STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

NORTH SHORE GAS COMPANY	**§**	
	§	**DOCKET NO. 07-0241**
PROPOSED GENERAL INCREASE	**§**	
IN NATURAL GAS RATE	**§**	

THE PEOPLES GAS LIGHT	**§**	
AND COKE COMPANY	**§**	
	§	**DOCKET NO. 07-0242**
PROPOSED GENERAL INCREASE	**§**	
IN NATURAL GAS RATE	**§**	

INITIAL HEARINGS BRIEF OF MULTIUT CORPORATION

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I. INTRODUCTION.

Multiut Corporation is a purchasing representative and agent on behalf of customers on the North Shore Gas Company's (North Shore) and Peoples Gas, Light and Coke Company's (Peoples) (collectively Companies) territory.

The Skokie-based company intervened in these consolidated dockets to oppose the Companies' initial proposal to phase out and eliminate Rider FST (Full Standby Transportation). Rider FST allows Multiut to either buy gas on the open market and transport it to its clients or to buy firm standby gas from the Companies.

This Initial Hearings Brief of Multiut focuses solely on Rider FST which is listed in the Briefing Outline as X. Transportation Issues, C. Large Volume Transportation Program, 1. Rider FST *et seq.*

II. Rider FST.

A. Rider provides full standby transportation service.

Rider FST is a full standby transportation service. Multiut Ex. 1.0 at 3/44. Under the Rider, the Companies guarantee to provide 100 per cent back-up gas to the end use customer. Multiut Ex. 1.0 at 3/44-45. The current Rider FST is comprised of several components. They are:

- A monthly administrative charge assessed each month whether the customer takes any of the Companies standby gas.
- A monthly standby demand charge imposed whether standby gas is delivered or not.

- A standby commodity charge in therms based on delivery of standby gas imposed when gas is delivered.

Exhibit TZ 3.02 and Tr. at 544/18-547/3.

In other words, the Rider FST customer pays the monthly standby administrative charge and the standby demand charge regardless of whether the customer takes any standby gas from the Companies. For example, if Multiut contracts with a third party for gas, the Multiut FST customer pays the Companies these charges for transportation plus Multiut's cost of gas.

When the Multiut FST customer takes the standby gas from the Companies, the customer pays the per therm commodity charge as calculated by the Companies as well as the administrative and standby demand charges.

B. Companies initially proposed to eliminate Rider FST then in surrebuttal decided to retain Rider FST.

The Companies in their initial testimonies (initially Peoples and North Shore offered separate testimony but when the cases were consolidated, the Companies' witnesses filed joint testimony) proposed to eliminate Rider FST after a short transition period.

In their surrebuttal testimony, the Companies withdrew their proposal to eliminate Rider FST. Instead, for the first time, the Companies said they would retain Rider FST but would add several new modifications. The modifications included:

- Require Rider FST customers to inject gas into storage or have the Companies inject gas into storage for the customers.

- Establish a mandatory gas purchase from the Companies plus a penalty charge if the storage level for Rider FST customers is not at least 70 per cent of the customer's allowable bank as of November 30th of each year.
- Establish a mandatory gas sale to the Companies and a penalty charge if the storage level for Rider FST customers is not 35 per cent or less of the customer's allowable bank as of March 31st of each year.
- Restrict the amount of gas that can be transported on any given day.

Each of the above would have an adverse affect on Multiut and its clients. Because the Companies made these proposals in their surrebuttal testimony, Multiut was unable to provide testimony to explain why it opposes these revisions to Rider FST.

C. Multiut' clients all take service under Rider FST.

Multiut provided direct and rebuttal testimony by Nachshon Draiman and Raquel Lavenda opposing the Companies proposal to eliminate Rider FST. Multiut Exhibits 1.0 and 2.0.

Multiut represents 23 customers on the North Shore system whose gas usage ranges from 10,000 to 30,000 therms annually. Multiut Ex. 1.0 at 2/32-33. On the Peoples system, Multiut represents 168 accounts whose usage ranges from 6,000 therms to 480,000 therms annually. Multiut Ex. 1.0 at 2/36-37. These customers include small businesses, health care facilities and apartment complexes. Multiut Ex. 1.0 at 2/39-40.

In the surrebuttal testimony of Mr. Zack, the Companies abandoned their position to eliminate Rider FST and instead, as outlined above, proposed modifying the current Rider FST in several respects, each of which is opposed by Multiut.

D. Companies' proposed modifications to Rider FST have adverse impact on Multiut's customers.

1. Mandatory storage injections.

In the surrebuttal testimony, the Companies propose establishing mandatory storage injections by requiring Multiut to inject gas into the Companies' storage facilities prior to November 30th of each year. Currently under Rider FST, there is no requirement that FST customers store gas in the Companies' storage facilities. The amount of gas that Multiut would be required to inject under this new proposal is 70 per cent of the "allowable bank;" that is, the customer's maximum daily quantity times a Peoples/North Shore pre-selected number of storage days, approximately 29 days. Tr. at 548/14-549/2.

2. Mandatory purchase of gas from the Companies is an unjustified penalty charge.

If Rider FST customers fail to inject gas equal to 70 per cent of the allowable bank into storage, the Companies would charge the customers on November 30th for gas not injected using a calculation to bring the gas in storage to 70 per cent of the customer's allowable bank. The Companies would not purchase or inject gas at this price but rather the charge is a penalty for not meeting the 70 per cent requirement. The price the Companies would charge FST customers for the gas would be the Average Monthly Index Price (AMIP) for the cost of gas at Chicago for November. But that is not enough. In addition, the Companies would add a penalty of 10 per cent onto the AMIP, so that the effective charge is 110 per cent of AMIP. Exhibit TZ 3.02 and 549/14-550/5.

This charge has no relation to any of the Companies' costs or any other factor whatsoever. The Companies conducted no study to determine or to support the validity of the 110 per cent charge. Tr. at 550/6-16. It is purely and simply an arbitrary number that has the effect of penalizing FST customers. Tr. at 550/17-20.

3. Mandatory sale of gas to the Companies also is an unjustified penalty payment.

The Companies would require Multiut to withdraw gas from the Companies storage facilities during the heating season so that only 35 per cent of the "allowable bank" remains in storage by March 31st.

If the FST customers fail to withdraw gas from the Companies storage so that the allowable bank is 35 per cent or less, the Companies will "buy back" all of the gas in excess of 35 per cent at 90 per cent of the AMIP for the month of March. Tr. at 551/10-18. This number has no relationship to what the Rider FST customer paid for the gas when it was injected. As with the penalty for not having 70 per cent in storage as of November 30, the 90 per cent of AMIP penalty is an arbitrary number not supported by any study or analysis. Tr. at 551/16-552/11. In fact, the profit that the Companies will make from imposing the penalties on FST customers will go to the Companies PGA, not transportation customers, Tr. at 556/12-17, creating a subsidy for those customers at the expense of Rider FST customers.

4. Multiut opposes the mandatory sale and purchase of gas from the Companies.

a) Penalty payments not related to costs and subsidize the Companies other customers.

Multiut opposes the Companies 110 per cent November penalty and March 90 per cent penalty. At present, Multiut does not inject gas into storage. Instead, Multiut either purchases gas on the spot market for delivery to its customers or purchases its requirements from the Companies under Rider FST. Multiut Ex. 1.0 at 3/51-58. In this way, Multiut's clients receive lower cost gas. Under the Companies proposal, Multiut would be forced to purchase excess gas in the summer for injection into storage. If Multiut does not inject into storage in the summer, then the Companies will do it for them. The Companies "would fill their [the FST customers] storage by purchasing company gas at 110 percent of the AMIP to reach the 70 percent." Tr. at 557 at 8-13.

In a similar manner, if a customer who does not inject but had gas filled by the Companies at 110 per cent of market in November then has in excess of 35 per cent in mandatory storage at the end of March, the Companies would pay the customer only 90 per cent of market to buy the gas. Tr. at 557/19-558/1. Come the following November, the customer would be charged 110 per cent for gas, so that the Companies could make a 20 per cent spread by buying and selling to the customer the same gas in storage.

b) Companies can prevent customer from injecting into storage.

In addition to the obvious ability of the Companies to profiteer by buying and selling the same gas over and over to FST customers for storage, the Companies have the ability to prevent customers from injecting into storage if there are any deviations from their anticipated usage.

Rider FST customers must nominate the amount of gas delivered each day. Tr. at 553/5-10. However, the Companies under Section H of Rider FST have the ability to restrict these nominations and, have done so in the past. Tr. at 553/3. So the Companies under Section H actually can prevent the customer from withdrawing from storage to get below the 35 per cent floor the Companies require. Tr. at 552/17-21. The Companies also can prevent the customer from injecting into storage if there are any deviations from their anticipated usage.

> These restrictions by the Companies have occurred in the past.
>
> Based on data provided by North Shore and Peoples Gas, we were given three years worth of restriction history for 2004, 2005 and 2006. Out of 1,096 days there were 460 days with restrictions by North Shore and Peoples or 42% of the time.

Multiut Exhibit 1.0 at 5/95-98.

The Companies have not demonstrated why it is necessary for FST customers to inject into storage, nor have the Companies demonstrated with studies or analysis why 70 per cent of the allowable bank must be in storage as of the end of November and why no more than 35 per cent of the allowable bank must be in storage as of the end March. The Companies have not justified the 110 per cent and 90 per cent sell/buyback penalties, so those provisions should be rejected along with the requirement for mandatory storage injections by FST customers.

In addition, Rider FST Section H should be modified so as to prevent the Companies ability to restrict customers from modifying their daily nominations as it has done during 2004, 2005 and 2006.

5. Restrictions of delivery through MDN is contradictory to Companies' proposal for mandatory injections.

The Companies in the surrebuttal also proposed to establish a Maximum Daily Nominations (MDN). The MDN poses real operational problems and is contradictory to the Companies allowable bank requirements. Under Section E of the proposed Rider FST, Exhibit TZ 3.2 at 4, Rider FST customers are restricted in the amount of gas that can be delivered on a daily basis to no higher than the MDN. This restriction applies for the entire year. In other words, on one hand the Companies want Rider FST customers to inject into storage before November 30th while on the other hand, the Companies restrict the amount of gas that can be delivered on any day to the MDN. This has the potential to prevent Rider FST from injecting the required 70 per cent into storage before November 30th, subjecting the Rider FST customers to the 110 per cent forced purchase penalty. Furthermore, as noted above, in addition the Companies can further restrict Rider FST customers from nominating gas to be transported to storage under Section H, a practice that the Companies have done in the past. The end result would be that a Rider FST customer may be unable to fulfill the new mandatory storage injections proposed by the Companies.

III. Conclusion.

For these reasons, Multiut requests that the Final Order require the Companies to continue Rider FST but without the requirement for a mandatory purchase penalties and sale penalties and without the MDN requirement.

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CERTIFICATE OF SERVICE

I, Richard C. Balough, do hereby certify that a true and correct copy of this Initial Hearings Brief of Multiut Corporation was served via electronic means to the Service List in Docket Nos. 07-0241-42 on this 12th day of October 2007.

_____/rcb/___________
Richard C. Balough