

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
The Peoples Gas Light and)	Docket No. 23-0760
Coke Company)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
ALESE G. MAUERMANN

- 1 Q. Please state your name and business address.
- 2 A. Alese G. Mauermann. 2830 S Ashland Avenue, Green Bay, WI 54304.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC (“WBS”).
- 5 Q. What position do you hold with WBS?
- 6 A. I am Manager Gas Supply (PGL/NSG) for Respondent, The Peoples Gas
- 7 Light and Coke Company (“Peoples Gas”), and North Shore Gas Company
- 8 (“North Shore”).
- 9 Q. What are your responsibilities in that position?
- 10 A. I am responsible for directing the activities of the Gas Supply Department
- 11 for Peoples Gas and North Shore, as well as the activities of Peoples Gas’
- 12 interstate services area.

13 Q. Please summarize your educational background and experience.

14 A. I have a Bachelor's Degree in Mechanical Engineering from Michigan
15 Technological University in Houghton, MI. I have been employed by WBS or its
16 affiliates since 2009 in various positions related to engineering, project
17 management and gas supply.

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

19 A. The purpose of my testimony is to describe Peoples Gas' 2023 supply and
20 capacity procurement practices, including negotiation of contracts and related
21 accounting and auditing practices. This includes a description of how Peoples
22 Gas' company-owned storage field, Manlove Field, fits into Peoples Gas' portfolio
23 and how Peoples Gas allocated available capacity among Peoples Gas, North
24 Shore and Peoples Gas' interstate storage services. In addition, I discuss steps
25 that Peoples Gas took to reduce gas price volatility. I also address the prudence
26 of Peoples Gas' 2023 supply and capacity and the resulting gas costs that
27 Peoples Gas billed to customers.

28 **2023 PROCUREMENT OVERVIEW**

29 Q. Please describe Peoples Gas' 2023 gas supply procurement process.

30 A. WBS provides services to Peoples Gas under an affiliated interest
31 agreement that the Illinois Commerce Commission ("Commission") approved. In
32 general, Gas Supply Department personnel and others, as appropriate,
33 developed specific gas supply recommendations and put those forward for
34 management approval. The Gas Supply Department was responsible for

35 entering into and administering contracts for gas supply and for purchases of
36 transportation and storage services.

37 Q. What procedure did Peoples Gas follow in 2023 in order to select its
38 resource mix?

39 A. Prior to the start of the year, Peoples Gas developed a number of
40 interconnected forecasts, including: a peak day forecast, a long-term sales
41 forecast, and a gas sendout requirements forecast. These forecasts support the
42 gas dispatch model, which calculates daily sendout requirements and balances
43 the normal year's daily requirements with available gas supply, including term
44 purchases, daily purchases, customer-owned deliveries, and gas available for
45 withdrawal or injection. The gas dispatch model optimizes, from a full-year
46 perspective, the daily gas dispatching activities by forecasting the supply and
47 storage mix to meet the expected customer sendout requirements for each day
48 of the forecast year.

49 Using the annual gas dispatch model as a starting point and just prior to
50 the start of each month, the Gas Supply Department computed at least three
51 potential load forecasts for the coming month and met to address purchasing
52 decisions for the month. After establishing the monthly plan, Gas Supply
53 personnel, on a daily basis, as changing requirements and the market dictated,
54 addressed any changes to accommodate the need for additional or reduced
55 amounts of supply or capacity.

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

58 A. Peoples Gas purchases firm gas supply from many parties under four
59 general forms: firm baseload, citygate delivered baseload, firm call, and citygate
60 delivered call.

61 Q. Please describe the firm baseload and citygate delivered baseload forms
62 of purchases.

63 A. Peoples Gas contracted for firm baseload supplies that it purchased and
64 transported to the citygate using its transportation. Peoples Gas also contracted
65 for firm baseload supplies bought directly at the citygate. Peoples Gas made
66 these purchases on a seasonal and month-to-month basis. The baseload
67 contracts called for Peoples Gas to purchase the same quantity each day and
68 most were priced using a first of the month ("FOM") index price.

69 Q. Please describe the call form of purchases.

70 A. Call purchases are firm supplies that were available at a daily index price,
71 and, when purchased, would be transported to the citygate using Peoples Gas'
72 transportation. Peoples Gas made these purchases on a seasonal basis. The
73 quantity that Peoples Gas could purchase each day could vary between zero and
74 the maximum quantity stated in the contract. Under these contracts, the supplier
75 would have the obligation to deliver the gas, but Peoples Gas would have no
76 obligation to purchase any gas.

77 Q. Please describe the citygate delivered call form of purchases.

78 A. Citygate delivered call purchases are firm supplies that were available at a
79 daily index price, and when requested by Peoples Gas, the supplier delivered to
80 the citygate. Peoples Gas made these purchases on a seasonal basis. The

81 quantity that Peoples Gas could purchase each day could vary between zero and
82 the maximum quantity stated in the contract. Under these contracts the supplier
83 had the obligation to deliver the gas, but Peoples Gas had no obligation to
84 purchase any gas.

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

87 A. Yes. Peoples Gas purchased call supply in the daily market. These
88 transactions were typically for less than one month and were often for only one
89 day or a few days. Once contracted, these sources were firm.

90 Also, a significant portion of Peoples Gas' includes deliveries of customer-
91 owned gas under Peoples Gas' Schedule of Rates. This gas was another source
92 available to Peoples Gas for system supply. However, Peoples Gas did not
93 know the customer-owned gas quantity that it would receive until customers and
94 their suppliers nominated it and Peoples Gas and the pipelines confirmed it.

95 Q. How many suppliers did Peoples Gas purchase from during the
96 reconciliation period?

97 A. During 2023 Peoples Gas purchased gas from 32 suppliers.

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

100 A. During 2023 Peoples Gas purchased the majority of its supply under firm
101 contracts with suppliers. It made these purchases under the terms of the
102 contracts that Peoples Gas had with each supplier. Peoples Gas purchased a
103 portion of its total supply volumes as daily purchases from various suppliers. It

104 made daily purchases, on an as-needed basis, from suppliers under the terms of
105 the contracts that Peoples Gas had with each supplier.

106 Capacity (both pipeline storage and transportation) transactions are
107 subject to contracts with the pipelines and the pipelines' Federal Energy
108 Regulatory Commission ("FERC") Gas Tariffs or Statements of Operating
109 Conditions.

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

112 A. No.

113 **REQUESTS FOR PROPOSALS**

114 Q. Did Peoples Gas use a Request for Proposal ("RFP") process for any of
115 the purchases identified above?

116 A. Yes. The RFP process allows the market to competitively bid to
117 determine the fair value of the products sought. Peoples Gas issued RFPs, with
118 specific directions to bidders, for the types of firm supply it purchased. The goal
119 of the RFP process is to reach as broad a market as possible to meet Peoples
120 Gas' requirements. Peoples Gas attempted to be as clear as possible in what it
121 was seeking and what it would consider a conforming bid. This practice provided
122 Peoples Gas with objective criteria with which to eliminate non-conforming bids
123 and make a comparison of conforming bids.

124 Q. You stated that Peoples Gas tried to be as clear as possible when it
125 structured its RFPs. Please explain what you mean.

126 A. One of Peoples Gas' goals is to receive bids that are in an identical format
127 so that it can make fair comparisons. In its RFPs, it specifies all the key
128 commercial terms of service to limit the number of variables that it must consider
129 in evaluating bids. For example, a typical RFP would specify the location(s) at
130 which Peoples Gas would take delivery of supply; whether the supply would be
131 baseload or call and, if it is a call supply, the conditions under which Peoples Gas
132 may call on the supply; acceptable pricing structures, such as based on specific
133 FOM or daily indices and whether demand charges would be acceptable; and
134 any quantity limitations, such as bids must be in increments of 5,000 dth¹/day. In
135 addition, the RFP specifies the credit terms that will apply to the winning bidder,
136 and bidders must be parties to a master contract that will govern the transaction.
137 Generally, the supplier need only select an acceptable delivery location from
138 among those specified, specify a daily contract quantity and bid a price in the
139 required form, for example, an addition to or subtraction from an index that
140 Peoples Gas identified in the RFP. Peoples Gas can then perform an apples-to-
141 apples comparison among the conforming bids and promptly notify the winning
142 bidder(s).

143 Q. What RFP process did Peoples Gas use for summer purchases?

144 A. For its summer purchases (the months of April through October), Peoples
145 Gas purchased firm supply on a monthly basis through a blast-type instant
146 message request process to several suppliers. It sent the instant message to at
147 least 10 suppliers each month. Like the RFP process described above, the

¹ "dth" means dekatherm. "Mdth" means one thousand dekatherms.

148 content of the instant message stated the location or locations where Peoples
149 Gas was seeking baseload supply tied to the FOM index at the point(s). As a
150 check on the market, Peoples Gas' traders had access to Intercontinental
151 Exchange Inc. ("ICE"), an electronic trading platform, which provided real time
152 trading information at the relevant locations.

153 Q. Why did Peoples Gas use this process?

154 A. Prior to 2012, Peoples Gas used a more seasonally structured RFP
155 process that resulted in baseload purchases that were fixed by location for the
156 season. While this was an effective process, it lacked flexibility to respond to
157 pipeline curtailments due to maintenance and *force majeure* restrictions that
158 limited transportation from any given location. The monthly baseload purchase
159 process allows Peoples Gas to move the purchases around to avoid the
160 restrictions and limit the need to reconfigure or otherwise renegotiate the
161 baseload agreement with the seller.

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

164 A. No. Peoples Gas completed one RFP prior to 2023 for gas that flowed in
165 2023 with cost recovery through the Gas Charge. The type of supply procured
166 under this RFP was baseload supply.

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

169 A. The award criteria were conforming bids and lowest price first, and, where
170 applicable, secondary considerations. Secondary considerations were the

171 nomination deadline, credit and the pipeline on which the supply was to be
172 delivered. Another criterion was vendor diversity, where applicable. In addition,
173 for the non-baseload RFP supplies, Peoples Gas used a bid valuation model to
174 evaluate call supply products with varying price, term and quantity attributes on
175 an equal footing.

176 Q. Did Peoples Gas issue RFPs in 2023 for gas that flowed in 2023?

177 A. Yes. Peoples Gas completed nine RFPs in 2023 for gas that flowed in
178 2023 with cost recovery through the Gas Charge. The types of supply procured
179 under those RFPs were summer 2023 baseload, winter 2023-2024 baseload and
180 call, gas supplies. The seven summer supply RFPs are discussed above.

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

183 A. The award criteria were conforming bids and lowest price first, and, where
184 applicable, secondary considerations. Secondary considerations were the
185 nomination deadline, credit and the pipeline on which the supply was to be
186 delivered. Another criterion was vendor diversity, where applicable. Also, for the
187 winter season non-baseload RFP supplies, Peoples Gas used a bid valuation
188 model to evaluate call supply products with varying price, term, and quantity
189 attributes on an equal footing.

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

191 A. No. Peoples Gas purchased all its daily gas pursuant to bilateral
192 discussions with suppliers or through trades on ICE.

193 Q. Does Peoples Gas purchase gas and conduct RFPs for which gas costs
194 are not recovered through the Gas Charge?

195 A. Yes. Peoples Gas does not recover company use gas costs through the
196 Gas Charge.

197 **CITYGATE PURCHASES**

198 Q. Did Peoples Gas purchase gas at the citygate in 2023?

199 A. Yes. Peoples Gas purchased term gas and daily gas delivered at the
200 citygate in 2023. Citygate purchases accounted for about 29% of total purchase
201 quantities and about 35% of total purchase costs.

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

205 A. Peoples Gas buys gas at the citygate for two main reasons. First, in the
206 case of call gas, citygate purchases limit the amount of pipeline capacity that
207 Peoples Gas needs to hold. Winter-only firm capacity is typically unavailable and
208 year-round capacity would only be needed for winter or peaking requirements.
209 Second, it diversifies the type of pricing in the portfolio. The Gas Charge will
210 include a mix of field index purchases, citygate index purchases, and fixed price
211 purchases.

212 Q. Why does Peoples Gas buy daily gas at the citygate?

213 A. Peoples Gas buys daily gas at the citygate to meet demands that vary
214 daily and are in excess of the transportation capacity held on interstate pipelines.
215 Because demands vary based on weather and customer-owned gas deliveries

216 and, as such, are unpredictable, holding additional firm transportation from field
217 locations to meet them is not reasonable. Also, Peoples Gas buys at the citygate
218 when it is economically favorable.

219 **SUPPLY INTERRUPTIONS**

220 Q. Did Peoples Gas experience any supply interruptions in 2023?

221 A. Yes. Some of Peoples Gas' suppliers failed to deliver the quantity of gas
222 that was requested. Peoples Gas did not incur any overrun or penalty charges
223 as a result of these failures. Also, as discussed later, pipeline restrictions and
224 outages occurred that affected nominated gas flow.

225 **TRANSPORTATION AND STORAGE CAPACITY**

226 Q. Did any significant changes to Peoples Gas' transportation and storage
227 capacity portfolio affect the 2023 portfolio?

228 A. Yes, Peoples Gas extended three existing storage and three existing
229 transportation contracts with Natural Gas Pipeline Company of America LLC.

230 Q. Did any pipeline outages, interruptions, or restrictions affect Peoples Gas
231 during 2023?

232 A. Yes. Natural and Vector experienced outages and imposed restrictions
233 during 2023.

234 Q. Did Peoples Gas receive reservation charge credits associated with any of
235 these outages?

236 A. Yes. Peoples Gas received a total of \$194,206.86 in reservation credits
237 from Vector..

238 Q. Did Peoples Gas incur any overrun charges or other pipeline charges
239 associated with the outages, cuts, restrictions or other reasons?

240 A. Yes. For the entire year Peoples Gas incurred \$41,360.68 of overrun
241 charges.

242 Q. How did Peoples Gas' planned and actual use of storage compare in
243 2023?

244 A. Peoples Gas begins each season with an established storage plan based
245 on normal weather, estimated customer-owned gas deliveries and assumptions
246 for other factors not precisely known at the time it creates the plan. Peoples Gas
247 cannot reasonably plan for other storage activity, notably no-notice balancing.
248 As a result, actual storage use will never exactly match planned storage use for a
249 given month, and Peoples Gas may need to revise storage plans for future
250 months to accommodate these differences. During 2023, actual storage
251 withdrawals of 53,834 Mdth were approximately 7,034 Mdth (11.6%) less than
252 planned. A warm December and balancing activities throughout the year lead to
253 the less than planned withdrawals.

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

255 A. Yes. Manlove Field storage accounted for about 27% of Peoples Gas'
256 design day and 43% of the capacity in its annual storage portfolio based on the
257 2023 design day portfolio. The design day capacity was reduced in 2022 due to
258 continued water disposal issues. We are not experiencing hydrates like we did in
259 2021 and 2022.

260 **MANLOVE FIELD**

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

264 A. The amount of top gas typically cycled annually from Manlove Field is
265 36,500 Mdth.

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

268 A. 30,900 Mdth.

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

271 A. Yes.

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

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

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

279 A. Under its agreement, North Shore delivers gas to the Peoples Gas system
280 for injection into Manlove Field during the injection period. Peoples Gas' and
281 North Shore's systems are not physically interconnected. When North Shore
282 called on gas for withdrawal, Peoples Gas withdrew the gas and by displacement
283 delivered an equivalent quantity to North Shore using gas supplies that Peoples

284 Gas otherwise had flowing on either the Natural or ANR Pipeline Company
285 (“ANR”) system.

286 Q. Please describe the interstate services that Peoples Gas was authorized
287 to provide during the reconciliation period.

288 A. Under a FERC-approved Operating Statement Peoples Gas may offer five
289 services: Firm Transportation, Interruptible Transportation, Firm Storage,
290 Interruptible Storage, and Parking and Lending. Peoples Gas supports these
291 services with capacity at Manlove Field and on the Mahomet Pipeline, which
292 connects Manlove Field to Peoples Gas’ service territory. During 2023, Peoples
293 Gas provided only Parking and Lending Service, which is an interruptible service.

294 Q. Did Peoples Gas enter into any significant interstate service agreements
295 that were in effect during the reconciliation period?

296 A. No.

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

299 A. The quantity that North Shore may receive is defined in its contract with
300 Peoples Gas.

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

303 A. The determination process is an extension of Peoples Gas’ existing
304 optimization models. The process is a point in time analysis that Peoples Gas
305 usually performs at least once per year but not longer than 18 months after the
306 previous study. The process is designed to allocate Manlove Field storage

307 capacity in a way that does not adversely affect Peoples Gas' retail customers
308 with the principal goal of maintaining performance at Manlove Field. Peoples
309 Gas last performed this analysis in May 2023..

310 Q. What were the results of this process?

311 A. The analysis showed that, if operationally possible, Peoples Gas should
312 continue to cycle 36,500 Mdth from Manlove Field.

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

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

319 Q. Was the capacity allocated to interstate customers fully used by them in
320 2023?

321 A. Yes.

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

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

324 Q. Please describe Peoples Gas' use of the LNG facility in 2023.

325 A. The LNG facility was not used in 2023 to support daily or hourly deliveries.

326 **RESERVE MARGIN**

327 Q. What was Peoples Gas' design day reserve margin in 2023?

328 A. Peoples Gas' 2023 design day reserve margin was approximately 3.00%.

329 Peoples Gas describes its design day calculation in detail in the response to Staff

330 data request ENG 1.17. In general, Peoples Gas defines its design day as the
331 sendout expected to occur on a January weekday with a temperature of -16
332 degrees Fahrenheit (equivalent to 81 degree days) and an average wind speed
333 of 22 miles per hour (“mph”) following a day with a temperature of 1 degree
334 Fahrenheit and an average wind speed of 16 mph. The temperature and wind
335 data are based on a weighted average of four weather stations (Midway;
336 Lansing, Illinois; O’Hare; and Waukegan). The percentage weighting comes
337 from a GasDay[®] weather optimization study.

338 The reserve margin is intended to ensure that Peoples Gas will be able to
339 serve its customers under extreme conditions. Because of the serious effects on
340 public health and safety of a gas outage, in addition to the difficulties of restoring
341 gas service, it is imperative that Peoples Gas plans for extreme conditions. Firm
342 gas supply and deliverability to Peoples Gas’ distribution system were thus set at
343 levels that provide a margin over Peoples Gas’ projected peak day requirements.
344 This reserve margin was necessary to accommodate, among other things, the
345 fact that Peoples Gas is located near the end of Natural’s and Northern Border
346 Pipeline Company’s (“Northern Border”) facilities, the possibility of deliverability
347 shortfalls in connection with storage and flow gas, and the fact that requirements
348 could exceed design day projections.

349 **PRICE RISK MANAGEMENT**

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

352 A. Peoples Gas took several steps to address price volatility. During the
353 year, Peoples Gas followed a price protection program, approved by the
354 Wholesale Energy and Fuel Financial Risk and Compliance group of WBS in
355 August 2019, which was specifically designed to mitigate the effects of gas price
356 volatility. This program protected a significant portion of Peoples Gas' purchases
357 using approved financial derivative tools including futures, fixed price swaps, call
358 options, synthetic calls, or consumer collars (purchasing call options and selling
359 put options simultaneously). These purchases were either hedged physically
360 through fixed forward purchases directly with a supplier or through the use of
361 financial derivative instruments. Under the plan, Peoples Gas began executing
362 its hedges nineteen months prior to the start of each season (*i.e.*, winter or
363 summer). The timing of the transaction execution follows a time driven matrix
364 approach and results in 100% of the planned hedges in place prior to the start of
365 the season. Under normal weather conditions, Peoples Gas would expect to
366 hedge between 25% and 50% of its annual purchases under this plan with a
367 target of 37.5%.

368 Peoples Gas' supply portfolio also contained storage assets, both owned
369 and contractual, that allowed it to use the natural physical hedge that seasonal
370 storage provides. Peoples Gas also purchased gas supplies from a variety of

371 parties and from different producing regions to protect against regional price
372 anomalies.

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

374 A. For the reconciliation period, 39.7% of actual annual purchases were
375 financially hedged. While the financially hedged percentage was above the
376 37.5% target noted above, it was within the plan parameters.

377 Q. What is a “time driven matrix” approach?

378 A. The “time driven matrix” approach means that Peoples Gas executed its
379 hedge transactions on a defined schedule, unless predefined market conditions
380 were met and Peoples Gas elected to accelerate its financial hedge purchases.
381 This contrasts with, for example, purchasing all of the hedges eighteen months
382 prior or waiting until one month prior to the hedged period to purchase the
383 hedges.

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

386 A. No.

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

388 A. No.

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

390 A. Peoples Gas' purchases under its price protection programs partially
391 insulated customers against price volatility. By taking fixed price positions on a
392 large portion of the anticipated baseload purchases, Peoples Gas can dampen
393 the effect that large swings in gas prices have on its total gas costs. This leads

394 to more stable prices for Peoples Gas' customers. In the absence of this
395 program, customers would be exposed to the full risk of market fluctuations.
396 Peoples Gas' price protection strategies were not aimed at guaranteeing the
397 lowest possible price for gas. The purpose is to mitigate volatility.

398 **INTERSTATE SERVICES**

399 Q. You testified that Peoples Gas provides interstate services. What revenue
400 did Peoples Gas receive from interstate transactions in 2023?

401 A. Interstate services transactions resulted in approximately \$3.8 million in
402 revenue that Peoples Gas flowed through its Gas Charge during 2023.

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

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

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

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

409 Q. Did Peoples Gas enter into any off-system gas sales for resale during
410 2023?

411 A. Yes. Peoples Gas entered into off-system sales transactions supported
412 by less than 1% of Peoples Gas' purchases in terms of quantity and less than 1%
413 in terms of cost for the year. These transactions were for operational reasons.

414 Q. Did Peoples Gas release any capacity in 2023?

415 A. Yes. Peoples Gas permanently released 40,000 dth/day of Natural FT to
416 North Shore.

417 Q. Did Peoples Gas acquire any capacity through a capacity release?

418 A. No.

419 **AFFILIATE TRANSACTIONS**

420 Q. Did Peoples Gas have any transactions with any affiliate that affected its
421 Gas Charge?

422 A. No.

423 Q. Does Peoples Gas have any other gas supply-related transactions with its
424 affiliates?

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

428 **PRUDENCE OF 2023 GAS COSTS**

429 Q. Were Peoples Gas' incurred expenditures for 2023 gas supply prudent?

430 A. Yes. The 2023 incurred gas supply expenditures reflected Peoples Gas'
431 continuing efforts to minimize the cost of its gas supply consistent with
432 operational and contractual constraints and the statutory obligation to provide
433 adequate and reliable service to customers throughout the year. In particular,
434 following RFP processes, Peoples Gas purchased supply from a diverse pool of
435 suppliers to fill its storage services and to supply its customers. It purchased
436 supply at the citygate and utilizing its own capacity, which both diversifies the
437 pricing applicable to those purchases and enhances reliability. It met a large
438 portion of its peak day and seasonal requirements from storage. It also used
439 storage to help it balance its system on a daily and intra-day basis. Finally, it

440 hedged a significant portion of its annual purchases, which helps to mitigate price
441 volatility for customers.

442 Q. Has Peoples Gas made other efforts to ensure that pipelines serving it
443 provide reliable services on a best-cost basis?

444 A. Yes. Peoples Gas made efforts to maintain adequate, reliable services
445 from pipeline transporters and to keep gas costs to a minimum by active
446 participation in its pipeline transporters' rate and certificate proceedings and
447 other matters before the FERC. Peoples Gas monitored the filings of its principal
448 pipeline suppliers of storage and transportation services and other pipelines
449 interconnecting with Peoples Gas' system -- Natural, Northern Border, KMIP,
450 Trunkline Gas Company ("Trunkline"), Midwestern Gas Transmission Company
451 ("Midwestern"), Vector Pipeline L.P ("Vector"), Washington 10, ANR, Guardian
452 Pipeline, L.L.C. ("Guardian") and Alliance Pipeline, Ltd. ("Alliance"). In addition,
453 Peoples Gas monitored FERC rulemaking and policy proceedings.

454 Based on its review of pipeline filings, Peoples Gas intervened in
455 significant proceedings. Peoples Gas also continued to participate actively as a
456 member of the American Gas Association in FERC rulemakings and other
457 generic proceedings affecting its customers.

458 **MEASUREMENT AND MONITORING OF PIPELINE DELIVERIES**

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

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

463 1. Gas that Natural delivered to Peoples Gas is registered by Peoples
464 Gas' electronic flow measurement ("EFM") equipment located at seven locations
465 (excluding direct pipeline supplied customer locations), including Peoples Gas'
466 Manlove Field. One of Natural's seven locations, the Torrence Avenue station, is
467 also the point at which energy is delivered to Peoples Gas from KMIP. Peoples
468 Gas' Gas Control Department reviewed and monitored the accuracy of energy
469 that Natural billed at all seven of those meters on a daily basis as well as for
470 KMIP at the Torrence point. The quantities of gas received and delivered by
471 Natural and KMIP were measured in accordance with the General Terms and
472 Conditions of its respective FERC Gas Tariff. Peoples Gas has access to
473 Natural's and KMIP's measurement equipment at the receipt and delivery points
474 under the tariff provisions to verify flow calculations. If the Gas Control
475 Department's measurement review indicated a discrepancy, the Gas Control
476 Department would contact Natural or KMIP to resolve the discrepancy. Natural
477 and KMIP also calibrate their EFM equipment periodically. A Peoples Gas
478 representative may be present at these calibrations. Peoples Gas'
479 representative is present for physical changes (e.g., orifice plate inspection or
480 replacement) involving a meter.

481 2. ANR operates EFM equipment at its station near East Joliet, Illinois
482 and at its Sharp Road station near Elwood, Illinois. Trunkline operates EFM
483 equipment at Peoples Gas' Manlove Field. Northern Border operates EFM
484 equipment at the Manhattan-South interconnect near Manhattan, Illinois, the
485 Manhattan-North interconnect near Lemont, Illinois, and the Sharp Road

486 interconnect near Elwood, Illinois. Midwestern operates EFM equipment at its
487 station near Union Hill, Illinois. Alliance operates EFM equipment at its station
488 near Elwood, Illinois. Guardian operates EFM equipment at its station near
489 Elwood, Illinois. Vector operates EFM equipment at its station near Elwood,
490 Illinois. ANR, Trunkline, Midwestern, Northern Border, Guardian, Vector and
491 Alliance calibrate their EFM equipment periodically. A Peoples Gas
492 representative may be present at these calibrations. Peoples Gas'
493 representative is present for physical changes (e.g., orifice plate inspections or
494 replacement) involving a meter. The quantities of gas received and delivered by
495 each pipeline were measured in accordance with the General Terms and
496 Conditions of its respective FERC Gas Tariff. Peoples Gas has access to the
497 pipeline operator's measurement equipment at the receipt and delivery points
498 under the tariff provisions to verify flow calculations. Peoples Gas' Gas Control
499 Department reviews and monitors the accuracy of energy that is billed from these
500 pipelines' meters. If this review identified a discrepancy, Gas Control would
501 contact the pipeline and resolve the discrepancy.

502 3. If the Gas Control Department's measurement verification between the
503 EFM equipment and nomination systems (Peoples Gas' and pipelines'
504 nomination websites) indicates a discrepancy, the Gas Control Department will
505 contact the pipeline to resolve the discrepancy. Once Gas Control has resolved
506 all discrepancies, the Gas Supply Department will verify the amount of gas
507 nominated to the Gas Supply transaction tracking database ("TRM"). This

508 ensures that all gas nominated is recorded in TRM. The Fuel and Supply
509 Accounting Department confirms data from TRM with the pipelines' invoices.

510 4. ANR, Midwestern, Guardian, Vector and Trunkline use onsite
511 chromatographs to determine gas quality and heating value. Natural uses
512 chromatographs at a point on its system near Joliet, Illinois and at Peoples Gas'
513 Manlove Field to determine gas quality and heating value. Northern Border uses
514 a chromatograph on its system near Ventura, Iowa to determine gas quality and
515 heating value. Alliance uses a chromatograph on its system near Morris, Illinois
516 to determine gas quality and heating value. Peoples Gas uses chromatographs
517 it owns at its citygates, Manlove Field, the ANR East Joliet and Midwestern meter
518 stations, and two of the three Northern Border meter stations to independently
519 monitor gas quality and heating value. These chromatographs are calibrated on
520 a regular basis.

521 5. Internal Audit Services examines the accuracy and performance of
522 procedures that management identified as SOX controls annually during its
523 Sarbanes-Oxley Act of 2002, Section 404, testing to support management's
524 assertion that the internal control structure is operating as designed. These tests
525 include examination of the various records and reports that the Fuel and Supply
526 Accounting Department used to record volumetric and pricing information
527 including the various reconciliations to source measurement and pipeline
528 information.

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

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

536 Q. Please describe the control procedures and monitoring programs that
537 Peoples Gas used with respect to its gas transportation contracts.

538 A. The control procedures and monitoring related to the enforcement of the
539 transportation contracts and point operator agreements with ANR, Natural, KMIP,
540 Northern Border, Guardian, Vector, Washington 10, and Midwestern were as
541 follows:

542 1. Each of these pipelines or storage providers rendered monthly
543 statements of the quantity of gas received on behalf of Peoples Gas from each
544 supplier at each receipt point and the quantity of gas each transporter or storage
545 provider delivered to Peoples Gas. The quantities of gas received and delivered
546 by each transporter or storage provider were measured in accordance with the
547 General Terms and Conditions of its respective FERC Gas Tariff or Statement of
548 Operating Conditions. Peoples Gas has access to transporters' measurement
549 equipment at the receipt and delivery points under the tariff provisions. The Fuel
550 and Supply Accounting Department verified the accuracy of each monthly
551 statement based on records maintained by the Gas Supply area in coordination
552 with each transporting pipeline.

553 2. Transportation charges for each receipt point include a percentage
554 retained by the transporter from gas received for Peoples Gas' account to
555 compensate for the transporter's compressor fuel and lost-and-unaccounted-for
556 gas. Storage provider charges also include a percentage retained by the storage
557 provider from gas received for Peoples Gas' account to compensate for storage
558 providers' compressor fuel and lost-and-unaccounted-for gas. The Fuel and
559 Supply Accounting Department reviewed for accuracy the quantities that the
560 transporter or storage provider retained, the transportation and storage charges,
561 and the reservation fees against published tariffs, contracts or discount letters or
562 agreements, as appropriate.

563 Q. Does this conclude your direct testimony?

564 A. Yes, it does.

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
The Peoples Gas Light and)	Docket No. 23-0760
Coke Company)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

DIRECT TESTIMONY
OF
SAM ADDISON

- 1 Q. Please state your name and business address.
- 2 A. Sam Addison, 200 East Randolph Street, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. WEC Business Services LLC.
- 5 Q. What position do you hold with WEC Business Services LLC?
- 6 A. I am a Project Specialist III in Regulatory Affairs.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for performing activities related to regulatory research,
- 9 rate and tariff administration, billing and rate impact studies, accounting, and
- 10 reporting requirements for The Peoples Gas Light and Coke Company (“Peoples
- 11 Gas” or the “Company”) and its sister utility North Shore Gas Company (“North
- 12 Shore”). I also have managed and coordinated the preparation and review of

13 testimonies and exhibits pertaining to rate case filings for Peoples Gas and North
14 Shore pursuant to provisions of Part 285, 286, and 287 of the Commission's
15 rules (83 Ill. Admin. Code Parts 285, 286, and 287).

16 Q. Please summarize your educational background and experience.

17 A. I received a Bachelor of Science in Finance from the Driehaus College of
18 Business at DePaul University in 2013. I was hired by Integrys Business Services
19 in 2014 on the Finance team, where I worked 6 years across multiple positions of
20 increased responsibility, including support of the 2020 North Shore Gas Rate
21 Case. In January 2022, I left WEC energy group to join ComEd as a Senior
22 Financial Analyst supporting Financial Operations. In October 2022, I rejoined
23 WBS as a Project Specialist 3 on the Regulatory Affairs team.

24 Q. Please give a brief description of the operations and status of Peoples
25 Gas.

26 A. Peoples Gas is a corporation organized and existing under the laws of the
27 State of Illinois, having its principal office at 200 East Randolph Street, Chicago,
28 Illinois 60601. It is engaged in the business of purchasing, distributing and
29 selling natural gas to approximately 888,000 customers in the City of Chicago.
30 Peoples Gas is a public utility within the meaning of the Public Utilities Act.

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

32 A. Pursuant to Section 9-220 of the Public Utilities Act, on November 16,
33 2023, the Illinois Commerce Commission ("Commission") entered a citation order
34 ("order") directed to Illinois gas utilities, including Peoples Gas. The order
35 requires Peoples Gas to present evidence to the Commission at a public hearing

36 in Docket No. 23-0760 reconciling revenue collected under the purchased gas
37 adjustment clause (Rider 2, Gas Charge, of Peoples Gas' Schedule of Rates)
38 with the actual costs prudently incurred and recoverable under Rider 2, for the
39 twelve months ended December 31, 2023. The order also requires Peoples Gas'
40 filing to reflect fifteen specified data for each of its Gas Charges. The order
41 further requires that Peoples Gas make notice of the filing of this evidence under
42 the requirements of 83 Illinois Administrative Code Part 255.

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

44 A. When Peoples Gas made its filing in this proceeding, it placed copies of
45 the filed evidence, available for public inspection, in each of its offices. It also
46 posted public notice of the filing in each of these offices. Further, Peoples Gas
47 will cause notice of the filing to be published in the Chicago Tribune, a secular
48 newspaper of general circulation in Peoples Gas' service territory, under the
49 requirements of 83 Illinois Administrative Code Part 255.

50 Q. Please describe PGL Ex. 2.1.

51 A. PGL Ex. 2.1 includes a copy of the audit report of Peoples Gas'
52 independent public accountants, Deloitte & Touche LLP, and the verification by
53 Peoples Gas' President Torrence Hinton. The audit report includes a copy of
54 Peoples Gas' Statement to Illinois Commerce Commission - Determination of
55 Reconciliation Balance for Gas Charge for the Year Ended December 31, 2023
56 ("2023 Statement") and Independent Auditors' Report, as described in Rider 2,
57 Section G, of Peoples Gas' Schedule of Rates.

58 Q. Was the 2023 Statement prepared by you or under your supervision and
59 direction?

60 A. Yes, it was.

61 Q. Are the verification and the audit report true and correct copies of Mr.
62 Hinton's verification and the independent public accountants' audit report?

63 A. Yes, they are.

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

66 A. Each month, Peoples Gas files a Commodity Gas Charge ("CGC"), a Non-
67 Commodity Gas Charge ("NCGC"), a Demand Gas Charge ("DGC"), and a
68 Storage Gas Charge ("SGC"). Peoples Gas also files two Hub Credit Gas
69 Charges ("HCGC₁" and "HCGC₂"). The sum of the CGC, NCGC and HCGC₁ is
70 the Gas Charge, which applies to all Peoples Gas-supplied therms except
71 standby therms supplied to transportation customers.

72 The standby commodity charge applies to standby therms. Peoples Gas
73 uses published price indices prescribed in the riders to determine the standby
74 commodity charge.

75 The CGC recovers commodity-related costs. The NCGC recovers non-
76 commodity related costs. The DGC also recovers non-commodity related costs
77 but from transportation customers. Peoples Gas credits revenues arising from
78 the application of the DGC against the non-commodity related costs used in
79 computing the NCGC.

80 The SGC recovers non-commodity related costs from customers served
81 under Riders CFY and SST. The SGC applies to all storage capacity therms
82 allocated to or subscribed by customers served under these riders. Peoples Gas
83 credits revenues arising from the application of the SGC against the non-
84 commodity related costs used in computing the NCGC. Given that the NCGC,
85 DGC, and SGC all recover non-commodity related costs, Peoples Gas jointly
86 reconciles revenues recovered under these charges with such costs.

87 The HCGC₁ and HCGC₂ are credits for revenues Peoples Gas receives
88 from interstate transportation and storage services that it offers under the Federal
89 Energy Regulatory Commission's jurisdiction. These services are often called
90 "hub" services. The HCGC₁ and the HCGC₂ are stand-alone credits for Rider
91 CFY customers and for large volume transportation customers, respectively.

92 Q. The Commission's order requires Peoples Gas to include certain data
93 from the prior reconciliation year in its determination of the current year's
94 reconciliation. Please specify any unamortized balance at December 31, 2022.

95 A. The unamortized balance at December 31, 2022, for each Gas Charge is
96 shown on Page 2, Line 1, of PGL Ex. 2.1. Peoples Gas' unamortized Factor A
97 balance at December 31, 2022, reflects a refundable balance of \$2,141,341.39
98 for the CGC and a refundable balance of \$1,756,858.36 for the NCGC, DGC,
99 and SGC, for a total refundable amount of \$3,898,199.75. These amounts are
100 also shown on Page 2, Line 12, of Peoples Gas' Statement to Illinois Commerce
101 Commission, Determination of Reconciliation Balance for Gas Charge for the
102 Year Ended December 31, 2022 ("2022 Statement"). Peoples Gas filed this

103 document as PGL Ex. 2.1 with Sonia Holler's direct testimony in Docket No. 22-
104 0642, reconciliation of revenues collected under gas adjustment charges with
105 actual costs prudently incurred for the period January 1, 2022, through
106 December 31, 2022.

107 Q. Please specify the total adjustments to gas costs (that is, Factor A) that
108 were amortized to Schedule I in Peoples Gas' 2022 monthly filings but were not
109 yet reconciled through Schedule II of Peoples Gas' monthly filings at December
110 31, 2022.

111 A. Total unreconciled adjustments to gas costs (Factor A) reflect a refundable
112 amount of \$9,850,355.51 for the CGC, a refundable amount of \$509,239.95 for
113 the NCGC, DGC and SGC, and a recoverable balance of \$39,429.70 for the
114 HCGC, for a total refundable balance of \$10,320,165.76. These adjustments, for
115 the reported months of November and December 2022, were not yet reconciled
116 at December 31, 2022. However, they are reflected in the respective Gas
117 Charges for the effective months of January and February 2023. These amounts
118 are shown on Page 2, Line 2, of PGL Ex. 2.1. They are also shown on Page 2,
119 Line 13, of Peoples Gas' 2022 Statement.

120 Q. What was Peoples Gas' refundable or recoverable balance for the year
121 ended December 31, 2022?

122 A. Peoples Gas' refundable or recoverable balance for the year ended
123 December 31, 2022, which is the sum of the amounts on Page 2, Lines 1 through
124 3, of PGL Ex. 2.1, reflects an over-recovery of \$11,991,696.90 for the CGC, an
125 over-recovery of \$2,266,098.31 for the NCGC, DGC and SGC and an under-

126 recovery of \$39,429.70 for the HCGC, for a total over-recovery of
127 \$14,218,365.51. These amounts are shown on Page 2, Line 4, of PGL Ex. 2.1.
128 They are also shown on Page 2, Line 11 and Line 15, of Peoples Gas' 2022
129 Statement.

130 Q. What are Peoples Gas' 2023 recoverable gas costs and revenues?

131 A. Recoverable gas costs and revenues are summarized and shown on Page
132 2, Line 5 and Line 6, respectively, of PGL Ex. 2.1. Recoverable gas costs
133 summarized and shown on Page 2, Line 5, of PGL Ex. 2.1 are \$284,157,141.61
134 for the CGC, \$53,739,862.61 for the NCGC, DGC and SGC and hub revenues to
135 be credited of \$3,824,037.50 for the HCGC, for a total of \$334,072,966.72 to be
136 recovered under the Gas Charge. Revenues arising through the application of
137 each Gas Charge summarized and shown on Page 2, Line 6, of PGL Ex. 2.1 are
138 \$282,625,489.79 for the CGC, \$54,519,304.72 for the NCGC, DGC and SGC,
139 and a credit amount of \$3,551,234.23 for the HCGC, for a total of
140 \$333,593,560.28 recovered under the Gas Charge. Recoverable gas costs and
141 revenues are shown in more detail on Pages 3, 4, and 5 of PGL Ex. 2.1 for the
142 CGC, NCGC, DGC and SGC, and HCGC, respectively.

143 Q. Please specify the pipeline refunds or surcharges that Peoples Gas
144 separately reported in 2023 monthly Gas Charge filings.

145 A. Peoples Gas' 2023 monthly Gas Charge filings included no separately
146 reported pipeline refunds or surcharges.

147 Q. Please specify any other adjustments that Peoples Gas separately
148 reported in 2023.

149 A. Peoples Gas' 2023 monthly Gas Charge filings included no other
150 separately reported adjustments.

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

153 A. Interest, calculated under Section 525.50, for inclusion in Adjustments for
154 Gas Costs (Factor A) is shown on Page 2, Line 9, of PGL Ex. 2.1, and reflects a
155 refundable amount of \$452,756.17 for the CGC, and a refundable amount of
156 \$128,428.48 for the NCGC, DGC, and SGC, for a total refundable amount of
157 \$581,184.65.

158 Q. What was Peoples Gas' over- or under- recovery for 2023?

159 A. Peoples Gas' over- or under-recovery for 2023 is shown on Page 2, Line
160 10, of PGL Ex. 2.1. The over- or under-recovery for each Gas Charge can be
161 determined by deducting the amount on Line 6 (revenues arising through the
162 application of each Gas Charge) from the amount on Line 5 (costs recoverable
163 through each Gas Charge) and adding the amounts on Line 7 (separately
164 reported pipeline refunds or surcharges), Line 8 (separately reported other
165 adjustments), and Line 9 (interest). Using this calculation, Peoples Gas' over- or
166 under-recovery for 2023 reflects an under-recovery of \$1,078,895.65 for the
167 CGC, an over-recovery of \$907,870.59 for the NCGC, DGC and SGC, and an
168 over-recovery of \$272,803.27 for the HCGC, for a total over-recovery of
169 \$101,778.21.

170 Q. Please specify the cumulative recovery balance for the reconciliation year.

171 A. The cumulative recovery balance for the reconciliation year, which reflects
172 the sum of the (refundable)/recoverable balances for prior periods and for the
173 year ended December 31, 2023, for each respective Gas Charge, is shown on
174 Page 2, Line 11, of PGL Ex. 2.1. This amount, which can be determined by
175 summing the amounts on Line 4 (prior period balance) and Line 10 (2023
176 balance), reflects an over-recovery of \$10,912,801.25 for the CGC, an over-
177 recovery of \$3,173,968.90 for the NCGC, DGC, and SGC, and an over-recovery
178 of \$233,373.57 for HCGC, for a total over-recovery of \$14,320,143.72. These
179 amounts are also shown on line 15 and equal the sum of the amounts shown on
180 lines 12 (unamortized balance at the end of 2023), 13 (unreconciled adjustments
181 to gas costs), and 14 (Factor O amounts).

182 Q. Please specify any unamortized balance at the end of 2023.

183 A. The unamortized balance at the end of 2023 is shown on Page 2, Line 12,
184 of PGL Ex. 2.1. Peoples Gas' unamortized balance at the end of 2023 reflects a
185 refundable balance of \$3,911,319.92 for CGC, and an refundable balance of
186 \$2,248,154.04 for the NCGC, DGC, and SGC, for a total refundable balance of
187 \$6,159,473.96.

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, 2023.

190 A. Total unreconciled adjustments to gas costs, which are shown on Page 2,
191 Line 13, of PGL Ex. 2.1, reflect a refundable amount of \$7,001,481.33 for the
192 CGC, a refundable amount of \$925,814.86 for the NCGC, DGC and SGC, and a
193 refundable balance of \$233,373.57 for the HCGC, for a total refundable balance

194 of \$8,160,669.76. The unreconciled adjustments to gas costs (Factor A), for the
195 reported months of November and December 2023, are not yet reconciled at the
196 end of 2023. However, they are reflected in the respective Gas Charges for the
197 effective months of January and February, 2024.

198 Q. Please specify any Factor O amounts requested by Peoples Gas for 2023.

199 A. Peoples Gas is not requesting a Factor O.

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

202 A. Yes. PGL Ex. 2.1 includes a summary of the detailed Schedule II,
203 Adjustments to Gas Costs (Factor A) reports that Peoples Gas filed as part of its
204 monthly Gas Charge reports for 2023. Pages 6, 7 and 8 of PGL Ex. 2.1 reflect
205 Schedule II reports filed for the CGC, NCGC, DGC and SGC, and HCGC
206 respectively. These reports reflect the monthly reconciliation of recoverable gas
207 costs and Gas Charge revenues, adjustments to gas costs (Factor A), refunds
208 and other adjustments, Factor A amortizations and unamortized balances, Factor
209 O amortizations and unamortized balances, and interest determined for each
210 Gas Charge. Finally, Page 9 of PGL Ex. 2.1 contains notes that explain Gas
211 Charge reconciliation summary items noted on Page 2 of PGL Ex. 2.1.

212 Q. In its February 16, 2012 Order in Docket No. 07-0577, the Commission
213 approved the way Peoples Gas recovers costs incurred under a contract with
214 Kinder Morgan Illinois Pipeline (“KMIP”), but it ordered Peoples Gas “to track and
215 identify KIMP (*sic*) costs for future PGA Reconciliations.” How does Peoples Gas
216 recover KMIP costs?

217 A. KMIP is an interstate pipeline, and Peoples Gas incurs commodity and
218 non-commodity costs under the contract. Peoples Gas recovered these costs, in
219 the reconciliation period and in prior periods, through the CGC, NCGC and the
220 DGC. This is the same recovery mechanism it uses for other pipeline commodity
221 and non-commodity costs that are unrelated to storage services.

222 Q. What amount of KMIP costs did Peoples Gas include in the CGC, NCGC
223 and DGC calculations in the reconciliation period?

224 A. The CGC included \$13,500.32 in 2023. The NCGC and DGC included
225 \$1,824,000 in 2023.

226 Q. Does this conclude your direct testimony?

227 A. Yes, it does.

Page 1 of 9

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, 2023

The Peoples Gas Light and Coke Company
Statement to Illinois Commerce Commission - Determination of Reconciliation Balance (1)
For the Year Ended December 31, 2023

<u>Line</u>	<u>Commodity Gas Charge (CGC)</u>	<u>Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge (NCGC, DGC and SGC)</u>	<u>Hub Credit Gas Charge (HCGC)</u>	<u>Total Gas Charge</u>	
Year Ended December 31, 2022					
1	Unamortized Balance at December 31, 2022 (Refund)/Recovery (2)	(\$2,141,341.39)	(\$1,756,858.36)	\$0.00	(\$3,898,199.75)
2	Factor A Adjustments unreconciled at December 31, 2022(Refund)/Recovery (3)	(9,850,355.51)	(509,239.95)	39,429.70	(10,320,165.76)
3	Factor O (Refunded)/Recovered	0.00	0.00	0.00	0.00
4	Cumulative (Refundable)/Recoverable from December 31, 2022 (Line 1 + Line 2 + Line 3)	(11,991,696.90)	(2,266,098.31)	39,429.70	(14,218,365.51)
Year Ended December 31, 2023					
5	Costs Recoverable through the Gas Charge (4)	284,157,141.61	53,739,862.61	(3,824,037.50)	334,072,966.72
6	Revenues Arising through Application of the Gas Charge (5)	282,625,489.79	54,519,304.72	(3,551,234.23)	333,593,560.28
7	Separately Reported Pipeline Refunds or Surcharges	0.00	0.00	0.00	0.00
8	Separately Reported Other Adjustments	0.00	0.00	0.00	0.00
9	Interest	(452,756.17)	(128,428.48)	0.00	(581,184.65)
10	(Over)/Under Recovery For Reconciliation Year (Line 5 - Line 6 + Line 7 + Line 8 + Line 9)	1,078,895.65	(907,870.59)	(272,803.27)	(101,778.21)
11	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 4 + Line 10)	(10,912,801.25)	(3,173,968.90)	(233,373.57)	(14,320,143.72)
12	Unamortized Balance at December 31, 2023 (Refund) / Recovery (Line 11 - Line 13) (6)	(3,911,319.92)	(2,248,154.04)	(0.00)	(6,159,473.96)
13	Factor A Adjustments unreconciled at December 31, 2023 (Refund)/Recovery (7)	(7,001,481.33)	(925,814.86)	(233,373.57)	(8,160,669.76)
14	Factor O to be (Refunded)/Recovered in Future Periods	\$0.00	\$0.00	\$0.00	\$0.00
15	Cumulative (Over)/Under Recovery Balance For Reconciliation Year (Line 12 + Line 13 + Line 14) = Line 11	(10,912,801.25)	(3,173,968.90)	(233,373.57)	(14,320,143.72)

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, 2023**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2023				
1.	Gas Costs by Type:			
	a. Purchases	\$ 321,335,000.24		
	b. Liability For Redelivery of Customer-Owned Gas	<u>(16,809,434.45)</u>		
2.	TOTAL GAS COSTS		\$ 304,525,565.79	Sum Lines 1a - 1b
3.	Less: Gas Used by Company	\$ 0.00		
4.	a. Add: Gas Withdrawn from Storage	181,422,157.16		
	b. Less: Gas Injected into Storage	<u>(200,060,804.11)</u>		
5.	Less: Off-System Transaction Revenues	0.00		
6.	Less: Penalty / Imbalance Charge Revenues	<u>(418,842.84)</u>		
7.	a. Less: "Cash-Out" Schedule Revenues	<u>(1,721,983.84)</u>		
	b. Add: "Cash-Out" Schedule Costs	<u>411,049.45</u>		
8.	TOTAL OTHER COSTS / REVENUES		<u>(20,368,424.18)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 284,157,141.61	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Commodity Gas Charge Revenues		<u>282,625,489.79</u>	
11.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
12.	Interest		<u>(452,756.17)</u>	
13.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>1,078,895.65</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 STORAGE GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2023

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2023			
1.	Gas Costs by Type:			
	a. Transportation	\$ 14,597,823.84		
	b. Storage	51,983,887.87		
	c. FERC Order 636 Transition Costs	0.00		
	d. Demand Gas Charge Revenues	(5,639,852.75)		
	e. Storage Gas Charge Revenues	<u>(6,383,751.41)</u>		
2.	TOTAL GAS COSTS		\$ 54,558,107.55	Sum Lines 1a - 1e
3.	Less: Gas Used by Company	\$ 0.00		
4.	a. Add: Gas Withdrawn from Storage	8,075,170.20		
	b. Less: Gas Injected into Storage	(8,893,415.14)		
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>(818,244.94)</u>	Sum Lines 3 - 7
9.	TOTAL ACTUAL RECOVERABLE GAS COSTS FOR THE PERIOD		\$ 53,739,862.61	Line 2 + Line 8
10.	LESS ACTUAL REVENUES:			
	a. Non-Commodity Gas Charge Revenues	54,031,137.87		
	b. Excess Bank Charge	90,770.95		
	c. Storage and Balancing Charges	<u>397,395.90</u>		
11.	TOTAL REVENUES		<u>54,519,304.72</u>	Sum Lines 10a - 10c
12.	Pipeline Surcharge/(Refunds)/Other Adjustments		0.00	
13.	Interest		(128,428.48)	
14.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(907,870.59)</u>	Line 9 - Line 11 + Line 12 + Line 13

The Peoples Gas Light and Coke Company

**STATEMENT TO ILLINOIS COMMERCE COMMISSION - DETERMINATION OF RECONCILIATION BALANCE
FOR THE HUB CREDIT GAS CHARGE
FOR THE YEAR ENDED DECEMBER 31, 2023**

Line No. [A]	Description [B]	Amount [C]	Totals [D]	Reference
	ACTUAL RECOVERABLE GAS COSTS: YEAR ENDED DECEMBER 31, 2023			
1.	TOTAL ACTUAL HUB REVENUES (applicable to Hub Credit Gas Charge)		\$ (3,824,037.50)	
2.	LESS ACTUAL HUB CREDIT GAS CHARGE ADJUSTMENTS		<u>(3,551,234.23)</u>	
3.	Refunds/Other Adjustments		0.00	
4.	Interest		0.00	
5.	Reconciliation Balance Recoverable or (Refundable) Including Interest		\$ <u>(272,803.27)</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, 2023

Line	Effective Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		Reported Month	November 2022	December	January 2023	February	March	April	May	June	July	August	September	October	November	December	
	January 2023	February	March	April	May	June	July	August	September	October	November	December	January 2024	February			
1	Actual Recoverable Costs - Reported Month	56,004,835.89	101,793,474.95	78,837,910.67	41,565,139.98	51,088,937.25	1,153,578.39	6,162,837.02	8,827,372.87	8,092,333.16	5,210,658.53	3,799,574.11	12,794,822.89	26,623,487.86	40,000,488.88	284,157,141.61	1
2	Actual Recoveries - Reported Month	63,550,165.36	82,775,923.42	80,579,781.00	51,384,932.68	27,518,550.81	15,830,060.49	11,492,801.54	5,081,558.84	3,735,747.54	4,167,823.25	4,525,350.51	12,065,432.25	30,262,921.67	35,980,529.21	282,625,489.79	2
3	Under/(Over) Recovery - Reported Month	(7,545,329.47)	19,017,551.53	(1,741,870.33)	(9,819,792.70)	23,570,386.44	(14,676,482.10)	(5,329,964.52)	3,745,814.03	4,356,585.62	1,042,835.28	(725,776.40)	729,390.64	(3,639,433.81)	4,019,959.67	1,531,651.82	3
4	Factor A Included in Reported Month	1,483,875.38	(3,818,647.34)	(8,398,479.45)	(1,451,876.06)	(5,269,421.32)	(6,016,577.56)	1,412,594.42	(1,839,520.66)	(1,727,681.12)	(1,289,810.96)	(1,199,996.79)	(585,683.11)	(1,576,680.70)	(2,257,409.05)	(30,200,542.36)	4
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	0.00	5
6	Adjusted (Over)/Under Recovery - Reported Month	(6,061,454.09)	15,198,904.19	(10,140,349.78)	(11,271,668.76)	18,300,965.12	(20,693,059.66)	(3,917,370.10)	1,906,293.37	2,628,904.50	(246,975.68)	(1,925,773.19)	143,707.53	(5,216,114.51)	1,762,550.62	(28,668,890.54)	6
7	Refunds/Pipeline Surcharges/Other Adjustments	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	0.00	7
8	Unamortized Balance Including Previous Interest	(21,042,323.03)	(18,783,236.41)	(2,141,341.39)	(7,041,487.64)	(12,347,814.59)	4,559,475.09	(14,353,622.51)	(16,612,241.95)	(13,472,038.19)	(9,683,316.64)	(9,383,545.08)	(9,773,190.23)	(7,402,790.62)	(8,460,780.76)		8
9	Total Adjustments Before Amortization	(27,103,777.12)	(3,584,332.22)	(12,281,691.17)	(18,313,156.40)	5,953,150.53	(16,133,584.57)	(18,270,992.61)	(14,705,948.58)	(10,843,133.69)	(9,930,292.32)	(11,309,318.27)	(9,629,482.70)	(12,618,905.13)	(6,698,230.14)		9
10	Total Amortization	(8,398,479.45)	(1,451,876.06)	(5,269,421.32)	(6,016,577.56)	1,412,594.42	(1,839,520.66)	(1,727,681.12)	(1,289,810.96)	(1,199,996.79)	(585,683.11)	(1,576,680.70)	(2,257,409.05)	(4,196,726.02)	(2,804,755.31)	(27,351,668.18)	10
11	Unamortized Balance - Factor A	(18,705,297.67)	(2,132,456.16)	(7,012,269.85)	(12,296,578.84)	4,540,556.11	(14,294,063.91)	(16,543,311.49)	(13,416,137.62)	(9,643,136.90)	(9,344,609.21)	(9,732,637.57)	(7,372,073.65)	(8,422,179.11)	(3,893,474.83)		11
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	0.00		12
13	Total Unamortized Balances	(18,705,297.67)	(2,132,456.16)	(7,012,269.85)	(12,296,578.84)	4,540,556.11	(14,294,063.91)	(16,543,311.49)	(13,416,137.62)	(9,643,136.90)	(9,344,609.21)	(9,732,637.57)	(7,372,073.65)	(8,422,179.11)	(3,893,474.83)		13
14	Interest	(77,938.74)	(8,885.23)	(29,217.79)	(51,235.75)	18,918.98	(59,558.60)	(68,930.46)	(55,900.57)	(40,179.74)	(38,935.87)	(40,552.66)	(30,716.97)	(38,601.65)	(17,845.09)	(452,756.17)	14
15	Unamortized Balance Including Interest	(18,783,236.41)	(2,141,341.39)	(7,041,487.64)	(12,347,814.59)	4,559,475.09	(14,353,622.51)	(16,612,241.95)	(13,472,038.19)	(9,683,316.64)	(9,383,545.08)	(9,773,190.23)	(7,402,790.62)	(8,460,780.76)	(3,911,319.92)		15

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

Summary of Schedule II
 For the Year Ended December 31, 2023

Line	Effective Month	[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]	[O]	Line
		Reported Month	November 2022	December	January 2023	February	March	April	May	June	July	August	September	October	November	December	
	January 2023	February	March	April	May	June	July	August	September	October	November	December	January 2024	February			
1	Actual Recoverable Costs - Reported Month	4,963,318.38	7,149,713.44	6,664,785.76	6,776,171.14	6,199,297.95	3,737,217.24	3,027,226.93	3,440,118.44	3,239,783.76	2,834,443.89	2,824,412.40	2,887,311.51	5,148,543.04	6,960,550.55	53,739,862.61	1
2	Actual Recoveries - Reported Month	6,177,391.78	10,583,678.20	9,102,438.63	7,692,328.48	7,208,924.46	3,780,324.85	2,328,678.64	1,182,674.33	1,130,274.93	981,134.95	439,110.08	3,889,451.90	7,745,249.67	9,038,713.80	54,519,304.72	2
3	Under/(Over) Recovery - Reported Month	(1,214,073.40)	(3,433,964.76)	(2,437,652.87)	(916,157.34)	(1,009,626.51)	(43,107.61)	698,548.29	2,257,444.11	2,109,508.83	1,853,308.94	2,385,302.32	(1,002,140.39)	(2,596,706.63)	(2,078,163.25)	(779,442.11)	3
4	Factor A Included in Reported Month	999,111.51	1,390,843.89	(40,799.22)	(468,440.73)	(846,878.41)	(775,680.45)	(549,493.97)	(425,603.42)	(306,897.28)	(169,885.98)	(90,855.81)	33,796.83	1,013,387.90	503,637.61	(2,123,712.93)	4
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	0.00	5
6	Adjusted (Over)/Under Recovery - Reported Month	(214,961.89)	(2,043,120.87)	(2,478,452.09)	(1,384,598.07)	(1,856,504.92)	(818,788.06)	149,054.32	1,831,840.69	1,802,611.55	1,683,422.96	2,294,446.51	(968,343.56)	(1,583,318.73)	(1,574,525.64)	(2,903,155.04)	6
7	Refunds/Pipeline Surcharges/Other Adjustments	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	0.00	7
8	Unamortized Balance Including Previous Interest	0.00	(174,888.35)	(1,756,858.36)	(3,402,550.51)	(4,028,182.58)	(5,357,423.50)	(5,774,569.01)	(5,340,778.32)	(3,352,964.37)	(1,465,578.25)	184,814.75	1,471,981.17	0.00	(1,286,049.79)		8
9	Total Adjustments Before Amortization	(214,961.89)	(2,218,009.22)	(4,235,310.45)	(4,787,148.58)	(5,884,687.50)	(6,176,211.56)	(5,625,514.69)	(3,508,937.63)	(1,550,352.82)	217,844.71	2,479,261.26	503,637.61	(1,583,318.73)	(2,860,575.43)		9
10	Total Amortization	(40,799.22)	(468,440.73)	(846,878.41)	(775,680.45)	(549,493.97)	(425,603.42)	(306,897.28)	(169,885.98)	(90,855.81)	33,796.83	1,013,387.90	503,637.61	(303,136.44)	(622,678.42)	(2,540,287.84)	10
11	Unamortized Balance - Factor A	(174,162.67)	(1,749,568.49)	(3,388,432.04)	(4,011,468.13)	(5,335,193.53)	(5,750,608.14)	(5,318,617.41)	(3,339,051.65)	(1,459,497.01)	184,047.88	1,465,873.36	0.00	(1,280,182.29)	(2,237,897.01)		11
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	0.00		12
13	Total Unamortized Balance	(174,162.67)	(1,749,568.49)	(3,388,432.04)	(4,011,468.13)	(5,335,193.53)	(5,750,608.14)	(5,318,617.41)	(3,339,051.65)	(1,459,497.01)	184,047.88	1,465,873.36	0.00	(1,280,182.29)	(2,237,897.01)		13
14	Interest	(725.68)	(7,289.87)	(14,118.47)	(16,714.45)	(22,229.97)	(23,960.87)	(22,160.91)	(13,912.72)	(6,081.24)	766.87	6,107.81	0.00	(5,867.50)	(10,257.03)	(128,428.48)	14
15	Unamortized Balance Including Interest	(174,888.35)	(1,756,858.36)	(3,402,550.51)	(4,028,182.58)	(5,357,423.50)	(5,774,569.01)	(5,340,778.32)	(3,352,964.37)	(1,465,578.25)	184,814.75	1,471,981.17	0.00	(1,286,049.79)	(2,248,154.04)		15

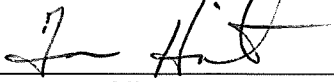
The Peoples Gas Light and Coke Company

Statement to Illinois Commerce Commission Determination of Reconciliation Balance for Gas Charge For the Year Ended December 31, 2023 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 on the basis of Section G of the Company’s Rider 2, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the Illinois Commerce Commission.
- (2) Unamortized (refundable)/recoverable balance at December 31, 2022. For the Commodity Gas Charge, see Page 6, Line 15, Column B. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage 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, 2023 and February 1, 2023 and not yet reconciled for the reporting months of November 2022 and December 2022, 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 Storage 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 Storage 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 Storage Gas Charge provided on Page 4. Detail of hub credits arising from the Hub Credit Gas Charge provided on Page 5.
- (6) Unamortized (refundable)/recoverable balance at December 31, 2023. For the Commodity Gas Charge, see Page 6, Line 15, Column N. For the Non-Commodity Gas Charge, Demand Gas Charge and Storage Gas Charge, see Page 7, Line 15, Column N. For the Hub Credit Gas Charge, see Page 8, Line 15, Column N.
- (7) Adjustments to Gas Costs (Factor A) included in filed Gas Charges effective January 1, 2024 and February 1, 2024 and not yet reconciled for the reporting months of November 2023 and December 2023, 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 Storage 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.

CERTIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.



Torrence Hinton

President –

North Shore Gas Company and

The Peoples Gas Light and Coke Company

April 16, 2024

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Peoples Gas Light and Coke Company:

Opinion

We have audited the accompanying Report to the Illinois Commerce Commission on Determination of Reconciliation Balance for Gas Charge of The Peoples Gas Light and Coke Company (the "Company") for the year ended December 31, 2023, and the related notes (the "Statement").

In our opinion, the Statement referred to above, presents fairly, in all material respects, the information set forth therein for the year ended December 31, 2023, in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note (1) to the Statement, which describes the basis of accounting. The Statement was prepared by the Company on the basis of the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the Statement may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Statement

Management is responsible for the preparation and fair presentation of the Statement in accordance with the financial reporting provisions of Section G of the Company's Rider 2, in effect and on file with the Illinois Commerce Commission, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Statement.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use 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

Milwaukee, Wisconsin
April 19, 2024

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	
)	
The Peoples Gas Light and)	
Coke Company)	Docket No. 23-0760
)	
)	
)	
Reconciliation of revenues)	
collected under gas adjustment)	
charges with actual costs prudently)	
incurred.)	

NOTICE OF FILING AND CERTIFICATE OF SERVICE

I hereby certify that The Peoples Gas Light and Coke Company filed its **Direct Testimony and Exhibits** on the Illinois Commerce Commission’s e-docket system and served by electronic mail upon each person designated in the official service list compiled in this proceeding, Docket No. 23-0760, in accordance with requirements of the Commission’s Rules of Practice.

Dated at Chicago, Illinois, this 19th day of April, 2024.

By: /S/ KOBY BAILEY

Koby Bailey
An Attorney for
The Peoples Gas Light
and Coke Company