

REBUTTAL TESTIMONY

of

MARY H. EVERSON

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Application for Approval Pursuant to Section 7-101 of the Public Utilities Act of a
Services Agreement between Atmos Energy Corporation and Atmos
Energy Services, LLC

Atmos Energy Corporation

Docket No. 04-0405

December 1, 2004

1 **Witness Identification**

2 Q. Please state your name and business address.

3 A. My name is Mary H. Everson. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 Q. Are you the same Mary H. Everson who provided direct testimony in this
6 proceeding?

7 A. Yes.

8 Q. What is the purpose of your rebuttal testimony in this proceeding?

9 A. The purpose of my rebuttal testimony is to respond to the positions of Atmos
10 Energy Corporation (“Atmos” or “Company”) witnesses Patricia D. Childers and
11 C. Richard Alford as set forth in their rebuttal testimony.

12 **Attachment 1**

13 Q. Are you sponsoring any attachments as part of ICC Staff Exhibit 2.0?

14 A. Yes. Attachment 1 is a copy of my proposed draft AES Services Agreement
15 (“agreement”, “services agreement” or “contract”). This version contains my
16 earlier suggested language and it also incorporates suggested language
17 changes or additions related to recommended changes that I addressed in my
18 direct testimony. This draft agreement also contains a revision to my earlier
19 language suggested by the Company to which I have no objection. This draft
20 also presents another attempt to provide language regarding allocation
21 methodology that will be acceptable to both the Company and to Staff. For ease

22 of understanding, the language changes I proposed in the draft agreement
23 submitted with my direct testimony are shown in blue with a single underline and
24 the additional or modified proposed changes are shown in red with a double
25 underline.

26 Q. What is your understanding of the Company's position?

27 A. With regard to many issues identified in my direct testimony, the Company has
28 indicated that we are in agreement. However, two issues remain unresolved. The
29 Company contests my recommendation to preserve records related to the
30 transactions under the affiliate agreement for seven years. Additionally, the
31 Company opposes my recommendation to compile records that identify
32 employee time spent on job functions identified under the contract.

33 Q. Please describe the issues that were addressed in your direct testimony.

34 A. In my direct testimony, ICC Staff Exhibit 1.0, pages 5-12, I addressed the
35 following deficiencies in the contract under review in this proceeding:

- 36 1) Absence of limitation of the services provided by AES to Atmos;
- 37 2) Failure to address the components of cost charged to Atmos by AES;¹
- 38 3) Absence of dispute resolution procedures;
- 39 4) Lack of a section addressing access to records;²
- 40 5) Lack of Payment Terms, and
- 41 6) Lack of procedures regarding ICC approval of changes to the agreement or a
42 change in parties to the agreement.

¹ The draft language I proposed in Exhibit 1 section Cost Assignment and Allocation was accepted by the Company. However, the allocation methodologies on Exhibit 1 remain in dispute.

² The section addressing access to records includes the recommendation that the records be retained for a period of seven years. The Company is disputing this portion of the issue on access to records.

43 **Absence of Limitation of Services Offered by AES to Atmos**

44 Q. Has Atmos accepted your recommendation to modify the agreement to include a
45 limitation to only include the services listed in Exhibit 1 attached to the services
46 agreement?

47 A. On the first page of Ms. Childers' rebuttal testimony, she states that the
48 Company has no disagreement with my recommendation and pointed out that in
49 her supplemental direct testimony she stated that the Company agreed to this
50 concept. However, both of the responses fall short of completely addressing my
51 recommendation.

52 Q. Please explain.

53 A. I believe that the services agreement must be modified to contain language that
54 specifies that the services that can be offered under this agreement are limited to
55 only those listed on Exhibit 1 of the services agreement. As I stated in my direct
56 testimony on page 5, lines 110-115, the Commission should not be asked to
57 approve an agreement that could include services that the Commission has not
58 had an opportunity to review and fully consider.

59 As I stated in my direct testimony on page 10, lines 195-200, the agreement must
60 be comprehensive in and of itself. That is, it should stand alone without needing
61 the clarification of additional terms that are not contained within the agreement.
62 Omitting some of the terms of the agreement places a burden on anyone wishing
63 to understand the agreement to review the record in this proceeding for any
64 additional clarifications regarding the Company's intent with respect to this issue.

65 In some cases, a reader of the agreement may not be aware that the need to do
66 so exists.

67 Q. Is the appropriate language contained in your draft services agreement?

68 A. Yes. The draft services agreement I am submitting with this testimony contains
69 language that I believe is appropriate to clarify the limitation of services. The
70 language remains unchanged from the draft agreement that I submitted with my
71 direct testimony.

72 **Failure to Address the Components of Cost Charged to Atmos by AES**

73 Q. Has Atmos accepted your recommendation to modify the agreement to include a
74 section addressing the components of cost charged to Atmos by AES?

75 A. The Company's rebuttal testimony appears to only contest the recommendation
76 for the use of function-specific allocation factors that I suggested in my initial draft
77 services agreement on pages 7-11 of Attachment 1. (Rebuttal Testimony of C.
78 Richard Alford, p. 2, lines 19-21) I have included modified language in the draft
79 services agreement that is included with my rebuttal testimony as Attachment 1.
80 Since the Company did not specifically disagree with the remaining language
81 regarding cost components in the section titled Cost Assignment and Allocation, I
82 am continuing to propose the same cost determination language in that section
83 of the services agreement.

84 **Absence of Dispute Resolution Procedures**

85 Q. Has Atmos accepted your recommendation to include language addressing
86 dispute resolution procedures in the services agreement?

87 A. Yes. Atmos witness Patricia Childers indicated the Company's willingness to
88 include a provision addressing dispute resolution procedures. (Rebuttal
89 Testimony of Patricia D. Childers, p. 2) However, that response does not provide
90 any indication of the dispute procedures the Company would utilize, nor does it
91 provide any suggested language that agrees with my recommendation.
92 Therefore, I have included suggested language regarding minimal dispute
93 resolution procedures in my draft services agreement that would enable Staff to
94 identify which charges were in dispute and the resolution of those disputed
95 charges.

96 The language I suggest in my current draft agreement could be modified during
97 this proceeding, provided the Company's language contains the requirement that
98 a record of the disputed charges and the resolution of the dispute is retained for
99 Staff's review.

100 **Lack of Section Addressing Access to Records by Atmos**

101 Q. Has Atmos accepted your recommendation to include language granting Atmos
102 access to AES records related to the transactions under this agreement?

103 A. Yes. While, the Company did not provide any specific language for a section
104 granting Atmos access to AES records of the transactions, Patricia Childers did
105 indicate that the Company is in agreement with my suggested language.

106 Q. Has Atmos accepted your recommendation to include language granting Staff
107 access to records of transactions occurring under the agreement?

108 A. Yes. On page 2 of Ms. Childers' rebuttal testimony, she states the Company's
109 willingness to: "...allow Staff access to the books, documents, papers and
110 records relating to the services provided to Atmos by AES pursuant to the
111 Agreement." Absent any suggested language from the Company, the language I
112 proposed in my initial draft remains unchanged in Attachment 1.

113 Q. Is there a portion of your recommendation regarding access to records with
114 which the Company disagrees?

115 A. Yes. In my direct testimony, I recommended that the records of the transactions
116 occurring under this services agreement should be retained for a period of no
117 less than seven years following the expiration of the services agreement. (ICC
118 Staff Exhibit 1.0, page 10, lines 212-214) The Company has disputed this on
119 page 2 of Patricia Childers' rebuttal testimony, where she proposes a three-year
120 period.

121 Q. What is the rationale for your recommendation of a seven-year retention of
122 records related to this agreement?

123 A. The seven-year period I recommend for the retention of records is in accordance
124 with the Commission's record retention rule set forth in 83 Ill. Adm. Code 510.90.
125 Item numbers 12 and 15 of the Appendix A to Part 510 require a seven year
126 retention period for journal entries and vouchers supporting those entries.

127 Therefore, the language suggested in my direct testimony for the draft services
128 agreement remains unchanged in Attachment 1 to my rebuttal testimony.

129 **Lack of Payment Terms**

130 Q. Has Atmos accepted your recommendation to include a section describing
131 payment terms in the services agreement?

132 A. Yes. On page 2 of Ms. Childers' rebuttal testimony she states that the Company
133 is agreeable to Staff's proposed language. Since the Company has not submitted
134 a draft version of the services agreement with language addressing payment
135 terms, section 14-Payment for Services, remains unchanged in the draft services
136 agreement (Attachment 1) from the language I proposed for the services
137 agreement in my direct testimony.

138 **Lack of Procedures regarding ICC Approval of changes to the Agreement or**
139 **change in parties to the Agreement**

140 Q. Has Atmos accepted your recommendation to include a provision for termination
141 of the agreement and the necessary approval by the Commission of any new
142 affiliate agreement?

143 A. Yes, with one modification. Ms. Childers states on page 2 of her rebuttal
144 testimony that Atmos has no objection to the language I proposed in Section 5 of
145 the draft services agreement. Ms. Childers, however, did take exception to the
146 language in section 10 regarding the assignment of the services agreement
147 requiring Commission approval. The Company correctly pointed out that the
148 Commission would only have jurisdiction to approve an assignment of the

149 agreement if AES were to assign its interests to another Atmos-affiliated
150 company.

151 Q. Have you modified the language in Section 10 of your draft services agreement
152 to reflect the Company's suggested language?

153 A. Yes. My direct testimony had already included the language regarding only an
154 Atmos-affiliated company, but the language in Section 10 of the draft services
155 agreement did not. I have modified Section 10 of the draft services agreement
156 (Attachment 1) to read "No assignment of this contract to another Atmos-affiliated
157 company shall be valid without ICC approval for the change in parties." I believe
158 this language will be acceptable to the Company and correctly reflects the
159 authority of the Commission.

160 **Draft Services Agreement**

161 Q. Have you presented a revised draft services agreement to include the changes
162 you have discussed in earlier sections of this testimony?

163 A. Yes. The revised draft services agreement is presented as Attachment 1 to my
164 rebuttal testimony. The suggested changes and additions from the draft services
165 agreement submitted with my direct testimony are shown in blue text. In addition,
166 those sections that the Company is not contesting are shown in blue text with a
167 single underline. The additional modifications that I am proposing in my rebuttal
168 testimony are shown in red text with a double underline.

169 Q. Is the draft services agreement you are presenting as Attachment 1 to this
170 rebuttal testimony the complete version you believe the Commission should
171 approve?

172 A. Yes.

173 **Conclusion**

174 Q. Does this question end your prepared rebuttal testimony?

175 A. Yes.

1
2
3 **DRAFT**
4 AES SERVICES AGREEMENT
5
6

7 This AES Services Agreement (this "Agreement") is entered into as of the
8 _____ day of _____ 2004, by and between Atmos Energy Corporation, a Texas
9 and Virginia corporation ("Atmos" or "Company"), and Atmos Energy Services, LLC, a
10 Delaware limited liability company ("AES").
11

12 WHEREAS, AES is an affiliated company of Atmos Energy Corporation;
13

14 WHEREAS, AES has been formed for the purpose of providing administrative,
15 management and other services; and
16

17 WHEREAS, the Company believes that it is in the interest of the Company to
18 provide an arrangement whereby the Company may, from time to time and at the option
19 of the Company, agree to purchase certain administrative, management and other
20 services from AES for [the] Company's Illinois operations;
21

22 NOW, THEREFORE, in consideration of the mutual covenants contained herein
23 and other valuable consideration, the receipt and sufficiency of which are hereby
24 acknowledged, the parties hereto, intending to be legally bound, hereby agree as
25 follows:
26

- 27 1. SERVICES OFFERED. Exhibit I hereto lists and describes all of the only services
28 that are available from AES through this agreement. AES hereby offers to supply
29 those services to the Company in conjunction with its Illinois operations.
30
31 2. PERSONNEL. AES will provide the Services by utilizing the services of such
32 persons as have the necessary qualifications and expertise to provide the
33 Services.
34

35 If necessary, AES, after consultation with the Company, may serve as
36 administrative agent, arranging and monitoring Services provided by third parties
37 to Company, whether such Services are billed directly to Company or through
38 AES.
39

40 3. _____
41

- 42 34. COMPENSATION AND ALLOCATION. ~~As and to the extent required by law,~~
43 AES will provide the Services at costs not to exceed fully distributed cost.
44 A. Fully Distributed Costs. Costs charged on a fully distributed cost basis
45 shall reflect the amounts of direct labor, direct materials and direct purchased
46 services associated with the service provided.

47
48
49 The attached EXHIBIT 1 describes the methods for determining and allocating costs
50 for AES.
51

52 5. TERMINATION AND MODIFICATION.

53
54 A.B. Modification of Other Terms and Conditions. Other than the notice of
55 Company respecting choice ~~modification~~ of approved Services, as
56 provided in Section 5.A. above, no amendment, change or modification of
57 this Agreement shall be valid, ~~unless made in writing and signed by the~~
58 ~~parties hereto.~~ unless approved by the Illinois Commerce Commission.
59

60 B.C. Termination of this Agreement. The Company may terminate this
61 Agreement with AES by providing sixty (60) days advance written notice of
62 such termination to AES. If the Company chooses to contract with another
63 Atmos affiliated company, Atmos will seek ICC approval of the new
64 agreement with that affiliated provider.
65

66 6. NOTICE. Where written notice is required by this Agreement, said notice shall be
67 deemed given when mailed by United States registered or certified mail, postage
68 prepaid, return receipt requested, addressed as follows:
69

70 A. To the Company:

71
72 Atmos Energy Corporation
73 810 Crescent Centre Drive, Suite 600
74 Franklin, TN 37067-6226
75 Attn: Mr. Tom Blose
76 Phone: (615) 771-8305
77 Fax: (615) 771-9704
78

79 B. To AES:

80
81 Atmos Energy Services, LLC
82 1515 Poydras St. Suite 2180
83 New Orleans, Louisiana 70112
84 (504) 522-2614
85 (540) 522-6094 (Fax)
86

87 7. GOVERNING LAW. This Agreement shall be governed by and construed in
88 accordance with the laws of the State of Texas, without regard to any conflict of
89 laws provisions.
90

91 8. ENTIRE AGREEMENT. This Agreement, together with its exhibits, constitutes
92 the entire understanding and agreement of the parties with respect to its subject

93 matter and effective upon the execution of this Agreement by the respective
94 parties hereof and thereto, any and all prior agreements, understandings, or
95 representations with respect to this subject matter are hereby terminated and
96 cancelled in their entirety and of no further force or effect.
97

98 9. WAIVER. No waiver by any party hereto of a breach of any provision of this
99 Agreement shall constitute a waiver of any preceding or succeeding breach of
100 the same or any other provision hereof.
101

102 10. ASSIGNMENT. No assignment of this contract to another Atmos-affiliated
103 company shall be valid without ICC approval for the change in parties. This
104 Agreement shall inure to the benefit of and shall be binding upon the parties and
105 their respective successors and assigns. No assignment of this Agreement or
106 any party's rights, interests or obligations hereunder may be made without the
107 other party's consent, which shall not be unreasonably withheld, delayed or
108 conditioned.
109

110 11. SEVERABILITY. If any provision or provisions of this Agreement shall be held to
111 be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the
112 remaining provisions shall in no way be affected or impaired thereby.
113

114 12. EFFECTIVE DATE. This Agreement is subject to the approval of the Illinois
115 Commerce Commission and shall not be effective until such approval has been
116 obtained.
117

118 13. ACCESS TO RECORDS. During the term of this agreement and for a period of
119 seven years after its expiration or termination as to Atmos, Atmos shall have
120 reasonable access to and the right to examine all books, documents, papers, and
121 records (collectively the "Records") which pertain to the services provided by
122 AES pursuant to said Agreement. AES shall maintain all such Records for a
123 period of seven years after the expiration of the Agreement and all such Records
124 for a period of seven years after the termination as to Atmos. During the term of
125 the Agreement and for a period of seven years after its expiration or termination
126 as to Atmos, the Illinois Commerce Commission shall have access to such
127 Records in accordance with Section 7-101 of the Public Utilities Act (220 ILCS
128 5/7-101) now in effect and as may be modified from time to time, subject to any
129 applicable limitations and restrictions as provided for in said Act, now in effect
130 and as may be modified from time to time, including but not limited to limitations
131 and restrictions governing the dissemination and disclosure of confidential and
132 proprietary Records. Nothing in this Agreement shall be construed or interpreted
133 as a waiver by Atmos or AES of any right, entitlement, claim, or privilege to
134 assert and rely upon any appropriate law, statute, rule, regulation, order, or other
135 instrument, with regard to the production, dissemination, release, or disclosure of
136 any such Records.
137

138 14. PAYMENT FOR SERVICES. Payment shall be made by making remittance of
139 the amount billed or by making the appropriate accounting entries on the books
140 of Atmos on a monthly basis.

141
142 15. DISPUTED AMOUNTS. If Atmos desires to dispute any amount due for services
143 rendered under this agreement, Atmos shall provide written notice of the
144 disputed amounts including the basis for the dispute. Upon receipt of such notice,
145 the parties shall meet to resolve such dispute.

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147 IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed
148 as of the date first above mentioned.
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SERVICE AGREEMENT EXHIBIT 1

Cost Accumulation and Assignment Allocation Methods and Description of Services Offered by AES

This document sets forth the methodologies used to accumulate the costs of Atmos requested services performed by AES and to assign or allocate such costs within Atmos.

Costs of Services Performed

~~_____ The direct costs of these services will be determined based upon applicable employee's labor distribution. The full cost of providing services also includes certain indirect costs, e.g., department overheads, administrative and general costs, and taxes. Indirect costs are associated with the services performed in proportion to the direct costs of the services or other relevant cost allocators~~

Cost Assignment and Allocation

AES costs will be directly assigned, distributed or allocated to Atmos in the manner described below:

1. Direct Costs
 - a. Specific costs from third parties will be directly assigned or charged to Atmos;
2. Allocated Charges
 - b, Fully distributed Costs charged on a fully distributed cost basis shall reflect the amounts of direct labor, and direct materials associated with the services as provided will be allocated to Atmos' operating divisions based upon the applicable labor distribution of the employees of Atmos Energy Holdings that perform the agreed upon services. Other indirect costs, including those from Atmos Energy Marketing, will be charged based upon the proportion of distributed labor to total labor;

(a) Direct Costs. Costs incurred that are specifically attributable to a Party shall be directly charged to the appropriate account number.

(i) Direct Labor. Amounts of direct labor charged to a Party shall be based on an employee's direct labor rate, reflecting the effects of overtime.

These departments or individuals shall determine a normal distribution of time in an annual review of labor distribution percentages. The distribution percentages shall be used to allocate

195 time with respect to each pay period. Significant deviations of actual
196 activity from these predetermined percentages shall be reported and
197 shall result in adjustments to the predetermined distribution of labor
198 distribution charges.)

199 _____
200 (b) Indirect Costs.

201 _____
202 (i) Labor Loading. Direct labor charges apportioned to a
203 Party shall be increased by a loading factor to reflect certain indirect
204 costs such as paid absence and incentive compensation. The paid
205 absence time factor reflects time incurred for vacations, holidays,
206 sickness, jury duty and other paid absences.

207 _____
208 (ii) Benefits Loading. Direct labor charges apportioned
209 to a Party shall be increased by a loading factor to reflect the cost of
210 employee benefits such as payroll taxes, pension, medical insurance,
211 the company contribution to the 401(k) plan, postretirement health care
212 costs, and the cost of administering employee benefit plans.

213 _____
214 (d) Allocated Costs. Costs incurred that are not specifically
215 attributable to one rate division but that have joint benefit to two or more rate
216 divisions shall be charged to the appropriate accounts based on specified
217 allocation methodologies listed in Description of Services.

- 218
219
220 3. ~~Costs attributable to more than one rate division within an operating~~
221 ~~division will be allocated using methods determined on a case-by-case~~
222 ~~basis consistent with the nature of the work performed; and~~
223
224 34. Labor distribution studies will be reviewed annually and may be adjusted
225 for any known and reasonable quantifiable events, or at such time as may
226 be required due to significant changes.

227
228 **Description of Services**

229
230 A description of each of the services performed by AES pursuant to this
231 Agreement for Company ~~which may be modified from time to time~~, is presented below.
232 As discussed above, where identifiable, costs will be directly assigned or distributed to
233 the Company. For costs accumulated in Account Codes which are for services of a
234 general nature that cannot be directly assigned or distributed, the method or methods of
235 allocation are also set forth. Substitution or changes may be made in the methods of
236 calculating allocation components hereinafter specified, and will be provided to each
237 applicable state regulatory agency and Company.
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Gas Supply Procurement

Hedging Administration – Develop and recommend hedging strategy for BU (s) and assist in the development of regulatory hedging filings. Execute filed hedge plan and provide monthly reporting illustrating volumes hedged, price and mark to market value to BU and corporate management. Provide support to BU regulatory and leadership team as it pertains to hedging reporting, performance, compliance and data request. Maintain and develop financial vendor relationships.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Supply and pipeline capacity planning – Develop and provide design day studies utilizing historical daily actual to support design day pipeline, as well as, storage capacity requirements.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Procurement Plans – Develop and provide design day studies utilizing historical data. Plan annual load requirements, pipeline utilization and storage injection/withdrawal plans. Assist BU regulatory teams as needed for compliance filings with state commissions (Data request, etc.)

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Procurement / Contracting – Develop and administer the RFP process for firm supply, transportation, storage services and agency services. Provide an evaluation of bids and recommendation of best options based on price, reliability, flexibility and supplier capabilities. Negotiate and coordinate local production tie-ins and pricing.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

285
286 ***Portfolio Management*** – Evaluate BU(s) options of supply, transportation and storage
287 to optimize most effective and efficient means to serve BU’s firm load requirements.
288

289 Allocation Methodology: Employee time that is directly assignable will be directly
290 charged. Other general time to be allocated based on the percentage of time spent per
291 state within that monthly reporting period. All other costs not directly assignable to be
292 allocated based on throughput.
293

294 ***Contract Information Management*** – Provide for a central distribution of supplier,
295 transport, storage and all other gas supply related contracts.
296

297 Allocation Methodology: Employee time that is directly assignable will be directly
298 charged. Other general time to be allocated based on the percentage of time spent per
299 state within that monthly reporting period. All other costs not directly assignable to be
300 allocated based on throughput.
301

302 ***Contract Negotiations and Execution*** – Negotiate and evaluate contracts for
303 accuracy before execution. Route to appropriate BU VP Rates for execution by the BU
304 President. Monitor all supply contract expiration and notice dates. Corporate Contracts
305 Administration to distribute executed contract copies to key personnel.
306

307 Allocation Methodology: Employee time that is directly assignable will be directly
308 charged. Other general time to be allocated based on the percentage of time spent per
309 state within that monthly reporting period. All other costs not directly assignable to be
310 allocated based on throughput.
311

312 ***Supplier Relations*** – Maintain good working relationships with suppliers and service
313 providers in conjunction with BU Presidents. Monitor any changes in supplier
314 organizations that may affect service reliability and accuracy.
315

316 Allocation Methodology: Employee time that is directly assignable will be directly
317 charged. Other general time to be allocated based on the percentage of time spent per
318 state within that monthly reporting period. All other costs not directly assignable to be
319 allocated based on throughput.
320

321 ***Manage Third-party Agency Contracts*** – Monitor and review all natural gas supply,
322 transportation and storage agency activities provided by a third party. Act as liaison
323 between gas control and all service agents.
324

325 Allocation Methodology: Employee time that is directly assignable will be directly
326 charged. Other general time to be allocated based on the percentage of time spent per
327 state within that monthly reporting period. All other costs not directly assignable to be
328 allocated based on throughput.
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System Load Management

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Short term plan forecast - Based on actual daily historical load and weather data; provide daily and monthly requirements by city-gate. Communicate where applicable to gas control daily the supply dispatch plan.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Dispatch & Balancing - Nominate monthly, daily load requirements to all upstream pipelines, suppliers and storage facilities of the BU(s). Forecast and analyze daily current month load requirements vs. nominations to maintain pipeline imbalance percentages within pipeline tolerance and maintain storage withdrawal and injection plans.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Local Production - Manage accounts, invoice and report local production activities related to volume, cost and un-accounted for where applicable.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Weather Database - Archive daily weather highs and lows by weather area in BU. Calculate and archive average temperatures and heating degree days (HDD). Develop reports current day, month and year to historical averages and peaks.

Allocation Methodology: Employee time that is directly assignable will be directly charged. Other general time to be allocated based on the percentage of time spent per state within that monthly reporting period. All other costs not directly assignable to be allocated based on throughput.

Load Database - Archive actual city-gate deliveries to third-party transporters and R&C usage by pipeline and weather area. This data is to be utilized for capacity planning, monthly and daily load forecasting.

377
378 Allocation Methodology: Employee time that is directly assignable will be directly
379 charged. Other general time to be allocated based on the percentage of time spent per
380 state within that monthly reporting period. All other costs not directly assignable to be
381 allocated based on throughput.

382
383 ***Pricing Database*** - Archive pricing related indexes as published by monthly and daily
384 industry publications including NYMEX.

385
386 Allocation Methodology: Employee time that is directly assignable will be directly
387 charged. Other general time to be allocated based on the percentage of time spent per
388 state within that monthly reporting period. All other costs not directly assignable to be
389 allocated based on throughput.

390
391 ***Capacity Management*** - Utilize forecasted monthly and daily load to evaluate capacity
392 utilization. Execute steps to maximize the value of idle capacity in release markets and
393 asset optimization plans.

394
395 Allocation Methodology: Employee time that is directly assignable will be directly
396 charged. Other general time to be allocated based on the percentage of time spent per
397 state within that monthly reporting period. All other costs not directly assignable to be
398 allocated based on throughput.

399
400 ***Storage management*** - Develop and execute injection and withdrawal plans by
401 pipeline to minimize utilization of daily market volatility and support system integrity.

402
403 Allocation Methodology: Employee time that is directly assignable will be directly
404 charged. Other general time to be allocated based on the percentage of time spent per
405 state within that monthly reporting period. All other costs not directly assignable to be
406 allocated based on throughput.

407
408 **Regulatory Compliance**

409
410 ***PGA Reporting Support*** –Complete actual gas cost schedules to be used in the
411 Regulatory team's monthly PGA filings.

412
413 Allocation Methodology: Employee time that is directly assignable will be directly
414 charged. Other general time to be allocated based on the percentage of time spent per
415 state within that monthly reporting period. All other costs not directly assignable to be
416 allocated based on throughput.

417
418
419 ***Purchase Gas Cost Estimate*** - Provide corporate accounting and BU regulatory team
420 with gas cost estimate of current month.

421

422 Allocation Methodology: Employee time that is directly assignable will be directly
423 charged. Other general time to be allocated based on the percentage of time spent per
424 state within that monthly reporting period. All other costs not directly assignable to be
425 allocated based on throughput.

426
427 ***L&U Reporting*** - Provide BU's regulatory team and operations team with monthly total
428 city-gate receipts data in a Lost and Unaccounted for report.

429
430 Allocation Methodology: Employee time that is directly assignable will be directly
431 charged. Other general time to be allocated based on the percentage of time spent per
432 state within that monthly reporting period. All other costs not directly assignable to be
433 allocated based on throughput.

434
435 ***FERC Regulatory Affairs*** - Monitor all pipeline compliance and related filings. Advise
436 and support corporate legal and BU leadership of any potential issues that may impact
437 the enterprise and our customers.

438
439 Allocation Methodology: Employee time that is directly assignable will be directly
440 charged. Other general time to be allocated based on the percentage of time spent per
441 state within that monthly reporting period. All other costs not directly assignable to be
442 allocated based on throughput.

443
444 ***Commission Data Response Support*** - Assist BU regulatory team related to gas
445 supply issues.

446
447 Allocation Methodology: Employee time that is directly assignable will be directly
448 charged. Other general time to be allocated based on the percentage of time spent per
449 state within that monthly reporting period. All other costs not directly assignable to be
450 allocated based on throughput.

451
452 ***Testimony Support*** - Provide regulatory testimony as it pertains to gas procurement
453 services provided.

454
455 Allocation Methodology: Employee time that is directly assignable will be directly
456 charged. Other general time to be allocated based on the percentage of time spent per
457 state within that monthly reporting period. All other costs not directly assignable to be
458 allocated based on throughput.

Accounting Administration

461
462 ***Supplier Invoice reconciliation*** - Reconcile supplier invoices with transportation
463 deliveries. Further reconcile transportation and storage deliveries and activities with
464 daily nominations. Approve for accuracy and/or make all appropriate adjustments.

465
466 Allocation Methodology: Employee time that is directly assignable will be directly
467 charged. Other general time to be allocated based on the percentage of time spent per

468 state within that monthly reporting period. All other costs not directly assignable to be
469 allocated based on throughput.

470
471 ***Supplier Invoice Reporting and Coding*** - Provide cover sheet approvals and account
472 coding for all supplier invoices. Gas cost accounting - Develop and provide supporting
473 schedules and reports to BU and gas supply operation summarizing previous month
474 actual purchase activity. Develop and provide supporting schedules and reports to BU
475 and gas supply operation summarizing current month estimates of purchase activity.
476 Maintain and reconcile invoice log.

477
478 Allocation Methodology: Employee time that is directly assignable will be directly
479 charged. Other general time to be allocated based on the percentage of time spent per
480 state within that monthly reporting period. All other costs not directly assignable to be
481 allocated based on throughput.

482
483 ***Local Production*** - Manage accounts, invoice and report local production activities
484 related to volume, cost and un-accounted for where applicable.

485
486 Allocation Methodology: Employee time that is directly assignable will be directly
487 charged. Other general time to be allocated based on the percentage of time spent per
488 state within that monthly reporting period. All other costs not directly assignable to be
489 allocated based on throughput.

490
491
492 ***Gas supply record retention*** - Maintain three years of purchase backup per BU for
493 data request, prudence review and management studies. Facilitate the archiving of
494 historical data past three years in central records.

495
496 Allocation Methodology: Employee time that is directly assignable will be directly
497 charged. Other general time to be allocated based on the percentage of time spent per
498 state within that monthly reporting period. All other costs not directly assignable to be
499 allocated based on throughput.

500
501 ***Gas supply procedures manual*** - Maintain gas supply procedures manual.

502
503 Allocation Methodology: Employee time that is directly assignable will be directly
504 charged. Other general time to be allocated based on the percentage of time spent per
505 state within that monthly reporting period. All other costs not directly assignable to be
506 allocated based on throughput.

507