

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

THE PEOPLES GAS LIGHT	:	
AND COKE COMPANY	:	
	:	No. 09-_____
Proposed General Increase	:	
In Rates For Gas Service	:	

Direct Testimony of

SHARON MOY

Rate Case Consultant, Regulatory Affairs
IntegrYS Business Support, LLC

On Behalf of
The Peoples Gas Light and Coke Company

February 13, 2009

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1 **I. INTRODUCTION AND BACKGROUND**

2 **A. Witness Introduction**

3 Q. Please state your name and business address.

4 A. My name is Sharon Moy. My business address is Integrys Business Support, LLC
5 (“IBS”), 130 East Randolph Drive, Chicago, IL 60601.

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

7 A. I am employed by IBS. My present position is Rate Case Consultant in the Regulatory
8 Affairs Division of IBS.

9 **B. Purpose of Testimony**

10 Q. What is the purpose of your testimony?

11 A. The purpose of my testimony is to explain and support certain components of The
12 Peoples Gas Light and Coke Company’s (“Peoples Gas”) request for a general increase in
13 rates. The components that I will be addressing are as follows: the test year, the revenue
14 requirement, operating income and expenses, the adjustments to operating income and
15 expenses, and the Gross Revenue Conversion Factor. Other witnesses testifying on
16 behalf of Peoples Gas also support those components in various respects.

17 Q. How is your testimony organized?

18 A. My testimony is divided into the following areas:

19 (1) Peoples Gas’ selection of calendar year 2010 (January 1, 2010, through and
20 including December 31, 2010) as a “future” test year, with certain appropriate
21 adjustments for purposes of ratemaking in this proceeding;

22 (2) the appropriate amount of Peoples Gas’ revenue requirement, reflecting

- 23 adjustments;
- 24 (3) Peoples Gas' operating income and expenses for purposes of the revenue
25 requirement; and
- 26 (4) Peoples Gas' Gross Revenue Conversion Factor.

27 **C. Summary of Conclusions**

28 Q. Please summarize the conclusions of your direct testimony.

29 A. In brief, the conclusions of my direct testimony are as follows:

- 30 (1) Peoples Gas' selection of calendar year 2010, as adjusted, as a "future" test year,
31 consistent with the Illinois Commerce Commission's (the "Commission" or
32 "ICC") rules governing a future test year, is proper and reasonable.
- 33 (2) Peoples Gas' proposed and appropriate revenue requirement, excluding the Cost
34 of Gas, Environmental Activities costs, and Enhanced Efficiency Program costs
35 recovered through charges under Rider 2, Rider 11, and Rider EEP, respectively,
36 that are set independently of this rate filing, and after reflecting other adjustments,
37 is \$624,054,000. Based on the information provided in the testimony of other
38 Peoples Gas witnesses and herein, the proposed revenue requirement is just and
39 reasonable, and is the amount required for Peoples Gas to provide safe, adequate,
40 and reliable gas service to its customers. Based on the foregoing, Peoples Gas
41 requires additional base rate revenues (over revenues forecasted under present
42 rates) of \$161,920,000. In other words, that is Peoples Gas' cost recovery
43 shortfall under current rates for the test year.
- 44 (3) Peoples Gas' proposed and appropriate operating income, with certain appropriate
45 adjustments, after reflecting income taxes, is \$130,392,000.

46 (4) Peoples Gas' properly and correctly calculated Gross Revenue Conversion Factor
47 is 1.702867.

48 Q. What do you mean by the term "future test year"?

49 A. I use the term "future test year" in accordance with my understanding of that term, as a
50 non-lawyer, as it is defined in Section 287.20 of Part 287 of the Commission's rules
51 ("Part 287"), 83 Illinois Administrative ("Ill. Admin.") Code § 287.20.

52 **D. Itemized Attachments to Direct Testimony**

53 Q. Are you sponsoring any attachments to your direct testimony?

54 A. Yes. I am the sponsor of Peoples Gas Exhibit ("Ex.") SM-1.1, which includes copies of
55 the following Schedules that have been filed by Peoples Gas pursuant to Part 285 of the
56 Commission's rules (83 Ill. Admin. Code Part 285): A-1, A-2, A-2.1, A-4, C-1, C-2,
57 C-2.1, C-2.2, C-2.3, C-2.4, C-2.5, C-2.6, C-2.7, C-2.8, C-2.9, C-2.10, C-2.11, C-2.12,
58 C-2.13, C-2.14, and C-2.15.

59 **E. Background and Experience**

60 Q. What are your responsibilities in your present position?

61 A. My responsibilities include managing and coordinating the preparation and review of
62 testimonies and exhibits pertaining to rate case filings for Peoples Gas and North Shore
63 Gas Company ("North Shore") pursuant to provisions of Parts 285 and 286 of the
64 Commission's rules (83 Ill. Admin. Code Parts 285 and 286). In addition, I prepare and
65 analyze the jurisdictional revenue requirement financial models for Peoples Gas and
66 North Shore.

67 Q. Please outline your educational background and business experience.

68 A. In 1996, I received a Bachelor of Science degree, majoring in Accounting, from the
69 University of Illinois at Urbana-Champaign. In 1997, I passed the Certified Public
70 Accountant examination in the State of Illinois. In 2001, I received a Masters of
71 Business Administration, with Distinction, from Keller Graduate School of Management.
72 After graduating from the University of Illinois in 1996, I began my career with Peoples
73 Gas in the General Accounting Department. In 1997, I transferred to Peoples Gas' State
74 Regulatory Affairs Department and worked as a regulatory accountant through 2006. In
75 2007, WPS Resources Corporation became the parent company of Peoples Energy
76 Corporation, which in turn is the parent corporation of Peoples Gas, and WPS Resources
77 Corporation became known as Integrys Energy Group, Inc. ("Integrys"). As a result of
78 the merger and the subsequent ICC-approved formation of IBS as a subsidiary of
79 Integrys, my title was changed to Rate Case Consultant in the Regulatory Affairs
80 Division of IBS.

81 **II. TEST YEAR**

82 Q. What test year does Peoples Gas propose in this proceeding?

83 A. Peoples Gas proposes calendar year 2010, twelve months ending December 31, 2010, as
84 its future test year, with appropriate adjustments.

85 Q. Is calendar year 2010, subject to applicable adjustments, an appropriate test year?

86 A. Yes. The twelve month period ending December 31, 2010, corresponds with Peoples
87 Gas' year for financial accounting and income tax purposes (its fiscal year). Calendar
88 year 2010 is a "consecutive 12 month period of forecasted data beginning no earlier than
89 the date new tariffs are filed and ending no later than 24 months after the date new tariffs
90 are filed" consistent with 83 Ill. Admin. Code § 287.20(b). Peoples Gas witness

91 Christine Gregor (Peoples Gas Ex. CMG-1.0) sponsors exhibits that include a statement
92 of operating income for the forecasted future test year and supporting detail. Later in my
93 testimony, I will discuss ratemaking adjustments applicable to the forecasted future test
94 year in calculating Peoples Gas' operating income and expenses for the test year, as
95 adjusted.

96 **III. REVENUE REQUIREMENT**

97 Q. What is Peoples Gas' proposed revenue requirement?

98 A. Peoples Gas' proposed revenue requirement, after reflecting certain adjustments as well
99 as excluding the Cost of Gas, Environmental Activities and Enhanced Efficiency
100 Program costs recovered through charges under Rider 2, Rider 11, and Rider EEP,
101 respectively, that are set independently of this rate filing, is \$624,054,000. This amount
102 is the sum of Peoples Gas' proposed net operating income requirement of \$130,392,000
103 plus its proposed operating expenses of \$493,662,000, as shown on Schedule C-1 of
104 Peoples Gas Ex. SM-1.1 (column G, line 22 plus line 23).

105 Q. Do you have an opinion as to whether the proposed revenue requirement that Peoples Gas
106 seeks to recover through base rates in this proceeding is just and reasonable?

107 A. Yes, I do. The proposed revenue requirement sought to be recovered through the base
108 rates in this proceeding is just and reasonable based on the information provided by the
109 other witnesses testifying on behalf of Peoples Gas and herein.

110 Q. What is the revenue deficiency under existing rates?

111 A. The current rates result in an estimated revenue deficiency (a cost recovery shortfall) of
112 \$161,920,000.

113 Q. What are the factors driving the cost recovery shortfall?

114 A. Peoples Gas witness James Schott's testimony (Peoples Gas Ex. JFS-1.0) provides a high
115 level overview of the factors driving Peoples Gas' cost recovery shortfall. In addition to
116 my testimony, other witnesses testifying on behalf of Peoples Gas also support
117 components of its proposed rate base and its revenue requirement. Peoples Gas witness
118 Christine Gregor (Peoples Gas Ex. CMG-1.0) also address certain variances. I sponsor
119 Schedule A-4 in Peoples Gas Ex. SM-1.1, which sets forth comparative data between
120 Peoples Gas' current filing for rate relief and its previous rate Order, in ICC Docket
121 Nos. 07-0241/07-0242 Consolidated, dated February 5, 2008.

122 Q. How was the amount of Peoples Gas' revenue deficiency (cost under-recovery)
123 determined?

124 A. Appropriate amounts for rate base, operating income and expenses, and overall rate of
125 return on rate base for the test year were determined. Each of these calculations is
126 explained or reflected in my testimony. Peoples Gas witnesses John Hengtgen, Edward
127 Doerk, Thomas Puracchio, Christine Gregor, Bradley Johnson, and Paul Moul (Peoples
128 Gas Exs. JH-1.0, ED-1.0, TLP-1.0, CMG-1.0, BAJ-1.0, and PRM-1.0, respectively)
129 provide more detailed explanations of the various rate base, major projects, operating
130 income, and rate of return components.

131 The overall rate of return is applied to rate base to arrive at Peoples Gas' proposed
132 operating income requirement for the test year. The difference between Peoples Gas'
133 proposed operating income requirement for the test year and its forecasted operating
134 income under present rates, as adjusted, yields the operating income deficiency for the
135 test year. The operating income deficiency is "grossed-up" for the effect of income taxes

136 and the uncollectibles factor. This is accomplished by multiplying the operating income
137 deficiency by the Gross Revenue Conversion Factor. That product results in Peoples
138 Gas' revenue deficiency.

139 These calculations are shown in Schedule A-2 of Peoples Gas Ex. SM-1.1.

140 Q. What rate base is reflected in Peoples Gas' revenue requirement?

141 A. Peoples Gas' rate base of \$1,396,058,000 at December 31, 2010, as adjusted, is reflected
142 in the calculation of the revenue requirement supporting the rates filed in this case.
143 Mr. Hengtgen discusses the details of rate base in his testimony. Mr. Doerk and
144 Mr. Puracchio also support key components of the rate base in their testimonies.

145 Q. What overall rate of return on rate base is reflected in Peoples Gas' revenue requirement?

146 A. The overall rate of return on rate base allowed in this case should be Peoples Gas' overall
147 cost of capital (its overall weighted average cost of capital) based on its proposed capital
148 structure. Peoples Gas' projected overall cost of capital for calendar year 2010 is shown
149 in Schedule D-1 of Peoples Gas Ex. BAJ-1.1, sponsored by Mr. Johnson. Mr. Johnson's
150 testimony (Peoples Gas Ex. BAJ-1.0) supports the capital structure and the embedded
151 cost of long-term debt ("ECLTD") incorporated in the calculation of its overall cost of
152 capital.

153 Peoples Gas' overall cost of capital and thus its required rate of return on rate
154 base is 9.34%, which is 158 basis points more than the current approved rate of return of
155 7.76% that was approved by the Commission in Peoples Gas' most recent rate Order
156 (ICC Docket Nos. 07-0241/07-0242 Consolidated). The cost of capital and rate of return
157 on rate base used in current calculations incorporates an ECLTD of 5.96% versus the
158 ECLTD of 4.67% approved in Peoples Gas' most recent rate Order. Details supporting

159 the ECLTD are shown in Schedule D-3 of Peoples Gas Ex. BAJ-1.2, also sponsored by
160 Mr. Johnson. Peoples Gas' cost of common equity (rate of return on common equity or
161 "ROE") used for purposes of calculations in this proceeding is 12.00%, as recommended
162 by Mr. Moul in Peoples Gas Ex. PRM-1.0. This cost of common equity compares to the
163 rate of return on common equity of 10.19% that was approved by the Commission in
164 Peoples Gas' most recent rate Order (the Commission approved 10.29% but then
165 subtracted 10 basis points based on the approval of a modified version of Peoples Gas'
166 proposed decoupling rider).

167 Q. What is the capital structure that is incorporated in the overall cost of capital for the test
168 year for ratemaking purposes?

169 A. The overall cost of capital of 9.34% is based on a pro-forma capital structure for the test
170 year consisting of 44% long-term debt and 56% common equity, as shown in
171 Schedule D-1 of Peoples Gas Ex. BAJ-1.1, sponsored by Mr. Johnson. As discussed by
172 Mr. Johnson, Peoples Gas' test year capital structure does not include any short-term
173 debt.

174 **IV. OPERATING INCOME AND EXPENSES**

175 **A. Overall Operating Income Requirement**

176 Q. What is Peoples Gas' operating income requirement for the test year in order to recover
177 its costs of capital?

178 A. Peoples Gas Ex. SM-1.1, Schedule C-1, presents Peoples Gas' Jurisdictional Operating
179 Income Summary for Test Year Ending December 31, 2010, as adjusted. Schedule C-1
180 shows that Peoples Gas' operating income requirement is \$130,392,000 in order to
181 recover its costs of capital (line 23, column G). The proposed operating income

182 requirement and the underlying calculations in Schedule C-1 represent a reasonable
183 assessment, developed using established Illinois ratemaking methodology, of the levels of
184 expenses and revenues properly attributable to Peoples Gas' applicable operations during
185 the test year. This exhibit indicates that Peoples Gas requires additional base rate
186 revenues of \$161,920,000 (line 1, column F), in order to recover its operating expenses
187 and earn a rate of return of 9.34% on its original cost rate base of \$1,396,058,000, i.e., in
188 order to recover its costs of service for the applicable services.

189 Q. Please explain Schedule C-1 of Peoples Gas Ex. SM-1.1 in more detail.

190 A. Peoples Gas' forecasted operating results under present rates for the test year are shown
191 in column C of Schedule C-1. Under present rates, Peoples Gas' forecasted operating
192 income is \$40,505,000 as shown on line 23 (column C). (Under present rates, reflecting
193 ratemaking adjustments, Peoples Gas' forecasted operating income is \$35,305,000, as
194 shown in Schedule C-1, line 23, column E, and also in Schedule A-2, line 3, column C, in
195 Peoples Gas Ex. SM-1.1.)

196 Column D shows the operating expense and operating income effects of the
197 ratemaking adjustments Peoples Gas is proposing in this proceeding. The amounts
198 shown in column D were taken from Schedule C-2, Ratemaking Adjustments to
199 Operating Income, Test Year Ending December 31, 2010, in Peoples Gas Ex. SM-1.1,
200 which I will discuss later in my testimony.

201 Column E is the arithmetic total of the amounts shown in columns C and D.
202 Based on the operating income shown in column E, Peoples Gas' overall rate of return at
203 present rates for the test year is 2.53% on its adjusted original cost rate base.

204 Column F sets forth the effects of the additional annual revenues (cost recovery)
205 required in order for Peoples Gas to recover its applicable costs of service. The
206 additional revenues that would be generated under the rates filed in this case total
207 \$161,920,000, as shown on line 1 of column F. The filed rates would, after deducting the
208 related income taxes and the provision for uncollectible accounts (which deduction is the
209 same calculation as reversing the application of the Gross Revenue Conversion Factor),
210 add \$95,087,000 to operating income (line 23, column F).

211 Column G is a pro forma statement of Peoples Gas' estimated operating income
212 requirement, as adjusted for the test year under the proposed rates.

213 As shown in column G, the proposed rates would produce Operating Revenues of
214 \$624,054,000 (line 1), and operating income of \$130,392,000 (line 23). The result would
215 be a rate of return of 9.34% on Peoples Gas' adjusted original cost rate base as of
216 December 31, 2010, as adjusted. This return is equivalent to Peoples Gas' overall cost of
217 capital for calendar year 2010 as shown in Schedule D-1 of Peoples Gas Ex. BAJ-1.1.

218 **B. Adjustments to Operating Income and Expenses**

219 Q. Please describe Peoples Gas' ratemaking adjustments to operating income and expenses.

220 A. Peoples Gas Ex. SM-1.1, Schedule C-2, summarizes Peoples Gas' proposed ratemaking
221 adjustments to operating income and expenses for the test year. Columns C through J
222 indicate: (1) the description of each adjustment, (2) how each adjustment affects the
223 various categories of operating revenues and expenses, and (3) the effect of each
224 adjustment on Peoples Gas' operating income and expenses. Column K contains the
225 arithmetic subtotals or total of the figures shown in columns C through J. Page 2,

226 Column K, of Schedule C-2 shows the total of all adjustments, which corresponds to the
227 information shown in column D of Schedule C-1.

228 Q. Are the adjustments summarized on Schedule C-2 appropriate and correct?

229 A. Yes. All of the adjustments shown on Schedule C-2 are both appropriate and correct.
230 These items adjust the calendar year 2010 forecast in order to provide data for the test
231 year that is appropriate for setting rates that will be in effect in 2010. Details of the
232 specific adjustments to Operating Income and Expenses are shown on Schedules C-2.1
233 through C-2.15 of Peoples Gas Ex. SM-1.1.

234 Q. Please explain each of the adjustments.

235 A. The adjustment shown on Schedule C-2.1 amortizes the projected rate case expense of
236 \$4,788,000 to be incurred in this proceeding over three years for ratemaking purposes.
237 Peoples Gas, in order to seek to narrow the issues in this proceeding, has foregone a
238 related rate base adjustment that would recover carrying costs for rate case expenses. A
239 three-year amortization period was chosen based on the average yearly duration which
240 Peoples Gas has experienced between its past eleven rate cases. This adjustment
241 increases general operation and maintenance expense by \$1,596,000 and, after reflecting
242 income tax effects, decreases test year operating income by \$961,000. The Commission
243 has traditionally approved the amortization of rate case expenses as just and reasonable
244 expenses for ratemaking purposes in numerous rate cases.

245 The adjustment shown on Schedule C-2.2 is necessary to remove the non-base
246 rate revenues and costs recovered under Rider 2 and Rider 11 from the calculation of the
247 revenue requirement. This adjustment decreases Operating Revenues by \$1,190,363,000,
248 by reducing Cost of Gas by \$1,167,228,000, and General Operations & Maintenance

249 (“O&M”) expenses by \$23,135,000. This adjustment has no net effect on operating
250 income.

251 The adjustment shown on Schedule C-2.3 is necessary in order to recognize, for
252 ratemaking purposes, the amount of test year interest expense on customer deposits,
253 thereby achieving consistency with Peoples Gas’ proposal to deduct the year-end balance
254 of customer deposits from its original cost rate base for the test year. This adjustment
255 increases General O&M expenses by \$1,266,000 and, after reflecting income tax effects,
256 decreases test year operating income by \$763,000.

257 The adjustment shown on Schedule C-2.4 is necessary in order to recognize, for
258 ratemaking purposes, the amount of test year interest expense on Budget Plan Balances,
259 thereby achieving consistency with Peoples Gas’ proposal to include the 13-month
260 average of net Budget Plan Balances in its net original cost rate base for the test year.
261 This adjustment increases General O&M expenses by \$824,000 and, after reflecting
262 income tax effects, decreases test year operating income by \$497,000.

263 The adjustment shown on Schedule C-2.5 is necessary to recognize Peoples Gas’
264 charitable donations, which are recorded below-the-line in the cost of service, for
265 accounting purposes in accordance with Commission requirements. Although the
266 Commission changed the Uniform System of Accounts in 2003 to require that donations
267 be recorded below-the-line in Account 426.1-Donations rather than above-the-line in
268 Account 930.2-Miscellaneous General Expenses, it is Peoples Gas’ understanding that
269 this accounting change was not intended to change the treatment of donations for
270 ratemaking purposes. This adjustment increases General O&M Expenses by \$1,151,000
271 and, after reflecting income tax effects, decreases test year operating income by

272 \$694,000. The Commission has traditionally allowed recovery of charitable donations in
273 Peoples Gas' rate case proceedings.

274 The adjustment shown on Schedule C-2.6 is necessary in order to recognize the
275 additional Illinois invested capital tax which Peoples Gas will incur due to the proposed
276 increase in operating income. An increase to operating income correspondingly results in
277 an increase to Peoples Gas' retained earnings and thus to its total capitalization, which is
278 the variant factor in the invested capital tax calculation. This adjustment increases taxes
279 other than income taxes by \$757,000 and, after reflecting income taxes effects, decreases
280 test year operating income by \$456,000.

281 The adjustment shown on Schedule C-2.7 is necessary in order to eliminate the
282 forecasted income tax effects related to items which are not included in revenue
283 requirement for ratemaking purposes. Interest expense items on customer refunds, line of
284 credit fee, customer deposits, and budget accounts are below-the-line expense items for
285 ratemaking purposes, which are not reflected in operating income; thus, it is appropriate
286 to remove the associated income tax effects from net operating income. This adjustment
287 increases income taxes and decreases test year operating income by \$970,000.

288 The adjustment shown on Schedule C-2.8 increases Peoples Gas' income taxes to
289 reflect the synchronized levels of long-term debt interest costs associated with test year
290 original cost rate base. This adjustment decreases income taxes and increases test year
291 operating income by \$254,000.

292 The adjustment shown on Schedule C-2.9 is necessary to reflect amortization of
293 regulatory asset for pension costs adjusted due to a change in accounting treatment being
294 proposed by Peoples Gas. Ms. Gregor discusses the change in accounting for pension

295 costs in her testimony. General O&M expenses decrease \$3,435,000 and test year
296 operating income (net of taxes) increases by \$2,070,000 to effect this adjustment.

297 The adjustment shown on Schedule C-2.10 is necessary to reflect amortization of
298 regulatory asset for welfare costs due to a change in accounting treatment being proposed
299 by Peoples Gas. General O&M expenses increase \$1,279,000 and test year operating
300 income (net of taxes) decreases by \$771,000 to effect this adjustment.

301 The adjustment shown on Schedule C-2.11 increases Peoples Gas' operating
302 expenses by \$4,877,000 to adjust for a change in depreciation expense to accrue for net
303 dismantling (cost of removal, net of salvage) based on the depreciation study results
304 provided by Peoples Gas witness John Spanos (Peoples Gas Ex. JJS-1.0). This
305 adjustment increases depreciation expense by \$8,094,000 and, after income taxes,
306 decreases operating income by \$4,877,000. As noted in Ms. Gregor's testimony (Peoples
307 Gas Ex. CMG-1.0), Peoples Gas provides for the net dismantling component of
308 depreciation on a cash basis. Peoples Gas is proposing to change its method from cash to
309 accrual basis effective January 1, 2010. As a result, this adjustment reflects the
310 incremental change in depreciation expense to reflect the change in accounting treatment.

311 The adjustment shown on Schedule C-2.12 is necessary to: (1) adjust the 2010
312 amortization of Cost-to-Achieve ("CTA") expenses allowed in ICC Docket No. 06-0540
313 to avoid over-recovery in rates effective 2010 and (2) recover the correct remaining CTA
314 balance over three years. This adjustment decreases General O&M expenses by
315 \$4,196,000 and after reflecting income taxes, increases test year operating income by
316 \$2,528,000.

317 The adjustment shown on Schedule C-2.13 is necessary to remove non-base rate
318 Rider EEP- Enhanced Efficiency Program Charges from the calculation of the revenue
319 requirement. This adjustment decreases Operating Revenues by \$6,362,000 and General
320 O&M expenses by \$6,362,000. This adjustment has no net effect on test year operating
321 income.

322 The adjustment shown on Schedule C-2.14 is necessary to reflect amortization
323 cost recovery for repairs on compressor crankshaft equipment actually incurred in 2006
324 but not fully recovered. This cost recovery treatment was authorized in the Peoples Gas’
325 most recent rate case Order (ICC Docket No. 07-0241/07-0242 Consolidated). This
326 adjustment increases General O&M expenses by \$136,000 and, after reflecting income
327 taxes, decreases test year operating income by \$82,000.

328 The adjustment on Schedule C-2.15 is necessary to eliminate the taxes related to
329 Gas Plant Leased to Others (Account 104). Gas Plant Leased to Others is not included in
330 rate base. As a result, it is appropriate to exclude related tax expense which was booked
331 in Taxes Other Than Income Taxes. This adjustment decreases taxes other than income
332 taxes by \$31,000 and income taxes by \$12,000. Thus, test year operating income
333 increases by \$19,000.

334 **V. GROSS REVENUE CONVERSION FACTOR**

335 Q. What is the proposed Gross Revenue Conversion Factor (“GRCF”) for the test year?

336 A. Schedule A-2.1 of Peoples Gas Ex. SM-1.1 sets forth the proper and correct calculations
337 necessary to produce this factor. Peoples Gas’ GRCF is 1.702867, as shown on line 9 of
338 Schedule A-2.1. As is reflected on the Schedule, the factors that influence the GRCF are
339 federal and state income taxes and the uncollectibles rate.

340 Q. Does this conclude your direct testimony?

341 A. Yes.