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January 30, 2009

VIA HAND DELIVERY

Ann Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**Re: Docket No. 080318-GU -- Petition for rate increase by Peoples Gas System**

Dear Ms. Cole:

Enclosed for filing in the above docket on behalf of Peoples Gas System ("Peoples"), please find twenty (20) copies of each of the following:

- Rebuttal Testimony and Exhibit of Lewis M. Binswanger
- Rebuttal Testimony of J. Paul Higgins
- Rebuttal Testimony and Exhibit of Bruce Narzissenfeld
- Rebuttal Testimony and Exhibits of Donald A. Murry, Ph.D.

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter and return the same to the person delivering this letter and its enclosures.

Thank you for your usual assistance.

Sincerely,



ANSLEY WATSON, JR.

DOCUMENT NUMBER-DATE

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Ann Cole, Commission Clerk  
January 30, 2009  
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Enclosures

cc: Parties of Record  
Mrs. Kandi M. Floyd

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**PEOPLES GAS SYSTEM  
BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION**

**Docket No. 080318-GU**

**In Re: Petition for rate increase  
by Peoples Gas System**

**Submitted for Filing:  
January 30, 2009**

**REBUTTAL TESTIMONY  
AND EXHIBIT OF:**

**LEWIS M. BINSWANGER  
On Behalf of Peoples Gas System**

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1 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A. My name is Lewis M. Binswanger and my business address is 702 North  
3 Franklin Street, Tampa, Florida 33602.

4 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A. I am employed by Peoples Gas System ("Peoples" or the "Company") as  
6 Director, Strategic Planning and Regulatory.

7 Q. ARE YOU THE SAME LEWIS M. BINSWANGER WHO FILED  
8 DIRECT TESTIMONY IN THIS PROCEEDING?

9 A. Yes, I am.

10 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

11 A. The purpose of my rebuttal testimony is to address certain positions taken  
12 in the prepared direct testimony of witness Helmuth W. Schultz, III, hired  
13 by the Office of Public Counsel ("OPC"), and testifying on behalf of the  
14 Citizens of the State of Florida ("Citizens"), with which I have concern.

15 Q. ARE THERE ANY EXHIBITS SUPPORTING YOUR REBUTTAL  
16 TESTIMONY?

17 A. Yes. Exhibit No. \_\_\_ (LMB-3) is attached to my rebuttal testimony.

18 Q. PLEASE SUMMARIZE YOUR CONCERNS AND  
19 DISAGREEMENTS REGARDING THE SUBSTANCE OF  
20 WITNESS SCHULTZ'S TESTIMONY.

21 A. My concerns and disagreements are with the following matters:

- 22 • Mr. Schultz rejects the Company's proposed Gas System Reliability  
23 Rider ("Rider GSR"). In addition to what appears to be a general  
24 objection to the use of new riders, or cost recovery mechanisms, Mr.  
25 Schultz claims that the rider could potentially allow the Company to

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1           overearn. These assertions are unfounded. He also contends there is  
2           no need to include pipeline integrity operating expenses for recovery  
3           through the rider, a position that fails to recognize the uncertainty in  
4           predicting the level of such costs to be included in base rates. Finally,  
5           Mr. Shultz says the amounts involved are too small to justify Rider  
6           GSR. I disagree with this assertion. Rider GSR addresses  
7           government-mandated facility relocations and pipeline integrity  
8           management requirements that cause the Company to incur costs in  
9           order to comply with these requirements. The costs are significant,  
10          potentially volatile and difficult to predict. In addition, and unlike  
11          what Mr. Schultz suggests, Peoples has no opportunity to recover these  
12          costs absent the filing of base rate cases. These are appropriate criteria  
13          for use of a rider.

14          • Mr. Schultz rejects the Company's proposed Carbon Reduction Rider  
15          ("Rider CR"). Again, Mr. Schultz seems to be generally opposed to  
16          the implementation of new riders. In addition, he claims that the risk  
17          of expansion should be placed on new customers rather than existing  
18          customers and that expansion revenue should be sufficient to cover the  
19          expansion costs. Finally, he states that the amounts involved are too  
20          small to justify Rider CR. I disagree with his assertions.

21          • Mr. Schultz is proposing to increase the Company's projection of off-  
22          system sales revenue, claiming Peoples needs a greater incentive  
23          before it should share in these revenues. This is not appropriate.

24          **Q. WHY DO YOU SAY THAT MR. SCHULTZ APPEARS TO HAVE A**  
25          **GENERAL OPPOSITION TO NEW RIDERS?**

1 A. I think it is fair to say that the overall theme of Mr. Schultz's testimony  
2 related to the Company's proposed riders is that all riders are bad and  
3 there is no need to change anything with respect to the way certain costs  
4 are recovered. Many of his statements could apply to any rider or cost  
5 recovery clause. For example, Mr. Schultz states that using a mechanism  
6 for "automatic" recovery of costs is contrary to principles underlying the  
7 regulatory process, and that riders eliminate regulatory review, lessen the  
8 Company's need to control costs, and lower the financial risks already  
9 reflected in the allowed return on equity ("ROE"). He concludes by  
10 stating that there is no reason to change prior ratemaking treatment  
11 because the types of costs involved are not new. I do not agree with these  
12 general assertions.

13 **Q. DO THE RIDERS ALLOW FOR "AUTOMATIC" OR**  
14 **"GUARANTEED" RECOVERY OF COSTS?**

15 A. Absolutely not. Recovery of costs would be based on prudent investments  
16 and certainly not "automatic." There are no "automatic" cost recovery  
17 clauses in Florida. This Commission regularly reviews several cost  
18 recovery clauses similar to the Company's proposed riders, one of which  
19 Mr. Schultz notes in his testimony. Thus, the mechanisms are consistent  
20 with principles underlying the existing regulatory process.

21 **Q. DO THE COMPANY'S RIDERS CONTEMPLATE REVIEW BY**  
22 **THE COMMISSION?**

23 A. Yes. The Company would expect no less than a thorough review by the  
24 Commission (as is its practice for all existing cost recovery clauses)  
25 during an annual audit, review and reconciliation process contemplated by

1 Riders GSR and CR. Mr. Schultz's statements that the Company is  
2 "trying to eliminate regulatory review," and that riders result in less  
3 regulatory scrutiny than would otherwise be the case, are totally  
4 unsupported, and certainly not the case in Florida.

5 **Q. HOW DO YOU RESPOND TO MR. SCHULTZ'S COMPLAINT**  
6 **THAT PEOPLES' PROPOSED RIDERS WILL INCREASE**  
7 **ADMINISTRATIVE COSTS FOR THE COMMISSION?**

8 A. There is no question these riders will require some administrative time  
9 from both the Commission and the Company. The Company believes this  
10 will be minimal, and much less than the otherwise likely alternative of  
11 more frequent rate cases or "limited proceedings" authorized by Section  
12 366.076, Florida Statutes.

13 **Q. DO YOU AGREE WITH MR. SCHULTZ THAT PEOPLES'**  
14 **PROPOSED RIDERS WILL SUBSTANTIALLY LIMIT THE**  
15 **COMMISSION'S DISCRETION REGARDING APPROVAL OF**  
16 **THE ANNUAL RIDER FILINGS?**

17 No. Peoples drafted the proposed tariff language very similar to Rule 25-  
18 17.015 – Energy Conservation Cost Recovery – to maintain the same level  
19 of regulatory scrutiny, including the annual required filings, review and  
20 audit.

21 **Q. ARE YOU AWARE OF ANY APPROVED RIDERS THAT ARE**  
22 **SIMILAR TO RIDER GSR OR RIDER CR IN FLORIDA OR IN**  
23 **ANY OTHER STATE?**

24 A. Yes. In Florida, Rider GSR is similar to the approved mechanism for  
25 environmental cost recovery under which electric utilities are authorized

1 to recover revenue requirements associated with capital costs and O&M  
2 expenses incurred to comply with government-mandated programs. In  
3 addition, there are several states (for example, Missouri, Kansas and  
4 Oklahoma) that have similar mechanisms to address the recovery of costs  
5 associated with government-mandated programs. Exhibit \_\_\_(LMB-3)  
6 attached to my rebuttal testimony is an American Gas Association report  
7 listing and summarizing infrastructure cost recovery mechanisms that  
8 were in place, or pending approval, in a number of states as of December  
9 2007.

10 I am not aware of any utility that has a rider similar to Rider CR,  
11 which seeks to recover the revenue requirements associated with  
12 investments in supply main.

13 **Q. DO RIDERS LESSEN THE NEED FOR THE COMPANY TO**  
14 **CONTROL COSTS?**

15 A. No. Neither the proposed riders nor the cost recovery clauses currently  
16 used by Peoples has any impact on the Company's need to control costs.  
17 From a regulatory perspective, the Company must be able to demonstrate  
18 that costs are necessary and prudently incurred. From a business  
19 perspective, the natural gas business in Florida is highly competitive,  
20 evidenced by the fact that only one in 10 electric customers is a natural gas  
21 customer, and that all-electric homes are available for purchase. In short,  
22 every existing and potential natural gas customer in Florida has an energy  
23 choice to use natural gas or not. The Company therefore has, and will  
24 always have, every incentive to deliver natural gas at the lowest possible  
25 price in order to remain competitive with alternative energy options to



1 maintain existing customers and attract new or conversion customers. To  
2 achieve these objectives, the Company must control costs. The need to  
3 control costs recovered through the proposed riders is no different than the  
4 Company's need to control costs in all areas, including costs recovered  
5 through the current purchased gas adjustment and conservation cost  
6 recovery clauses.

7 **Q. HOW DO YOU RESPOND TO MR. SHULTZ'S ASSERTION THAT**  
8 **RIDERS LOWER THE FINANCIAL RISKS ALREADY**  
9 **REFLECTED IN THE ALLOWED RETURN ON EQUITY?**

10 A. Riders are commonplace in the natural gas industry. I believe that most if  
11 not all of the peer companies used by Dr. Murry in supporting the  
12 Company's proposed return on equity have cost recovery riders. Thus to  
13 the extent risks are lowered with the riders, this is already accounted for.  
14 Further, neither Mr. Schultz nor OPC witness Dr. Woolridge has  
15 quantified the impact, if any, riders might have on the returns required by  
16 investors.

17 **Q. HOW DO YOU RESPOND TO MR. SCHULTZ'S ASSERTION**  
18 **THAT THERE IS NO REASON TO CHANGE PRIOR**  
19 **RATEMAKING TREATMENT BECAUSE THESE TYPES OF**  
20 **COSTS ARE NOT NEW?**

21 A. Mr. Schultz's "no change" philosophy fails to recognize the need for  
22 ratemaking to evolve to address changing circumstances. Pipeline  
23 integrity costs imposed on Peoples as a result of federal legislation  
24 described in my direct testimony are indeed new. The same is true of  
25 various Florida initiatives associated with lowering carbon emissions,

1 including Governor Crist's Executive Order Number 07-126 which states,  
2 in part, that Florida has committed to becoming a leader in reducing  
3 emissions of greenhouse gases. Just because a cost such as government-  
4 mandated relocations is not new does not mean that a changed regulatory  
5 approach such as a rider is in any way inappropriate.

6 **Q. ARE THE PROPOSED RECOVERY MECHANISMS AN**  
7 **EXAMPLE OF IMPLEMENTING "SINGLE ISSUE**  
8 **RATEMAKING" WITHOUT APPROPRIATE OVERSIGHT AS**  
9 **MR. SCHULTZ CONTENDS?**

10 A. No. As noted previously, these riders are subject to ongoing regulatory  
11 review and they are proposed to be effective after the conclusion of a full  
12 rate proceeding during which the Company's investment level, operating  
13 revenue and expense, depreciation, and taxes were fully vetted. As is the  
14 case with existing cost recovery clauses, the costs included for recovery  
15 under the proposed riders will be reviewed and audited on an annual basis,  
16 and quarterly earnings surveillance reports will continue to be filed  
17 providing the Company's rate of return along with appropriate entries  
18 relating to the riders. The term "single issue ratemaking" is a red herring,  
19 because it is specifically authorized by the "limited proceeding" section of  
20 the Florida Statutes – Section 366.076. The central issue with respect to  
21 Peoples' proposed riders is whether the Company should be permitted to  
22 recover its costs – particularly government-mandated costs – at the time  
23 they are incurred, rather than having to wait for a base rate proceeding.

24 **Q. UNDER BOTH RIDER GSR AND RIDER CR, PEOPLES HAS**  
25 **PROPOSED PROJECTIONS OF THE REVENUE**

1           **REQUIREMENTS TO BE RECOVERED THROUGH THE**  
2           **SURCHARGES CONTEMPLATED BY THE RIDERS. IS THERE**  
3           **ANOTHER WAY PEOPLES MIGHT RECOVER THE COSTS?**

4    A.    Yes. Instead of recovering only the revenue requirements associated with  
5           the capital and/or O&M expenditures, Peoples could recover the actual  
6           costs incurred in several other ways.

7    **Q.    PLEASE DESCRIBE ONE WAY IN WHICH THESE COSTS**  
8           **MIGHT BE RECOVERED BY PEOPLES.**

9    A.    Peoples could recover the costs in the year incurred, in the same manner  
10           that it recovers the costs of purchased gas and the costs for its energy  
11           conservation programs in the year the costs are incurred. There would still  
12           be a projection going into each year, and a true-up of the projection to the  
13           actual costs, so that the Company's customers would not pay more or less,  
14           and the Company would not receive more or less, than the actual costs  
15           incurred by the Company.

16   **Q.    IN WHAT OTHER WAYS MIGHT THE COSTS BE**  
17           **RECOVERED?**

18   A.    Recovery of the capital costs could be amortized over a period of time.  
19           However, under this option, and the single-year recovery option I just  
20           mentioned, the immediate cost to Peoples' customers would be greater  
21           than what the Company is proposing in this proceeding, which  
22           contemplates only the recovery of the revenue requirements associated  
23           with the expenditures, not the expenditures themselves (except the gas  
24           safety O&M expenditures).

25                   Finally, the Company could file a petition to increase its rates

1 through a limited proceeding under Section 366.076, Florida Statutes,  
2 either at the time plant items installed to comply with governmental  
3 mandates are placed in service, or incremental increases or reductions in  
4 O&M expenses incurred to comply with mandatory pipeline safety  
5 regulations are experienced. This could be done on a monthly or quarterly  
6 basis.

7 Peoples elected to construct the cost recovery procedure and  
8 methodology under Riders GSR and CR in the manner included in its  
9 filing because it most closely matched the way costs are recovered through  
10 base rates for plant additions and O&M expenses. Peoples is certainly  
11 amenable, however, to recovering the costs in a different manner if the  
12 Commission deems another methodology more appropriate.

13 **Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING**  
14 **RIDERS IN GENERAL?**

15 A. Yes. The Company has proposed Rider GSR and Rider CR to address  
16 specific situations in which traditional ratemaking is, and has been, less  
17 than adequate.

18 Rider GSR addresses government-mandated facility relocations  
19 and pipeline integrity management requirements that cause the Company  
20 to incur costs in order to comply with these requirements. The costs are  
21 significant, potentially volatile and difficult to predict. In addition, and  
22 unlike what Mr. Schultz suggests, Peoples has no opportunity to recover  
23 these costs absent the filing of base rate cases. These are appropriate  
24 criteria for use of a rider.

25 Rider CR, which deals with supply main expansions, partially

1 addresses the potentially significant revenue lag involved with bringing  
2 natural gas to areas not currently served. While a supply main must be in  
3 place to serve the first customer in a development, it produces no revenue  
4 in and of itself. The revenues will come - over time - from the main(s)  
5 serving the development the supply main was installed to connect to an  
6 interstate pipeline or other Company supply main. The costs associated  
7 with the supply main (depreciation expense, return on investment, etc.)  
8 cannot be recovered by the Company without the filing of a base rate case.  
9 The approval of Rider CR would remove this financial barrier and position  
10 the Company to proactively capture expansion opportunities that support  
11 Florida's initiatives to improve fuel diversity and reduce the state's carbon  
12 footprint – both worthy objectives.

13 **Q. WHAT ARE MR. SCHULTZ'S SPECIFIC CONCERNS WITH THE**  
14 **GAS SYSTEM RELIABILITY RIDER?**

15 A. In addition to the general objections to the riders discussed above, Mr.  
16 Schultz claims that Rider GSR could potentially allow the Company to  
17 earn more than it should, that there is an opportunity to include costs for  
18 expansion of capacity, that there is no need to include pipeline integrity  
19 costs in the rider, and that the amounts involved are too small to justify a  
20 rider.

21 **Q. WILL RIDER GSR ALLOW THE COMPANY TO EARN MORE**  
22 **THAN IT SHOULD?**

23 A. Mr. Schultz does not appear to understand the provisions of the  
24 Company's proposed Rider GSR. He states, "If the Company is earning  
25 within its range and then is allowed to have certain normal base rate type

1 costs shifted to clause recovery, then the Company could, in effect, be  
2 placed in an overearnings posture.” This misses the point that there is no  
3 shifting of costs recovered through base rates to a clause recovery. As  
4 discussed in my direct testimony, the Company has proposed that the rider  
5 include only those incremental costs incurred starting in 2010, *after* the  
6 base rates have been established in this proceeding.

7 **Q. IS THERE AN OPPORTUNITY TO INCREASE PIPELINE**  
8 **CAPACITY BY INCLUDING COSTS FOR EXPANSION**  
9 **CAPACITY IN RIDER GSR AS MR. SCHULTZ ASSERTS?**

10 A. No. This assertion is contrary to the language set forth in the rider.  
11 Further, from an engineering perspective, such an expansion would be  
12 impractical. For example, if Peoples had installed a two-inch diameter gas  
13 main to serve customers along 10 city blocks and was required to relocate  
14 a one-block section in the middle of the 10-block run, installing gas main  
15 greater in size than two inches in diameter would not increase the capacity  
16 of the 10-block run because of the size constraints of the existing two-inch  
17 main. Finally, the assertion assumes the Commission will not  
18 appropriately review costs to be recovered through the rider.

19 **Q. HOW DO YOU RESPOND TO MR. SCHULTZ’S POSITION THAT**  
20 **IT IS INAPPROPRIATE TO RECOVER PIPELINE INTEGRITY**  
21 **COSTS THROUGH RIDER GSR?**

22 A. Mr. Schultz suggests that recovering pipeline integrity costs through the  
23 rider is inappropriate because an estimate of these costs is included in base  
24 rates. He appears to believe -- incorrectly -- that only costs in excess of  
25 those included in base rates would be included for recovery under the rider

1 so that the Company would be insulated from costs in excess of those  
2 already included in base rates. The Company's proposal is to include both  
3 positive and negative variances from the base rate expense to ensure that  
4 customers pay only the actual costs incurred by the Company.

5 As I noted earlier, pipeline integrity costs are very difficult to  
6 estimate. Associated regulations are either new or still in their proposal  
7 stage. It is for this very reason that the Company has proposed that any  
8 variance from the base rate amount be "trued-up" through Rider GSR.  
9 This aspect of Rider GSR will address the uncertainty involved in  
10 estimating these costs and ensures that neither the Company nor its  
11 customers will either gain or lose financially.

12 **Q. WHAT ARE MR. SCHULTZ'S CONCERNS WITH RESPECT TO**  
13 **THE PIPELINE INTEGRITY EXPENSES?**

14 A. Mr. Schultz asserts that the steps enumerated on page 35 of Mr. Higgins'  
15 direct testimony are steps that a prudently operated distribution company  
16 should already have had in existence. He also claims that history does not  
17 support the Company's estimate and that due to the unknown nature of  
18 these costs, they should not be allowed at the level requested.

19 **Q. PLEASE ADDRESS THESE CONCERNS.**

20 A. The U.S. Department of Transportation's Inspector General testified  
21 before Congress on July 20, 2004 regarding the need for a distribution  
22 integrity management program ("DIMP"). I do not believe that the federal  
23 government would have spent the last four-plus years crafting these  
24 requirements, in addition to the time industry has spent in addressing the  
25 requirements of DIMP, if prudently operated distribution companies

1 already had them in existence as Mr. Schultz suggests. In this particular  
2 case, the fact that history does not support the Company's estimate for  
3 future DIMP costs is quite understandable. The programs are either new  
4 or relatively new to the industry and would not have historical expenses to  
5 justify future expenses. I disagree with Mr. Schultz's proposed  
6 adjustments as they ignore the integrity management mandates.

7 **Q. PLEASE EXPLAIN AND ADDRESS MR. SCHULTZ'S PROPOSED**  
8 **ADJUSTMENT FOR PIPELINE INTEGRITY EXPENSES.**

9 A. Mr. Schultz is proposing to arbitrarily reduce the Company's base rate  
10 provision for pipeline integrity expense by \$250,000. While the  
11 Company's estimates were developed based on data included in a study  
12 completed by the American Gas Association, in an effort to reduce the  
13 areas of disagreement in this case, the Company would agree to this  
14 reduction provided the pipeline integrity management true-up provision  
15 remains in Rider GSR and is approved. Absent approval of Rider GSR, I  
16 see no logical rationale for the \$250,000 adjustment proposed.

17 **Q. DO YOU AGREE WITH MR. SCHULTZ'S CLAIM THAT THE**  
18 **AMOUNTS INVOLVED ARE TOO SMALL TO JUSTIFY THE**  
19 **NEED FOR RIDER GSR?**

20 A. No. Mr. Schultz acknowledges that Peoples' capital costs over the last  
21 five years for government-mandated projects have averaged over \$4.28  
22 million annually and seems to think this amount is small. The \$4.28  
23 million per year is definitely not small by Company standards and these  
24 mandatory relocations occur every year and do not provide any  
25 incremental revenue. Over a five year period, total expenditures for



1 government-mandated relocations could exceed \$21 million with no  
2 possibility of recovering the costs associated with these investments  
3 absent new base rate relief.

4 Another factor that may impact the annual expenditures for  
5 government-mandated programs is that Congress will be considering the  
6 American Recovery and Reinvestment Bill of 2009. In part, this  
7 economic stimulus package proposes \$90 billion in government spending  
8 to modernize roads, bridges, transit and waterways.

9 **Q. WHAT ARE MR. SCHULTZ'S SPECIFIC CONCERNS ABOUT**  
10 **THE CARBON REDUCTION MECHANISM?**

11 A. In addition to the general objections to riders discussed earlier, Mr.  
12 Schultz claims that the risk of expansion should be placed on new  
13 customers rather than existing customers, expansion revenue should be  
14 sufficient to cover the expansion costs, and developer agreements  
15 eliminate all risk to the general body of ratepayers and the Company.  
16 Finally, he notes that the amounts involved are not significant enough to  
17 justify a rider.

18 **Q. PLEASE ADDRESS THESE CONCERNS.**

19 A. In his proposition that the cost of expansion should be paid for by new  
20 customers and not existing customers, Mr. Schultz seems to be suggesting  
21 some sort of incremental cost of service pricing. However, he offers no  
22 specifics on how this should be implemented, or what implications it  
23 might have for other aspects of the Company's historic embedded cost of  
24 service pricing. In addition, while Mr. Schultz can theorize about how  
25 revenue from new customers "should" be sufficient to cover the cost of

1 new plant and operating expenses, he totally ignores the reality that  
2 customer additions resulting from expansion capital expenditures occur  
3 over a number of years. As I stated in my direct testimony, “operationally,  
4 the supply main must be in service when the first customer needs natural  
5 gas, even though full build-out of the residential and commercial  
6 development may take 10 or more years.” Rider CR addresses this  
7 regulatory lag for only the supply main and only for the first five years of  
8 the project. In addition, Rider CR provides the Company with the  
9 financial incentives necessary to bring gas to areas currently not served.

10 With respect to the developer agreements, these agreements are for  
11 construction within an identified development. They address the costs  
12 associated with the development main for which the general body of  
13 ratepayers is not at risk in the event that the development fails. Developer  
14 agreements are not used for supply mains installed to serve multiple  
15 developments that build-out over an extended period of time. Providing  
16 more real-time recovery of the revenue requirements associated with the  
17 Company’s investment in supply mains, without which new developments  
18 with developer agreements cannot be supplied with natural gas, would  
19 help further Florida’s policy of reducing carbon emissions in the state.

20 **Q IS MR. SCHULTZ CORRECT THAT THE AMOUNTS INVOLVED**  
21 **ARE NOT SIGNIFICANT ENOUGH TO JUSTIFY THE USE OF**  
22 **THE RIDER?**

23 **A.** No. While Mr. Schultz states that the annual capital costs under the  
24 proposed rider for the years 2005 through 2007 would have been only  
25 \$436,943 per year for a total capital investment of \$1.3 million, he failed

1 to acknowledge an additional \$4.7 million for projects that could have  
2 been undertaken had the rider been in effect for the same period of time,  
3 as described in Peoples' answer to Interrogatory No. 44 of Staff's Third  
4 Set. This represents a total of \$6 million or an average of \$2 million per  
5 year.

6 **Q. DO YOU AGREE WITH MR. SCHULTZ'S POSITION THAT**  
7 **RIDER CR IS INAPPROPRIATE BECAUSE OF CURRENT**  
8 **ECONOMIC CONDITIONS?**

9 A. No. Providing supply main is market driven thus if economic conditions  
10 are such that no developments are occurring then no supply main would be  
11 installed and there would be no revenue requirements to recover through  
12 the rider.

13 **Q. WHAT ADJUSTMENT IS MR. SCHULTZ PROPOSING**  
14 **REGARDING OFF-SYSTEM SALES ("OSS")?**

15 A. Mr. Schultz is proposing to increase the amount of OSS revenue included  
16 in the 2009 projected test year from \$500,000 to \$2 million. He is not  
17 proposing any change in the sharing mechanism.

18 **Q. DO YOU AGREE WITH MR. SCHULTZ'S PROPOSED**  
19 **ADJUSTMENT?**

20 A. No. Mr. Schultz's adjustment does not reflect the clear trend of declining  
21 OSS discussed in the direct testimony of Peoples witness J. Paul Higgins.  
22 Because of this trend, Mr. Schultz's proposal does not represent a realistic  
23 sales level that Peoples expects to generate in 2009. The Company's  
24 \$500,000 projection is a reasonably attainable amount and it represents the  
25 Company's 25 percent share of total net margin of \$2 million with the

1 remaining 75 percent being returned directly to customers through the  
2 PGA. Peoples proposal for OSS treatment is consistent with the  
3 Commission's previous decision.

4 **Q. PLEASE EXPLAIN WHY MR. SCHULTZ'S PROPOSED**  
5 **ADJUSTMENT IS INAPPROPRIATE.**

6 **A.** Mr. Schultz's adjustment, which is based on a five-year average of OSS,  
7 fails to consider that these sales are sporadic and opportunistic transactions  
8 that are highly dependent on natural gas supply- and demand-related  
9 market conditions both within and outside Florida. His analysis is made  
10 without addressing any of the market considerations that must be  
11 addressed in order to determine and quantify Peoples' future ability to  
12 make OSS in any amount, and the net margins, or prices, at which such  
13 sales – if any – might be made.

14 While Peoples clearly wants to make OSS in the future, that desire  
15 must not be confused with whether or not market conditions will provide  
16 Peoples with the ability to actually make these sales, and to obtain the net  
17 margins implied in Mr. Schultz's proposed adjustment so as to actually  
18 result in the additional revenue he proposes be included in determining the  
19 Company's revenue requirements in this proceeding.

20 Peoples' initial OSS rate schedule was approved by the  
21 Commission in September 1994 (Order No. PSC-94-1187-FOF-GU,  
22 issued September 28, 1994, in Docket No. 940856-GU). The Commission  
23 approved the rate schedule outside of a full revenue requirement  
24 proceeding based on the following findings:

25 1) If any person not directly connected to Peoples Gas'

1 distribution system purchases capacity that is not needed at  
2 the time by Peoples Gas, the savings in FGT, Southern  
3 Natural and South Georgia reservation charges<sup>1</sup> will flow  
4 directly to Peoples Gas customers through the Purchased  
5 Gas Adjustment Clause; 2) Fifty percent of any gas  
6 revenues Peoples Gas derives from off-system or  
7 opportunity sales under the OSS rate schedule will be  
8 credited to the firm sales customers as a credit to the cost of  
9 purchased gas. Fifty percent would be retained by Peoples  
10 Gas above the line; and 3) The Off-System Sales will  
11 improve system load factor and provide additional revenue  
12 from which to meet the company's revenue requirements.

13 The "fifty percent" sharing of any net margin on OSS sales was changed  
14 in Peoples' last base rate proceeding so that the Company now receives 25  
15 percent of any net margin above the line, with the remainder being a credit  
16 to the cost of gas recovered through the PGA.

17 While the current economic crisis may result in some reduced  
18 consumption by some Peoples customers served directly through its  
19 distribution system, it may well have an even greater impact in reducing  
20 "opportunistic" OSS to entities (primarily electric generators) not  
21 connected to Peoples' system, who hold their own capacity on the  
22 interstate pipelines, and have relied on Peoples' OSS to meet natural gas

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<sup>1</sup> At the time of the Commission's approval of Rate Schedule OSS, only Florida Gas Transmission Company ("FGT"), Southern Natural Gas Company ("Southern Natural"), and its affiliate, South Georgia Natural Gas Company ("South Georgia"), delivered natural gas in Florida. Peoples now receives deliveries from FGT, Southern Natural, South Georgia and Gulfstream Natural Gas System, LLC.

1 requirements in excess of their contracted demand. That is, there may  
2 well be fewer “opportunities” for Peoples to make such sales, and there is  
3 no assurance that the net margins, if any, associated with any such sales  
4 will be at the levels experienced during the years used by Mr. Schultz to  
5 calculate his proposed adjustment.

6 The \$500,000 of OSS revenues the Company has included in its  
7 projected test year is appropriate, and an historical average such as that  
8 used by Mr. Schultz may well create a hurdle that cannot be achieved. If  
9 Peoples is incorrect, and is placed in an overearnings posture because its  
10 share of OSS exceeds the \$500,000 included in this proceeding for  
11 purposes of determining the Company’s revenue requirements, the  
12 Commission has ample authority to require refunds to customers.

13 **Summary of Rebuttal Testimony**

14 **Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.**

15 A. I disagree with Mr. Schultz’s assertions that proposed Riders GSR and CR  
16 are not justified or necessary. The Company proposed these riders to  
17 address specific facts and circumstances where it considers traditional  
18 ratemaking to be less than adequate.

19 More specifically, Rider GSR addresses facility relocations and  
20 pipeline integrity costs that are government-mandated. These costs must  
21 be incurred by the Company in order to comply with these mandatory  
22 requirements. The costs are significant, potentially volatile and difficult to  
23 predict. In addition, Peoples has no opportunity to recover these costs  
24 absent the filing of base rate cases. These are appropriate criteria for use  
25 of a rider.

1 Pipeline integrity management regulations are either new or still in  
2 the proposal stage with future expenses developed based on data included  
3 in a study completed by the American Gas Association. The amount  
4 included for these mandates in the projected test year is accurate and  
5 Peoples has proposed that any variance from the proposed amount be  
6 “trued-up” through Rider GSR to ensure that neither it nor its customers  
7 will either gain or lose financially.

8 Rider CR, which deals with supply main expansions, partially  
9 addresses the potentially significant revenue lag involved with bringing  
10 natural gas to areas not currently served. The approval of this rider would  
11 remove this financial barrier and position the Company to proactively  
12 capture expansion opportunities that support Florida’s initiatives to  
13 improve fuel diversity and reduce the carbon footprint – both worthy  
14 objectives.

15 The OSS revenue included in the Company’s filed MFRs is  
16 appropriate and reasonably attainable. Off-system sales are sporadic,  
17 opportunistic transactions that are highly dependent on natural gas supply-  
18 and demand-related market conditions both within and outside Florida.

19 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

20 **A. Yes.**

21  
22  
23  
24  
25

American Gas Association

# NATURAL GAS Rate Round-Up

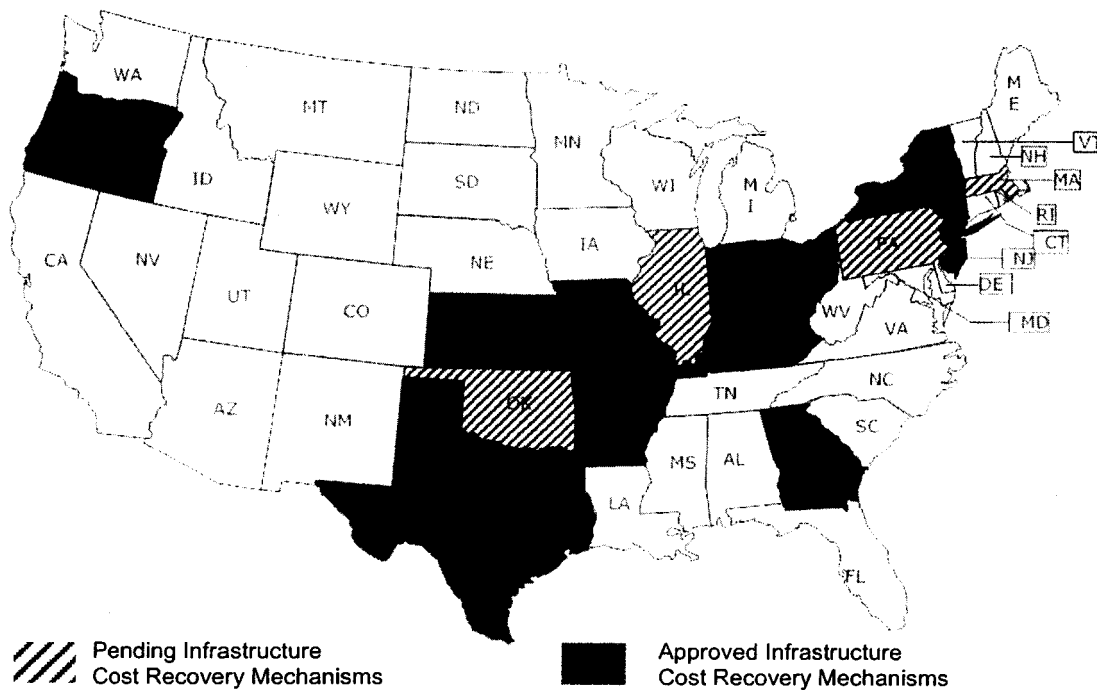
A Periodic Update on Innovative Rate Designs

December 2007

## INFRASTRUCTURE COST RECOVERY MECHANISMS

A number of states allow natural gas utilities to modify tariffs and begin to recover the costs of utility infrastructure investments incurred between rate cases. The rationale for such cost recovery is that while the investments are necessary to maintain system reliability and safety, typical ratemaking mechanisms do not allow for cost recovery until the utility files for a new rate case, which in many cases, may be several years after the costs have been incurred. This AGA Rate Round-Up describes mechanisms that allow recovery of the incremental costs of replacement infrastructure investments. Currently, utilities in 11 states, serving 8 million residential customers, have implemented infrastructure cost recovery mechanisms, and pending programs would cover another 7 million customers.

### STATES WITH INFRASTRUCTURE COST RECOVERY MECHANISMS





## THE DIFFICULTIES OF INFRASTRUCTURE COST RECOVERY

Under traditional cost of service based ratemaking, the costs of natural gas utility infrastructure investments may not be recovered until the investment is in the ground and the regulator has approved the costs in a rate case. The current system produces a significant lag between when the dollars are spent for infrastructure replacement and when the company begins to recover these expenditures in rates. In addition, while investments made to serve new customers or to deliver additional volumes of gas generate new sources of revenues, expenditures made to refurbish or to replace aging infrastructure do not generate incremental revenues.

Timely cost recovery of prudently incurred safety and reliability investments is of utmost importance to the financial stability of natural gas utilities. Because traditional ratemaking allows recovery of infrastructure investments only following approval in a rate case, there is often a multi-year delay before the recovery of such investments begins. Investments that are recovered long after they are incurred cause the utility to bear carrying costs without the opportunity to recover these prudent expenditures. Credit agencies frown on companies with lag in the recovery of their costs and assign a lower credit rating to such utilities that ultimately translates into higher rates for customers. The only alternative is to file a rate case each year, which is a costly activity that also leads to higher rates for customers.

Many states have been encouraging natural gas companies to increase the investment levels necessary to maximize the safety and reliability of their systems. In addition, many utilities are required by provisions in the federal Pipeline Safety Improvement Act of 2002 to increase pipeline maintenance and safety investments. Commissions in 11 states now allow a gas utility to use expense trackers or accounting deferrals to recover costs expended to replace infrastructure in a timely manner. These rate mechanisms reduce the costs associated with filing rate cases while reducing the regulatory lag associated with recovery of infrastructure investments. In addition, the mechanisms recognize that replacement investments will not lead to new revenues which might otherwise have been expected to help recover the investments' cost.

## RATE DESIGN SOLUTIONS

Several rate design options are available for recovering expenses associated with replacing pipelines and other infrastructure that utilities incur after rates have been set. Trackers, surcharges, and rate stabilization mechanisms recover costs in the time period in which they are incurred, while deferral accounts delay the recovery of investments, and usually, carrying costs, until a future period.

**Tracker** – A rate tracker is an example of an adjustment clause, a regulatory mechanism that allows a utility's rates to fluctuate in response to changes in operating costs or conditions, as they occur. Adjustment clauses have been in use since World War I, when the electric industry introduced them due to significant increases in the price of coal. Trackers may be automatic, actuated without the need for a formal rate hearing, or they may require additional regulatory review before they go into effect. Trackers allow the utility to adjust its tariff to facilitate the timely recovery of the capital costs, depreciation expense, and property taxes associated with the company's infrastructure investment program.

**Surcharge to Rates** – The most frequently used cost recovery method for infrastructure replacement cost programs is the surcharge to rates. A rate surcharge is a temporary

adjustment to the customer bill that raises rates for a limited time by a fixed amount. Unlike the tracker, which allows the utility to recover ALL costs associated with infrastructure replacement, a surcharge limits the total amount of program cost recovery.

**Deferral Account** - Another option is the deferred accounting alternative. Using this approach, the utility treats infrastructure investment costs that are not included in the utility's existing rates in a segregated manner, thereby establishing a special deferred account. Generally, state authorities require a determination that the costs have been incurred prudently and have been accounted for properly. Often, these costs are deferred until the next rate case, at which time the costs are then amortized, recovered in rates, and the account balances are reduced or eliminated. In many cases, the assets in the deferral accounts accrue interest, and the interest is also amortized and recovered later in rates. The regulator may place limits on the amount or type of infrastructure costs that may be accrued, and on the time period over which the amortization may occur, and may require a showing of prudence in the incurring of specific costs.

**Alternative Rate Design Method: Rate Stabilization** – Rate stabilization is one of several rate designs that decouple the link between the volumes of gas consumed by a utility's customers and the revenues and cost recovery of the utility. A rate stabilization tariff operates much like a tracking mechanism since changes in ALL costs, including infrastructure investments, are tracked and flowed through to customers. With rate stabilization, rates are adjusted annually for new infrastructure replacement costs, as well as for costs for new construction. Companies in four states, Alabama, Louisiana, Mississippi, and South Carolina, use this option to recover the incremental costs of new and replacement infrastructure investment. Since rate stabilization is a method of cost recovery that accommodates changes in all costs, rather than a tariff mechanism that adjusts for changes only to specific investments, states with rate stabilization tariffs are not shown on the attached map. AGA discussed this rate design in the December 2006 Rate Round-Up, available on the AGA website at: [http://www.aga.org/Template.cfm?Section=Rate\\_Roundup&Template=/MembersOnly.cfm&ContentID=20563](http://www.aga.org/Template.cfm?Section=Rate_Roundup&Template=/MembersOnly.cfm&ContentID=20563).

## CONCLUSIONS

A growing number of states allow utilities to recover the costs incurred between rate cases of replacing aging infrastructure. Rate surcharges, cost trackers, and deferral accounts specifically address infrastructure investment cost recovery, while rate stabilization is a type of rate design that is more general and recovers infrastructure investment as well as other costs incurred between rate cases. As with most other innovative rate designs, there is no connection between the use of these mechanisms and changes to the utilities' return on equity because recovery of costs in the time period in which they are incurred does not change the utility's cost of capital or the utilities level of risk. States should energetically consider implementing these innovative rate designs.

## CURRENT INFRASTRUCTURE COST RECOVERY MECHANISMS

### ◆ APPROVED

1. AR - CenterPoint Energy
2. GA- Atlanta Gas Light
3. IN - Vectren South - SIGECO
4. KS - Aquila
5. KS - Kansas Gas Service
6. KY - Duke Energy
7. MO – Atmos Energy
8. MO – Laclede Gas
9. MO – Missouri Gas Energy
10. NJ - Elizabethtown Gas
11. NY – National Grid
12. OH - Duke Energy
13. OR - NW Natural
14. TX - All Natural Gas Utilities

### ◆ PENDING

1. IL - North Shore Gas
2. IL - Peoples Gas Light & Coke
3. IN - Vectren North Indiana Gas
4. MA – Bay State NiSource
5. OH - Columbia NiSource
6. OH – Vectren Ohio
7. OK - Oklahoma Natural
8. PA - All Natural Gas Utilities

#### **Arkansas – CenterPoint Energy Southern Operations**

CenterPoint's main replacement program is a tracker that applies to the replacement of bare steel mains, cast iron mains, and associated services. The mechanism is adjusted monthly with a commission filing and applies to all classes of service.

#### **Georgia – Atlanta Gas Light**

The Atlanta Gas Light Pipeline Replacement Program is a 15-year project to replace more than 2,300 miles of bare steel and cast iron natural gas pipeline in Georgia. Each year in the fall, the Georgia Public Service Commission reviews the company's infrastructure replacement expenses from the previous year and then approves the new surcharge amount. In the most recent rate case, the commission agreed to a fixed dollar amount of expense to be recovered in rates over the remaining seven years of the rider. The infrastructure replacement program at Atlanta Gas is a surcharge to rates.

#### **Indiana – Vectren South - SIGECO**

Vectren South uses a deferral account to recover the costs of its cast iron and bare steel mains and services replacement program. The utility defers the recovery of depreciation expense and continues the allowance for funds used during construction for 3 years from the date that each replacement was put in service. The company is allowed to defer up to \$3 million per year.

#### **Kansas – Kansas Gas Service**

In April 2006, the Kansas legislature passed Senate Bill 414, The Gas Safety and Reliability Policy Act, that approved the implementation of a gas system reliability surcharge for Kansas natural gas utilities. Utilities in the state may surcharge between 0.5% and 10% of revenues to recover new infrastructure replacement costs not already in rates. Rates are adjusted annually. The surcharge may continue for no more than 5 years after the last rate case and then a new case must be held if the surcharge is to be continued.

#### **Kansas - Aquila**

In an order issued May 4, 2005, Aquila received approval to implement a \$0.2 million surcharge annually for three years for the recovery of the costs of replacing the gas main that runs parallel

under pavement the entire length of 13th Street in Wichita, Kansas. Within 120 days after the end of the three-year period, the Company must prepare a true-up of the actual cost of the project and the actual amount collected from customers under the surcharge.

#### **Kentucky – Duke Energy**

Cinergy has had an accelerated main replacement mechanism in place in Kentucky since 2001. The mechanism applies to all customers receiving service under the company's sales and transportation rate schedules. The charge, which is calculated annually, is assessed monthly and is a flat fee for residential and general service customers and is volumetric for interruptible transportation customers.

The Franklin County Circuit Court questioned the authority of the Kentucky Public Service Commission to approve most types of trackers; an appeal of the circuit court's ruling has been filed while the court's order has been stayed.

#### **Missouri – Laclede Gas**

During its 2003 rate case, Laclede Gas implemented the Infrastructure System Replacement Surcharge (ISRS) that was the result of a revision to Missouri Statute 393.1012. The ISRS allows the rates of the gas utility to be adjusted to provide for the recovery of costs for eligible infrastructure system replacements. The ISRS requires the filing of a rate case at least every 3 years and allows rates to be adjusted twice per year. In a settlement announced July 9, 2007, Laclede agreed to transfer to base rates the \$5.5 million that was the cumulative amount that had been added to rates since the 2003 rate case and that was being collected in the ISRS. In November 2007, Laclede added \$1.64 million of new costs to the surcharge account.

#### **Missouri – Missouri Gas Energy**

The Missouri Public Service Commission has approved the use of the ISRS mechanism to adjust the natural gas bills of the customers of Missouri Gas Energy (MGE). The surcharge allows the company to recover costs for natural gas pipeline replacements and relocations that are not currently included in MGE's rates. As part of the 2007 rate case, MGE transferred \$3.7 million from the ISRS into base rates. A filing to recover the \$1.35 million in new infrastructure replacement costs that have been expended since the last rate case is pending before the commission.

#### **Missouri – Atmos Energy**

Missouri legislation allows utilities to recover the costs of investments in replacement pipe incurred between rate cases through the use of an Infrastructure System Replacement Surcharge. Atmos uses the ISRS mechanism in its Missouri jurisdiction.

#### **New Jersey – Elizabethtown Gas**

Elizabethtown Gas' Pipeline Replacement Program Recovery is a deferral account. The mechanism allows for the recovery of costs associated with the accelerated replacement of about 60 miles of elevated pressure 8-inch cast iron main. The amount subject to future recovery is capped at \$1.5 million and the funds are deferred until the next rate case, which will be in 2009. If the cap is exceeded, the company can defer the additional costs for future consideration. There are conditions placed on the program, and if the company over-earns its authorized return in any period, the deferral in those periods would be disallowed.

#### **New York – National Grid**

During calendar years 2008 through 2012, National Grid will use a risk-based method to identify and prioritize leak-prone mains and replace a cumulative total of at least 150 miles in its service

territory and not less than 25 miles in any one year. This metric does not apply if leak-prone pipe is being replaced due to interference projects and/or city or state construction requirements. Failure to meet the cumulative or any of the annual minimum targets will result in a revenue adjustment of \$840,000.

National Grid has historically replaced 20 miles of leak-prone pipe annually. The actual incremental costs to achieve the 10 miles per year, on average, beyond the historical 20 miles, is being deferred until National Grid's next rate filing.

#### **Ohio – Duke Energy**

Duke Energy has had an accelerated main replacement tracker in place for all sales and transportation customers in Ohio since 2000. All customers except interruptible transportation customers are assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule. Interruptible customers are assessed a throughput charge in addition to their commodity delivery charge for accelerated main replacement. The maximum monthly charge for any interruptible transportation customer is \$500.00 per account. The tracking mechanism is updated annually in order to reflect the impact on the company's revenue requirements of net plant additions, as offset by operations and maintenance expense reductions during the most recent twelve months ended December.

#### **Oregon – NW Natural**

The NW Natural program is a tracker that adjusts rates to recover the costs of the acceleration of bare steel pipe replacement during the most recent 12-month period October 1 through September 30. The adjustments to rates are made at the same time as the company's annual purchased gas adjustment filing. The company is required to allocate 70% of the cumulative investment to residential and commercial firm sales and transportation customers. The bare steel replacement tracker is in effect through December 31, 2021.

#### **Texas – All Natural Gas Utilities**

The Texas legislature passed statutory language (the Gas Reliability Infrastructure Program) that allows a gas utility to file with the regulatory authority a tariff that provides for an adjustment in the utility's monthly customer charge or initial block rate to recover the cost of new investment placed in service for gas utility services. The tariff may be implemented without action by the regulatory authority. Unlike the other infrastructure replacement mechanisms, the program in Texas allows for the recovery of new infrastructure investment, as well as the recovery of costs associated with replacement investments.

#### **Texas - Atmos Energy**

Capital related costs are recovered on the change in net investment from year-to-year. The mechanism covers replacement pipe, new pipe, pipeline integrity capital and any other capital investment. The adjustment is interim in nature and subject to refund until the next general rate case, which must be filed within 5 ½ years following the implementation of the first annual adjustment. The adjustment is implemented through changes to the monthly customer charge or meter charge, but a utility can choose to adjust the first consumption block as an alternative.

#### **Texas – Texas Gas Service**

State law allows recovery of capital above the allowed depreciation expense when the utility has filed a rate case within the last two years and continues to file a rate case every five years. The law limits the amount of infrastructure cost that may be recovered in a year to the amount of new infrastructure investment in the previous year, that is, the mechanism tracks the level of new investment. The utility's ROE is also tracked and if the ROE is greater than 75 basis points

above the allowed return, a report to the commission is required as to why rates are not unreasonable or in violation of law.

## **PENDING INFRASTRUCTURE COST RECOVERY MECHANISMS**

### **Illinois – North Shore Gas and Peoples Gas Light & Coke**

North Shore Gas and Peoples Gas Light & Coke filed general rate cases in 2007 as part of their merger agreement with Wisconsin Public Service Resources that created Integrys Energy Group. The utilities seek to implement tracking mechanisms for investments related to gas main replacement programs. A decision is expected by February 5, 2008.

### **Indiana – Vectren North - Indiana Gas**

Vectren North (Indiana Gas) and the Indiana Consumer Counsel have reached a settlement in Vectren's pending base rate case in which the parties have agreed that Vectren will implement a deferral account that will allow the utility to defer expenses caused by investments in infrastructure replacement projects. According to the settlement, Vectren will defer the recovery of depreciation expense and property taxes and will continue the allowance for funds used during construction for 4 years from the date that each replacement was put in service. The company is allowed to defer up to \$20 million per year. The case settlement was announced in November 2007 and a final decision is expected in May 2008.

### **Massachusetts – Bay State NiSource**

In October 2007, Bay State filed a petition under the company's existing 10-year performance based ratemaking (PBR) rate methodology that would allow the utility to recover costs associated with the replacement of bare steel pipes. Bay State's PBR mechanism has an inflation adjustment mechanism and an ROE of 10%, with a 400 basis point band around the ROE. Earnings above the band (above 14%) are shared with ratepayers. Under the company's proposal, the costs of replacing steel infrastructure would be tracked through the PBR mechanism and the ROE would be adjusted if the return was outside of the band.

### **Ohio – Columbia NiSource**

Columbia of Ohio has filed for an infrastructure replacement program related to its riser replacement proposal. The proposed recovery mechanisms would be a tracker.

### **Ohio – Vectren Ohio**

In November 2007, Vectren proposed to establish a tracking mechanism that will be similar to the main and service line replacement tracker that has been operated by Duke Energy since 2000. In the filing, Vectren has also proposed to own the service lines, as it does not currently own the service lines that it is required to maintain.

### **Oklahoma – Oklahoma Natural Gas**

Oklahoma Natural Gas has a pending infrastructure investment recovery program filed before the Oklahoma Corporation Commission. The mechanism would be a surcharge to rates and would be a flat per customer charge rather than a volumetric fee. The mechanism would recover capital costs (including ROE) net of depreciation associated with investments for the replacement of mains and service lines placed into service between rate cases. The surcharge would specifically exclude those costs associated with distribution integrity management as those costs are already recovered in another tracker.

### **Pennsylvania – All Natural Gas Utilities**

Two bills have been introduced in the Pennsylvania House as part of a special session on energy that would establish a mechanism for natural gas infrastructure improvement. The first bill, the Distribution System Improvement Charge (DSIC), would be similar to a mechanism enacted a decade ago in Pennsylvania that allows water utilities to recover the costs of their aging water pipes. A companion bill to the DSIC, the Natural Gas Infrastructure Public Safety and Environmental Protection Act, would create a state fund from which grants would be made to utilities for infrastructure replacement. The fund would be created through a \$1 billion bond issuance. The maximum grant per utility would be \$250 million.

**RESOURCES: COMPANIES, RATE ORDERS, WEBSITES, CONTACTS, ETC.**

Atlanta Gas Light – Georgia – Approved – Georgia PSC Docket Nos. 8516-U and 18638;  
Contact Scott Carter @ 404-584-4136

Atmos – Missouri - Approved – <http://www.atmosenergy.com/about/tariffs.html?st=mtx&pass=1>;  
Contact Patricia Childers @ 615-771-8332

Atmos – Texas - Approved – <http://www.atmosenergy.com/about/tariffs.html?st=mtx&pass=1>;  
Contact Charles Yarbrough @ 214-206-2809

Aquila Natural Gas – Kansas – Approved – Docket No. 05-AQ-367-RTS, May 4, 2005;  
<http://www.aquila.com/customers/energyrates/documents/ks/KsGRatesRules.pdf>, Contact  
Steve Jurek @ 402-221-2262

Bay State Gas – Massachusetts – Pending – Contact Stan Sagan @ 614-460-4652

CenterPoint Energy Arkla – Arkansas – Approved – Arkansas PSC Docket No. 06-161-U,  
October 31, 2007; Contact Chuck Harder @ 713-207-7273

Columbia Gas – Ohio – Pending – Contact Stan Sagan @ 614-460-4652

Duke Energy – Kentucky – Approved – October 6, 2006; <http://www.duke-energy.com/pdfs/DE-KY-rideramrp.pdf>; Mike Gribler @ 513-419-5017

Duke Energy – Ohio – Approved – Case Nos. 01-1228-GA-AIR and 01-1539-GA-AAM; April 18,  
2007; <http://www.duke-energy.com/pdfs/DE-OH-rideramrp050107.pdf>; Mike Gribler @ 513-419-5017

Elizabethtown Gas – New Jersey – Approved – Docket No. GR-05040371, August 18, 2006;  
Contact Tom Kaufmann @ 908-289-5000

Kansas Gas Service – Kansas – Approved – Docket 07-AQLC-431-RTS, May 16, 2007;  
[http://www.kansasenergy.org/legislation\\_2006.htm](http://www.kansasenergy.org/legislation_2006.htm); C. David Crisp @ 918-588-7126

Laclede – Missouri – Approved – Docket No. GR-2007-0208, August 28, 2007; Contact Glen  
Buck @ 314-342-0767

Missouri Gas Energy – Missouri – Approved – Contact Mike Noack @ 816-360-5560

National Grid – Niagara Mohawk – New York – Approved - Case No. 06-M-0878, August 23,  
2007; Contact Marcia Collier @ 315-428-5692

North Shore Gas – Illinois – Pending – Docket No. 07-0241, Filed April 4, 2007;  
<http://www.icc.illinois.gov/docket/casedetails.aspx?no=07-0241>; Contact Valerie Grace @ 312-240-4466

NW Natural Gas – Oregon – Approved – October 12, 2007;  
<https://www.nwnatural.com/CMS300/uploadedFiles/24177ai.pdf>; Contact Alex Miller @ 503-721-2487

Oklahoma Natural Gas – Oklahoma – Pending – Cause No. PUD 2007 00335; August 2007;  
Contact David Crisp @ 918-588-7126

Pennsylvania Legislation – Pending – HB 40 and HB 41, October 2007

Peoples Gas Light & Coke – Illinois – Pending – Docket No. 07-0242, Filed March 9, 2007;  
<http://www.icc.illinois.gov/docket/casedetails.aspx?no=07-0241>; Contact Valerie Grace @ 312-240-4466

Texas Gas Service – Texas – Approved – Contact David Crisp @ 918-588-7126

Texas Legislation – Approved - SB 1271, Sec. 104.301, 2003

Vectren North Indiana Gas – Indiana – Pending – Docket No. 43298, November 16, 2007;  
Contact Scott Albertson @ 812-491-4682

Vectren Ohio – Ohio – Pending – Docket No. 43298, November 20, 2007; Contact Scott Albertson @ 812-491-4682

Vectren South SIGECO – Indiana – Approved – Docket No. 43112, August 1, 2007;  
[http://www.in.gov/iurc/portal/Modules/Ecms/Cases/Docketed\\_Cases/ViewDocument.aspx?DocID=0900b631800db47b](http://www.in.gov/iurc/portal/Modules/Ecms/Cases/Docketed_Cases/ViewDocument.aspx?DocID=0900b631800db47b); Contact Scott Albertson @ 812-491-4682

### ADDITIONAL INFORMATION

If you would like more information about a particular program or would like to speak to another AGA member regarding the details of the program, please contact: Cynthia Marple, AGA director of rates and regulatory affairs, [cmarple@aga.org](mailto:cmarple@aga.org) or 202-824-7228.