodity Gas Charge

Summary of Schedule II  
 For the Year Ended December 31, 2010

Line	Reported Month	Summary of Schedule II												Total 2010	
		[A] November 2009	[B] December	[C] January 2010	[D] February	[E] March	[F] April	[G] May	[H] June	[I] July	[J] August	[K] September	[L] October		[M] November
1	Actual Recoverable Costs - Reported Month	41,298,896.41	93,177,759.16	134,803,612.96	99,028,322.63	44,026,559.33	13,076,299.85	15,802,281.01	13,696,365.32	11,549,433.10	5,359,198.06	14,318,204.47	43,345,954.72	98,549,292.67	500,081,636.62
2	Actual Recoveries - Reported Month	43,830,967.86	83,198,268.48	115,759,804.00	98,761,685.77	69,410,775.84	24,967,259.17	12,048,979.56	10,153,264.18	9,468,502.61	10,837,522.01	17,955,796.92	34,026,697.00	76,597,454.81	490,621,054.01
3	Under/(Over) Recovery - Reported Month	(2,532,069.45)	9,979,490.68	19,043,806.96	288,636.86	(25,384,216.51)	(11,890,959.32)	3,753,301.45	3,543,131.14	(4,546,220.74)	2,079,930.49	(5,238,333.95)	(3,437,951.35)	9,319,257.72	9,460,582.61
4	Factor A Included in Reported Month	(4,440,537.79)	(8,503,369.52)	(11,483,746.16)	(9,610,182.91)	(1,215,893.94)	(2,972,185.86)	(4,422,548.08)	(5,353,108.63)	(2,529,033.10)	(1,560,576.10)	(1,353,134.85)	(3,166,261.71)	(5,999,604.87)	(61,146,766.82)
5	Factor O Included in Reported Month	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6	Adjusted (Over)/Under Recovery - Reported Month	(6,972,607.24)	1,476,101.16	7,550,062.80	(9,343,546.05)	(26,600,106.45)	(14,863,145.16)	(669,246.63)	(1,809,977.49)	(7,074,263.84)	519,354.39	(6,591,468.80)	(5,595,853.06)	3,319,452.85	(51,686,184.21)
7	Refunds/Pipeline Surcharges/Other Adjustments	(604.47)	(408.49)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Unamortized Balance Including Previous Interest	(29,228,218.07)	(24,717,978.49)	(13,637,792.95)	(4,873,866.14)	(11,249,911.84)	(33,441,392.32)	(42,969,325.30)	(41,127,668.22)	(47,135,080.48)	(43,475,551.65)	(44,085,576.92)	(38,218,463.59)	(24,663,250.17)	
9	Total Adjustments Before Amortization	(36,201,429.78)	(23,242,285.82)	(6,087,720.15)	(14,217,412.19)	(37,850,012.29)	(48,304,537.50)	(43,638,571.93)	(42,937,645.71)	(48,466,563.90)	(46,615,706.09)	(50,087,020.45)	(50,681,429.98)	(35,899,010.74)	(14,190,712.76)
10	Total Amortization	(11,493,746.16)	(9,610,182.91)	(12,145,893.94)	(2,972,185.86)	(4,422,548.08)	(5,353,108.63)	(2,528,033.10)	(1,550,576.10)	(1,353,134.85)	(3,166,261.71)	(5,999,604.87)	(11,479,300.61)	(4,893,965.96)	
11	Unamortized Balance - Factor A	(24,707,683.62)	(13,632,102.91)	(4,871,836.21)	(11,245,226.33)	(33,427,464.21)	(42,951,429.87)	(41,110,538.83)	(41,377,069.61)	(43,457,444.38)	(44,087,213.58)	(39,202,129.37)	(24,642,962.10)	(9,346,726.80)	
12	Unamortized Balance - Factor O	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
13	Total Unamortized Balances	(24,707,683.62)	(13,632,102.91)	(4,871,836.21)	(11,245,226.33)	(33,427,464.21)	(42,951,429.87)	(41,110,538.83)	(41,377,069.61)	(43,457,444.38)	(44,087,213.58)	(39,202,129.37)	(24,642,962.10)	(9,346,726.80)	
14	Interest	(10,294.87)	(5,680.04)	(2,029.93)	(4,665.51)	(13,928.11)	(17,896.43)	(17,129.39)	(17,240.45)	(18,107.27)	(18,361.34)	(16,334.22)	(10,267.91)	(3,894.47)	
15	Unamortized Balance Including Interest	(24,717,978.49)	(13,637,782.95)	(4,873,866.14)	(11,249,911.84)	(33,441,392.32)	(42,969,325.30)	(41,127,668.22)	(41,394,310.06)	(47,135,080.48)	(43,475,551.65)	(44,085,576.92)	(39,218,463.59)	(24,653,250.17)	(9,350,621.27)





## The Peoples Gas Light and Coke Company

### Statement to Illinois Commerce Commission Determination of Reconciliation Balance for Gas Charge For the Year Ended December 31, 2010

#### Notes

- (1) The Peoples Gas Light and Coke Company (the Company) maintains its financial books and records in accordance with accounting principles generally accepted in the United States of America. This Statement to Illinois Commerce Commission – Determination of Reconciliation Balance for Gas Charge has been prepared from the financial books and records of the Company in accordance with the annual reconciliation provision of Rider 2 of the Company's rate schedule in effect and on file with the Illinois Commerce Commission.
- (2) Unamortized (refundable)/recoverable balance at December 31, 2009. For the Commodity Gas Charge, see Page 6, Line 15, Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge, see Page 7, Line 15, Column B. For the Hub Credit Gas Charge, see Page 8, Line 15, Column B.
- (3) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2010 and February 1, 2010 and not yet reconciled for the reporting months of November 2009 and December 2009, respectively. For the Commodity Gas Charge, see Page 6, Line 10 and sum the amounts in Column A and Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge, see Page 7, Line 10 and sum the amounts in Column A and Column B. For the Hub Credit Gas Charge, see Page 8, Line 10 and sum the amounts in Column A and Column B.
- (4) Detail of costs recoverable through the Commodity Gas Charge provided on Page 3. Detail of costs recoverable through the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge provided on Page 4. Detail of hub revenues to be credited through the Hub Credit Gas Charge provided on Page 5.
- (5) Revenue arising through the application of the Gas Charge including the Adjustment for Gas Costs (Factor A). Detail of revenue arising from the Commodity Gas Charge provided on Page 3. Detail of revenue arising from the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge provided on Page 4. Detail of hub credits arising from the Hub Credit Gas Charge provided on Page 5.
- (6) For monthly Separately Reported Other Adjustment amounts applied to the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge, see Page 7, Line 7, Column H and Column M.
- (7) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2011 and February 1, 2011 and not yet reconciled for the reporting months of November 2010 and December 2010, respectively. For the Commodity Gas Charge, see Page 6, Line 10 and sum the amounts in Column M and Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge, see Page 7, Line 10 and sum the amounts in Column M and Column N. For the Hub Credit Gas Charge, see Page 8, Line 10 and sum the amounts in Column M and Column N.
- (8) Unamortized balance at December 31, 2010. For the Commodity Gas Charge, see Page 6, Line 15, Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Aggregation Balancing Gas Charge, see Page 7, Line 15, Column N. For the Hub Credit Gas Charge, see Page 8, Line 15, Column N.

