STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company and	)	
Peoples Gas Light & Coke Company	)	07-0241 &
	)	07-0242
Proposed general increase in	)	
natural gas rates	)	
	)	

Rebuttal Testimony of
Lisa Pishevar

On Behalf of
Nicor Advanced Energy L.L.C.

August 21, 2007

NAE Exhibit 2.0

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Rebuttal Testimony of Lisa Pishevar

Q. Please state your name.

A. Lisa Pishevar.

Q. Are you the same Lisa Pishevar who submitted direct testimony on behalf of Nicor Advanced Energy, L.L.C. (NAE) in these dockets?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to respond to the Rebuttal Testimony of Thomas E. Zack (North Shore/Peoples Gas Ex. TZ 2.0) and comment on the testimony offered by James L. Christ on behalf of the Retail Gas Suppliers (RGS) (RGS Ex. 1.0). In particular, I will address North Shore Gas'/Peoples Gas' (the Companies) proposals in regards to: 1) billing credits for customers where a Choices for You (CFY) Supplier bills both its charges and the utility's charges under the Companies' Rider SBO; 2) the Companies' proposed revisions to the order of payments with respect to suppliers billing under Rider SBO and suppliers billing under the LDC billing option; 3) issues associated with NSF checks; 4) the release of customer information when a customer authorizes a CFY Supplier to view such information; 5) the need for a timeline for the upgrade of PEGASys; and 6) the need for the Companies to treat CFY customers (as well as their CFY Suppliers) the same as customers who receive their gas from the utility sales service.

The Commission should reject the Companies' position that it should be permitted to recover the cost of bill printing and mailing in instances where the Company no longer prints and mails a bill to the CFY customer.

Q. Is it appropriate for the Companies to issue a bill credit to CFY customers where a CFY Supplier bills both the utility and supplier charges under Rider SBO?

A. Yes. At lines 1305-1307 of his testimony, Mr. Zack concedes that when a CFY Supplier bills utility and supplier charges under Rider SBO, the utility does not print or mail a bill. If the Companies are allowed to continue recovering the costs of printing and billing within their rates, customers who receive bills under Rider SBO will continue to pay for a service they do not use. Indeed, when a customer receives a bill from a CFY Supplier under Rider SBO, under the Companies' current proposal, customers will pay twice for billing costs – first for the costs associated with the Supplier's billing and second for the cost of billing that the Companies recover in rates. Mr. Zack nevertheless argues that there are certain costs that the Companies will continue to incur even if a CFY Supplier bills under Rider SBO, but that argument is not relevant. NAE does not propose that customers receive a billing credit for those functions and costs that a utility will still incur when the CFY Supplier issues a single bill. Those charges, assuming that they are correctly allocated and appropriate, should be recovered within the Companies' base rates. Mr. Zack's example of bill imaging will presumably be recovered within the total cost of billing that is recovered in rates. The Companies have indicated that they seek to recover the cost of bill processing and issuance within their rates. (NAE DR 4.07, attached as NAE Exhibit 2.01). However, when a supplier bills under Rider SBO, there are functions that utility does not perform, at a minimum printing and mailing of the bill to a customer as the supplier will perform those functions. Customers should not have to pay twice for the utility's printing and billing charges when they receive a bill for both supply and utility charges from their supplier.

Q. Are you proposing an avoided cost methodology for determining the billing credit for Rider SBO?

A. No. The Commission should follow its previous decision in Commonwealth Edison's Rate Order (Order 05-0597) and use an embedded cost methodology for determining the proper billing credit. As an outcome of the current proceeding, the Commission should require the Companies to prepare an embedded cost study on billing functions and file for a revision with a properly calculated credit for Rider SBO.

Q. What is the cost of postage and paper stock for billing for the Rider SBO billing credit?

A. Based on Companies' data responses (NAE DR 4.02 and NAE DR 4.05, attached as exhibits 2.02 and 2.03), the average cost of postage is $.29 per customer bill and the average cost of paper stock and envelope for sending out the bill is $.04 per customer bill. The Companies indicate that these costs are roughly the same between the North Shore Gas and Peoples Gas. Therefore, the average cost per bill for the Companies to print and mail a bill is $.33 per customer bill. Of course, there are marginal overhead and related capital costs that the Companies do not incur, but no such information related to billing was available. NAE proposes that the Companies provide, at a minimum, a $.33 per customer bill credit for customers who are billed under Rider SBO.

Q. Please comment on Mr. Zack's contention that the Companies will still need to send out Company communications via mail.

A. The costs for Commission-required communications should be recovered through the Companies' proposed rates. Therefore, such costs should not be recovered from customers who are billed by their supplier via Rider SBO.

Q. What changes do you purpose to the North Shore and Peoples Gas Rider SBO tariff sheets?

A. NAE proposes that the following language be added to the Rider SBO tariff as a new Section H.

Section H – Billing Credit

The Company credits the retail customer for each bill the Company submits to a CFY Supplier that otherwise would be sent by the Company to such customer and for which the CFY Supplier provides billing under Rider SBO:
Bill credit (per bill) $.33

The Companies' proposed Order of Payment algorithm should treat suppliers billing their customers through Rider SBO the same as suppliers billing their customers through the LDC billing option, and the Commission should require the use of an "aged receivables" algorithm.

Q. For clarity, please reiterate your description of the term "order of payments."

A. Order of payments (also known as partial payment allocation), in the context of a customer gas choice program, means the order in which funds from a customer's payment are allocated between a gas supplier and a gas distribution utility. If a customer's payment covers all charges, current and past due, the order of payments is not an issue. However, if a customer only makes a partial payment for his invoice, then the order of payments determines the order in which the utility and supplier receive payment, and determines what charges are paid.

Q. What changes do the Companies propose in their rebuttal testimony to the order of payments?

A. Mr. Zack's admission on line 1328 of his rebuttal testimony (Ex. TZ-2.0) goes to the heart of many of the issues raised by NAE in this proceeding in that Suppliers billing their customers under Rider SBO should receive equal treatment with all other suppliers. Specifically, the Companies affirm the NAE argument (see NAE's Direct Testimony (lines 225-338)) that each supplier should be treated similarly regardless of how they bill their customers. **However,** the Companies' proposal places NAE at an unfair advantage over all of the suppliers. Instead of bringing the Rider SBO payment algorithm in line with the LDC billing option, the Companies' proposal moves all suppliers to a payment algorithm where the utility first receives all of their funds, past due and current, before a supplier can receive any payment at all. So, while the Companies' proposal treats all suppliers the same regardless of billing method, it puts **all existing CFY Suppliers** that use the LDC billing option in a **worse** position with respect to order of payments. Instead, the Companies could have achieved order of payments "equality" between suppliers by simply placing Rider SBO "billers"[1] on the same order of payments algorithm as suppliers using the LDC billing option. NAE is unaware of any study or reasoning by the Companies behind making the current group of CFY Suppliers using LDC billing worse-off. Such conduct is not conducive in increasing competitive options for customers.

[1] Which, as far as NAE is aware, NAE is the only party currently proposing to bill CFY customers under the Companies' Rider SBO tariff.

Q. For reference, what does NAE propose for order of payments?

A. NAE proposes that an "aged receivables" method be adopted for Rider SBO billing, similar to the Companies' current order of payment methodology under the LDC billing option. In essence, the proposed payment algorithm permits the utility to receive payment for its oldest receivables, and then permits the supplier to receive payment for its oldest receivables. Once the utility's and the supplier's past due receivables have been paid, the utility would then receive payment for its current charges, followed by the supplier receiving payment for its current charges.

Q. Why is the Companies' proposal problematic?

A. First, the Companies' proposed solution to CFY Supplier-billing parity puts all existing and future suppliers that choose LDC billing in a worse position vis a vis the utility. That was not NAE's proposal in its Direct Testimony. As stated above, the Companies can simply permit a supplier using Rider SBO to use the same payment algorithm that currently applies to suppliers using the LDC billing option. Second, the Companies' proposal to permit the utility to be paid in full first, regardless of the age of the receivable which, actively discourages suppliers from participating in the CFY program in the first place. Indeed, if a customer makes a partial payment, the utility is assured that payment will be applied first to its past due and current charges. The supplier will then be able to satisfy a portion of its own past due charges if, and only if, any funds from the customer's partial payment remain. Obviously, this increases the risk that a supplier will not receive payment for its charges, and as a result, discourages suppliers from participating in the CFY program. For these reasons, NAE's aged receivables methodology should be adopted for order of payments.

<u>The Companies' proposal regarding the treatment of NSF (non-sufficient funds) checks disadvantages CFY Suppliers issuing bills under Rider SBO.</u>

Q. Please respond to Mr. Zack's argument that the Companies treat suppliers under the LDC billing options similarly to the way the Companies treat suppliers under the Rider SBO billing option.

A. Mr. Zack states (at lines 1135-1336), that "[t]he party issuing the bill – whether it is the utility under the LDC Billing Option or the supplier under Rider SBO – bears the risk with an NSF check." Under the Companies' LDC billing option, when the bill issuer (the utility) receives a check from a customer, it will pay the supplier. If the check is a NSF check, the utility does not seek repayment of the funds paid to the supplier. Likewise, under the Companies' Rider SBO billing option, when the bill issuer (the supplier) receives payment by check from a customer, it will pay the utility. If that check is a NSF check, the utility does not credit those funds back to the supplier.

Q. Please respond to Mr. Zack's contention that under NAE's proposed treatment of NSF checks, that the utility bears all the NSF risk.

A. NAE disagrees. NAE's proposal is that each party bear the risk associated with its own funds. A supplier would bear the risk of receiving a NSF check applicable to its supply charges, and the utility would bear the NSF risk applicable to its distribution charges. Under NAE's proposal, when a supplier that bills under Rider SBO receives a NSF check, the supplier funds that were transferred to the Companies will be reversed and credited back to the supplier. This change would put a supplier that uses Rider SBO on the same footing as the Companies regarding NSF checks and would relieve a supplier from using its own funds to fund a customer bad debt to the utility. Mr. Zack's testimony relating to NSF check treatment runs contrary to his previous testimony that both billing options, SBO and LDC, should be treated the same.

<u>NAE supports the Companies' proposed upgrades to their PEGASys information systems in order to provide much needed modernization, but such improvements need a firm and timely plan.</u>

Q. What is NAE's position regarding the Companies' proposed changes highlighted in Companies' Witness Mr. Zack's Direct Testimony (lines 587-639)?

A. NAE supports the significant changes to the PEGASys system and the increased functionality being proposed. However, NAE questions why the required programming to support the proposed enhancements to the PEGASys System will not commence until after the final order is issued in this case. (see Mr. Zack's rebuttal testimony TZ-2.0 at lines 1379-1381).

Q. Mr. Zack indicates that one of the reasons for delay is that the Companies are uncertain what the Commission will approve, modify or reject. Please comment.

A. While the Companies likely have a legitimate concern regarding programming for new rates, I would find it truly stunning for the Commission to decide to reject system improvements that improve both customers' and suppliers' access to information, reduce manual processes, and otherwise make switching and service processes easier and more efficient. For instance, the Companies did not wait for the Commission to approve the enhancement to the Companies' system that allowed for enrollment based on customer account number. Similarly, concerning process improvement, the Companies should continue to work toward system improvements pending the final resolution in this case. The Commission should order that changes related to improvements in the PEGASys system should be completed within 30 days of the issuance of the final order in this docket.

Q. What is your response to the Companies' proposed treatment of customer information regarding past due balances (Zack Rebuttal Ex. TZ-2.0, lines 1395-1405)?

A. NAE agrees that all customer information is sensitive and that such information should not be disclosed to any party without the customer's express consent. However, a customer should be allowed to consent to the release of his utility information to a supplier. In such case, the utility should facilitate the release of the customer's information to the supplier and it should not be allowed to withhold the information. Of course, however, if a customer does not consent to the release of information to a particular supplier, then the information should not be provided.

Q. What does NAE propose to address the concerns raised in Mr. Zack's rebuttal testimony (lines 1230-1270 and lines 1395-1405)?

A. NAE proposes that in order to access a customer's payment history, a supplier must obtain clear and verifiable permission from the customer to view such information. Approval should be in the form of a verifiable record with either the customer's signature, the customer's electronic acknowledgement (via e-mail or website verification), via a recorded phone approval, or any other verifiable record that clearly evidences a customer's acknowledgement. The approval may be obtained prior to the customer's enrollment in the CFY program. If a customer disputes that permission was granted to access such information, a CFY Supplier would be obligated to provide to the customer a copy of the customer's consent. In many ways, NAE concurs with RGS' position regarding Customer Authorization (see Ex. RGS 1.0 at pages 38-40).

Q. What modification do you propose to the Companies' purposed tariff language set forth in Mr. Zack's rebuttal testimony (at 1255-1259 and 1262-1270)?

A. NAE proposes the following:

As a change to Section D of Rider CFY:

Customer Information

The customer may agree to allow a CFY Supplier to receive its payment history, including information about past due amounts from the Company. The customer agrees that, if the CFY Supplier *obtains* verifiable and auditable authorization from the customer, the Company shall provide such information to the CFY Supplier.

And modifying the proposed new subsection 5, Section F of Rider AGG to read:

(5) the process by which the CFY Supplier shall request and receive customer payment history and customer past due amounts, which shall (i) require the CFY Supplier to indemnify and hold the Company harmless from any customer damage related to the utility provision of customer information to the CFY Supplier if the CFY Supplier does not have the requisite authority, (ii) make such information available to the CFY Supplier when the customer authorizes the CFY Supplier to have access to the information where such authority to have access to such information shall continue as long as the customer has authorized the CFY Supplier to have such information.

The Commission should adopt the proposal set forth in RGS' Direct Testimony with respect to the provision of equal treatment to customers taking their supply from CFY Suppliers and those receiving utility sales services.

Q. Please comment on Mr. Christ's argument for the changes proposed in Ex. RGS 1.0.

A. NAE supports RGS' proposals. In the context of a larger rate case, proposals from both the RGS group and NAE may seem relatively minor, but such proposals would significantly improve the Companies' CFY program and serve to boost the currently anemic participation rates in the CFY program. As discussed in the RGS testimony (pages 43-44) and echoed in NAE's Direct Testimony, the parties argue for similar treatment of similarly situated parties and equal and reasonable allocation of the use of utility facilities between sales, larger transportation and Choices for You customers.

Q. Does this conclude your rebuttal testimony?

A. Yes.