

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

North Shore Gas Company)	
)	
Proposed General Increase In Rates For Gas Service)	Docket No. 07-0241
)	
The Peoples Gas Light and Coke Company)	Docket No. 07-0242
)	
)	(cons.)
)	
Proposed General Increase In Rates For Gas Service)	
)	

**REPLY BRIEF OF
CONSTELLATION NEWENERGY-GAS DIVISION, LLC**

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INDEX

	<u>Page</u>
X. TRANSPORTATION ISSUES	1
C. Large Volume Transportation Program.....	1
1. Rider FST	1
2. Rider SST	1
6. Rider P-Pooling	4
a. Pool size limits	4
b. “Super-pooling”	4
7. Operational Issues	5
a. Intraday Allocations and Intraday Nominations .	5
8. Other Large Volume Transportation Issues	5
e. Receipt of Service Classification, Rider, AB, MDQ, and SSP Information	5
XIII. CONCLUSION	7

REPLY BRIEF OF CNE-GAS

Constellation NewEnergy – Gas Division, LLC (“CNE-Gas”), by its attorney, hereby submits to the Illinois Commerce Commission (“Commission”) its Reply Brief in response to the Initial Briefs (“IB”) submitted by the Coalition of Retail Gas Suppliers (“RGS”), the Illinois Industrial Energy Consumers (“IIEC”), Peoples Gas Light and Coke Company (“PGL”) and North Shore Gas Company (“NS”) (jointly referred to as “Peoples”), and Vanguard Energy Services, LLC (“VES”) in the above-captioned proceeding.

X. TRANSPORTATION ISSUES¹

C. Large Volume Transportation Program

- 1. Rider FST**
- 2. Rider SST**

Peoples presents Alternative Rider FST and Revised Rider SST as a reasonable compromise of the significant issues raised by CNE-Gas and other parties seeking service flexibility for transportation customers that approaches the quality of service PGL and NS are able to provide their sales customer. (Peoples IB at 190-191) CNE-Gas disagrees, especially with respect to Revised Rider SST.

In offering Alternative Rider FST and Revised Rider SST in surrebuttal testimony, Peoples did make certain improvements that suppliers find acceptable, however, at that same time Peoples also made other modifications which made these

¹ As required by the ALJs, CNE-Gas' Reply Brief follows the common briefing outline. CNE-Gas takes no position on issues addressed elsewhere in the outline. The CNE-Gas Reply Brief is limited to the issues addressed. The absence of any issue included in CNE-Gas' Initial Brief should not be construed as a change to CNE-Gas' position.

Riders less desirable to transportation customers. Unfortunately, as these modifications were filed in surrebuttal, other parties had little opportunity to respond to these modifications. Among those parties that responded in Initial Briefs to Alternative Rider FST or Revised Rider SST, there was universal opposition to Peoples' proposed daily injection limitations. (CNE-Gas IB, 10-15; IIEC IB at 7-8; Multiut Corporation IB, at 4, 8-9; Vanguard Energy Services IB, at 2-7)

The daily nomination limitations now proposed by Peoples for Rider SST are wholly inconsistent with its proposed seasonal cycling targets. Peoples seeks to require transportation customers to have their Allowable Bank ("AB") 70% full at PGL and 85% full at NS by November 30, yet proposes to place injection limitations, via the daily nomination requirements, that restrict the ability to meet the percent-full targets². As CNE-Gas demonstrated in its Initial Brief, CNEG Zack Cross Exhibit 1 illustrates how Peoples' proposed daily nomination requirements, under normal operating conditions during the injection season, results in actual weekend storage *withdrawals*. Adding the impact of holidays and recognizing the Exhibit assumes perfect knowledge of actual usage, CNE-Gas clearly showed the infeasibility of Peoples' proposed daily nomination limitations for Rider SST.

Further, a customer could not realistically inject gas into storage at the high pace assumed since making the maximum injection would allow no tolerance to avoid daily Imbalance Account Charges for injections above the limit. If a supplier prudently planned for even a 5% cushion in order to avoid the costly imbalance penalties of \$0.10 per therm, the ability to inject at the level required in order to meet the proposed seasonal cycling targets is even more compromised than demonstrated by the Exhibit. A prudent

² CNE-Gas continues to object to Peoples' proposed seasonal cycling requirements.

supplier would likewise, in order to avoid forced purchase of a deficit or excess quantity at 90% or 110% of the Average Monthly Index Price (“AMIP”), strive to remain on the safe side of any seasonal target level.

Other utilities recognize this dilemma and, rather than employ a daily injection limit, use a Maximum Daily Nomination (“MDN”) requirement that is based upon prior year monthly usage history plus a percent of the customer’s storage bank. For example, Northern Illinois Gas Company (“Nicor”) allows daily deliveries based upon a MDN equal to the prior year usage from the same month (on an equal daily basis), plus 25% of the customer storage bank depending upon the month. (VES IB at 4-5) This is similar to Peoples’ proposed Rider FST in surrebuttal testimony. An MDN-based limitation allows storage to be filled by the customer, while offering protection to the utility from excessive injections. In contrast, Peoples’ proposed Rider SST daily nomination limits do not provide transportation customers adequate opportunity to fill their AB since a customer must first account for daily imbalances and, only if gas remains, may then inject that quantity into storage. Under Peoples’ proposal, suppliers will be unable to plan storage injections, but rather will remain uncertain until days later as to how much gas, if any, was actually injected into customer storage.

Although the difference between an MDN requirement, as Peoples’ proposes for Rider FST, and the daily nomination limit included in proposed Rider SST may appear inconsequential, it is a critical distinction for transportation customers. MDN is based upon a known quantity, while the proposed Rider SST requirement limit is a projected amount that must first be used to reconcile any imbalances before it is, after the fact, applied for storage injections.

IIEC and VES also offered alternatives to Peoples' proposed daily nomination limit for Rider SST. (IIEC IB at 7-8; VES IB at 2-7) CNE-Gas finds the positions taken on Rider SST injection requirements by either IIEC and VES acceptable and urges the Commission to adopt the recommendations of either the IIEC, VES or CNE-Gas on this issue. Similarly, CNE-Gas also finds the recommendation of VES regarding injection requirements for Rider FST to be acceptable.

C.6. Rider P-Pooling

a. Pool size limits

In its Initial Brief, Peoples states that “Suppliers frequently change the make-up of their pools as they move customers in and out of them.” (Peoples IB at 194) Peoples has provided no evidence in this proceeding concerning the frequency with which suppliers change customers in their pools, and did not establish what constitutes frequent movement in and out of pools. CNE-Gas submits the absence of any cap on pool size would in fact decrease the frequency of suppliers moving customers between pools. In any event, Peoples' baseless assertion must be ignored.

b. "Super pooling"

Peoples claims that CNE-Gas' Super Pooling proposal includes several unspecified measures. (Peoples IB at 194) Peoples is incorrect. Just as Peoples revised its original position on Super Pooling, in rebuttal testimony CNE-Gas likewise modified its original Super Pooling proposal. As a compromise, CNE-Gas modified its initial Super Pooling proposal to limit Super Pooling to the following three specified measures only: 1) compliance with cycling target levels, 2) application of unauthorized use

penalties on Critical Days and 3) application of imbalance account charges on Supply Surplus Days. (CNE-Gas Exhibit 2.0, lines 221-231)

C.7. Operational Issues

a. Intraday Allocations and Intraday Nominations

Peoples has suggested that CNE-Gas' testimony in *Northern Illinois Gas Company ("Nicor")*, Docket No. 04-0779, listing utilities that offer intraday nominations was in error because it included Peoples. (Peoples IB at 197; Tr. 775-776) As NS/PGL Oroni-Rozumialski Cross Exhibit 2 makes clear, Mr. Oroni's testimony in *Nicor* merely stated that Peoples allows intraday nominations. That is a correct statement. Peoples currently allows intraday nominations on a very limited basis and with significant restrictions. (NS/PGL Exhibit TEZ 3.0, lines 429-430; CNE-Gas Exhibit 1.4) Although Peoples does not universally accept intraday nominations, it does accept some intraday nominations and, accordingly, Peoples properly was included in CNE-Gas' list in the *Nicor* case. Peoples' allegation is both incorrect, irrelevant, and it has no bearing what so ever on the credibility of CNE-Gas' witnesses.

Rather than continue to restrict intraday nominations in an ad hoc manner that permits it to unduly discriminate among shippers in granting intraday nominations, Peoples should accept intraday nominations from all third-party suppliers, including those serving transportation customers.

C.8. Other Large Volume Transportation Issues

e. Receipt of Service Classification, Rider, AB, MDQ, and SSP Information

All parties agree that Peoples will make a customer's service classification and rider, MDQ, SSP and AB information available to a supplier. The issue before the

Commission is *when* Peoples will provide such data. The record includes three separate options:

- Peoples' current practice makes customer data available once the customer's gas is active and flowing in the supplier's pool. (NS/PGL Exhibit TZ 2.0, lines 1386-1387)
- Peoples has agreed, subject to Commission approval, to make customer data available once Peoples has accepted and processed the customer enrollment request. (Peoples IB at 201)
- All suppliers agree this information should be made available upon proper customer authorization. VES' proposal effectively accomplishes this via the Customer Usage Data Contract. This may occur before a customer is actually enrolled in a supplier pool. (VES IB at 9-10; RGS IB at 23)

Although CNE-Gas could accept Peoples' proposal as a step in the right direction (CNE-Gas IB at 39), VES' proposal to provide this customer data constitutes proper customer authorization and provides the data to suppliers in a timely manner. Suppliers already obtain usage history through the Customer Usage Data Contract. As this data is not sensitive credit or payment information, VES' proposal is a reasonable, verifiable approach that CNE-Gas supports. Although Peoples has agreed to make this information available after accepting customer enrollment, it should make this information available upon proper customer authorization and not only after enrollment is accepted by Peoples. (NS/PGL Exhibit TEZ 3.0, lines 727-736)

XIII.
CONCLUSION

WHEREFORE, CNE-Gas respectfully requests that the Commission enter an order consistent with the positions taken in CNE-Gas' Initial and Reply Briefs.

Respectively submitted,

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