

DIRECT TESTIMONY

OF

MARK MAPLE

Senior Gas Engineer  
Engineering Department  
Energy Division  
Illinois Commerce Commission

Northern Illinois Gas Company

d/b/a Nicor Gas Company

Proposed General Increase in Gas Rates

DOCKET NO. 08-0363

August 27, 2008

1 Q. Please state your name and business address.

2 A. My name is Mark Maple and my business address is Illinois Commerce  
3 Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by the Illinois Commerce Commission ("Commission") as a  
6 Senior Gas Engineer in the Engineering Department of the Energy  
7 Division.

8 Q. Please state your educational background.

9 A. I hold a Bachelor of Science degree in Mechanical Engineering and a  
10 minor in Mathematics from Southern Illinois University - Carbondale. I  
11 also received a Master's degree in Business Administration from the  
12 University of Illinois at Springfield. Finally, I am a registered Professional  
13 Engineer Intern in the State of Illinois.

14 Q. What are your duties and responsibilities as a Senior Gas Engineer in the  
15 Engineering Department?

16 A. My primary responsibilities and duties are in the performance of studies  
17 and analyses dealing with the day-to-day, and long-term, operations and  
18 planning of the gas utilities serving Illinois. For example, I review  
19 purchased gas adjustment clause reconciliations, rate base additions,  
20 levels of natural gas used for working capital, and utilities' applications for  
21 Certificates of Public Convenience and Necessity. I also perform utility  
22 gas meter test shop audits.

23 Q. What is the purpose of this proceeding?

24 A. On April 29, 2008, Northern Illinois Gas Company, d/b/a Nicor Gas  
25 Company ("Nicor Gas") filed tariffs that requested Commission approval to  
26 increase its natural gas rates.

27 Q. What are your duties and responsibilities associated with this docket?

28 A. I was assigned to review the reasonableness of certain aspects of Nicor  
29 Gas' filing. In particular, I reviewed Nicor Gas' additions to plant in service  
30 and its leased natural gas storage contracts.

31 Q. What recommendations are you making in this proceeding?

32 A. I recommend that the Commission reduce Nicor Gas' plant in service by  
33 \$18,900,000. I also recommend that Nicor Gas provide more information

34 in its rebuttal testimony regarding the renewal of one of its leased storage  
35 contracts.

36 **Additions to Plant in Service**

37 Q. Has Nicor Gas made any capital additions to its plant in service  
38 since its last rate case?

39 A. Yes. Nicor Gas' Schedule F-4 shows a list of the eleven largest  
40 additions to plant that 1) have been completed since the last rate  
41 case, 2) are in the process of being completed, or 3) are forecast to  
42 be initiated and completed by the end of the test year.

43 Q. What standard must Nicor Gas follow to include new capital  
44 additions into its rates?

45 A. The capital additions must be found to be used and useful.

46 Q. What do you mean by "used and useful"?

47 A. Section 9-211 of the Public Utilities Act ("Act") states as follows:

48 The Commission, in any determination of rates or charges,  
49 shall include in a utility's rate base only the value of such  
50 investment which is both prudently incurred and used and  
51 useful in providing service to public utilities customers. (220  
52 ILCS 5/9-211).

53 Further, the Act provides a definition of used and useful in Section 9-212  
54 that states:

55  
56 A generation or production facility is used and useful only if,  
57 and only to the extent that, it is necessary to meet customer  
58 demand or economically beneficial in meeting such demand.  
59 (220 ILCS 5/9-212).

60 Q. Did your review find that all of these projects will be used and  
61 useful in the test year and, thus, should be allowed into base rates?

62 A. No. There are two additions that I do not believe will be used and  
63 useful by the end of 2009 and, thus, should be disallowed. One  
64 project is line item #3 – “Land and Building for Central Distribution  
65 Center and Meter Shop” at a completion cost of \$13 million. The  
66 other project is line item #8 – “Land and Building for Northern  
67 Region Reporting Center” at a completion cost of \$5.9 million.

68 **Central Distribution Center & Meter Shop**

69 Q. What is Nicor Gas’ stated purpose for its proposed Central  
70 Distribution Center and Meter Shop project?

71 A. According to Nicor Gas’ Work Papers (F-4) 4, the Company wants  
72 to consolidate its central distribution center, Elgin weld school,  
73 meter shop, technical services, and technical training operations

74 into one location.

75 Q. Would the consolidation be economically beneficial in meeting  
76 customer demand?

77 A. Not that I am aware of; Nicor Gas has not demonstrated that  
78 customers will realize any savings from this consolidation. When  
79 Staff asked Nicor Gas to itemize the cost savings, the Company  
80 was unable to identify even one way that this project would  
81 economically benefit ratepayers (Co. Resp. to Staff DRs MEM 1.22  
82 & 1.26).

83 Q. Does Nicor Gas need this new facility to meet customer demand  
84 and provide safe and reliable service?

85 A. No. Nowhere in Nicor Gas' 285 filing or its answers to Staff DRs  
86 does the Company suggest that any of its current facilities are in  
87 disrepair, obsolete, or otherwise in need of replacement. I have no  
88 reason to believe that the current facilities are inadequate to  
89 provide safe and reliable service.

90 Q. Did Nicor Gas provide ample support for this project in its  
91 testimony?

92           A.     No. The only supporting documentation that Nicor Gas provided  
93                    was a ten page “slide show.” (Section 285.6100, WP (F-4) 4).  
94                    Nowhere in this document does the author explain why the project  
95                    is needed, how it will benefit ratepayers, or what will happen if the  
96                    facility is not built. It is nothing more than a timeline of events, a  
97                    few crude drawings of the building’s dimensions, and a preliminary  
98                    financial analysis from the Company’s position. Nicor Gas has  
99                    completely failed to justify the \$13 million cost of this project.

100          Q.     If Nicor Gas had provided a more detailed study to support this  
101                    project which demonstrated that the project is necessary to meet  
102                    customer demand or would benefit customers, would you have  
103                    supported its inclusion into the rate base?

104          A.     No. Nicor Gas’ current estimate is that this project would be  
105                    completed by the end of 2009. However, given the information that  
106                    I reviewed, I am forced to conclude that this project is nothing more  
107                    than a pipe dream at this point – Nicor Gas has not selected or  
108                    purchased the site, does not have any detailed drawings for the  
109                    building, and has not even broken ground on the facility. With the  
110                    information I currently have, there is no reason to believe that this  
111                    facility will be in operation by the end of 2009 and, thus, it should

112 not be allowed into rates.

113 Q. Has Nicor Gas given you any analysis explaining how it has or will  
114 select the site for this project?

115 A. No. I asked for such an analysis in Staff DR MEM 1.29, but Nicor  
116 Gas responded that it has not yet selected a site, and so cannot  
117 provide me with any information to review.

118 Q. Has Nicor Gas given you an updated financial analysis of this  
119 project?

120 A. No. I asked for such an analysis in Staff DR MEM 1.30 and asked  
121 for it to be updated monthly. In its response to this data request,  
122 Nicor Gas acknowledges that it has not provided me with any  
123 information relating to the financial analysis of this project.

124 Q. Has Nicor Gas given you a detailed layout of the proposed facility?

125 A. No. I asked for this information in Staff DR MEM 1.31. However,  
126 Nicor Gas has not yet finished its preliminary building layout plans,  
127 and so has nothing to provide to Staff.

128 Q. Why is it important for Staff to review a detailed layout of the

129 proposed facility?

130 A. One of Staff's normal duties is to ensure that all Illinois gas utilities  
131 operate their metershops in compliance with 83 Illinois  
132 Administrative Code Part 500, Standards of Service for Gas  
133 Utilities ("Part 500"). Part 500, among other things, specifies the  
134 way a metershop should be set up and operated to ensure  
135 accurate meter tests. Before any utility substantially alters or  
136 constructs a new metershop, it would be wise for that utility to  
137 consult with Staff to ensure that the new design will conform to all  
138 applicable standards.

139 In this instance, Nicor Gas has not made any attempt to consult  
140 with, or even notify Staff about this new metershop outside of listing  
141 the project on Schedule F-4. Nicor Gas' response to Staff DR  
142 MEM 1.31 states "[t]he Meter Shop will be designed to meet all  
143 aspects of the 83 Illinois Administrative Code Part 500. We will be  
144 working with the ICC inspectors during the construction and move  
145 phase of this project." This shows that even Nicor Gas  
146 acknowledges that Staff's input is crucial to the project. Even if  
147 Nicor Gas had demonstrated that the project were necessary to  
148 provide service or would be beneficial to customers, in the absence  
149 of plans, drawings, or cost analyses, the costs of this proposed

150 plant addition cannot be blindly added to rate base.

151 Q. What is your recommendation regarding the Central Distribution  
152 Center and Meter Shop project?

153 A. I recommend that the Commission find that this facility will not be  
154 used and useful in the test year and remove its \$13 million cost  
155 from the proposed rate base.

156 **Northern Region Reporting Center**

157 Q. What is Nicor Gas' stated purpose for its proposed Northern  
158 Region Reporting Center project?

159 A. According to Nicor Gas witness D'Alessandro, "This project will  
160 replace an existing field operations center, and will consist of  
161 building space of approximately 22,000 square feet, located on  
162 approximately 5 acres of land." (Co. Ex. 3.0, p. 24).

163 Q. Why does Nicor Gas need this new building?

164 A. I do not know. All of the supporting documentation provided by  
165 Nicor Gas in its Schedule F-4 work papers simply showed how it  
166 went about selecting a site and the resulting economic analysis of  
167 various buy versus lease options. Nicor Gas offered absolutely no

168 support for why it needs a new building.

169 Q. Did you ask Nicor Gas why the existing site is not adequate to meet  
170 the Company's needs?

171 A. Yes, I did so with Staff DR MEM 3.05. Nicor Gas responded that  
172 there is insufficient space at the current reporting facility.

173 Q. How does the size of the current facilities compare to the planned  
174 facility?

175 A. The new building will actually be *smaller* than the current buildings.  
176 The current reporting center is 27,000 square feet and there is a  
177 separate meter reading facility of unknown size. Nicor Gas is  
178 planning to consolidate these two operations into one building with  
179 22,000 square feet of space. (Co. Ex. 3.0, p. 24).

180 The old reporting center is on 1.77 acres of land. The new facility  
181 was planned to be built on 5 acres of land. Nicor Gas claimed in its  
182 response to Staff DR MEM 3.05 that "[t]he Company's assessment  
183 of space requirements for current and future operations shows that  
184 a site of approximately 4 to 5 acres is needed."

185 Q. Why would Nicor Gas need 4 to 5 acres of land if the current

186 building is larger than the proposed building?

187 A. The Company provided no studies or documentation showing why  
188 it needs 4 to 5 acres of land, or why the current facility is  
189 inadequate. In my opinion, based on the information available to  
190 me, Nicor Gas would not need more land for a new, smaller  
191 building than is necessary for the current facilities.

192 Q. Will the proposed building be large enough to accommodate both  
193 the reporting center and the meter reading facility?

194 A. I do not know. The Company provided no plans, drawings, or  
195 studies showing how much space is needed. As I stated earlier,  
196 although Nicor Gas provided the size of the current reporting  
197 center, it did not provide plans, drawings, or studies to show how  
198 that space is utilized. Nicor Gas provided no information about the  
199 current meter reading facility.

200 Q. Does Nicor Gas have a site picked out for the proposed  
201 construction?

202 A. No. When Nicor Gas witnesses submitted their direct testimony,  
203 the Company had selected what it thought was an adequate site.  
204 However, Nicor Gas has since determined that this site may no

205 longer be suitable. (Co. Resp. to Staff DR MEM 1.08). Now Nicor  
206 Gas must begin the site selection process again, and may not have  
207 a site picked out until the end of 2008. (Co. Resp. to Staff DR  
208 MEM 3.07).

209 Q. Can Staff adequately evaluate this project for which Nicor Gas has  
210 provided no supporting documentation, no physical site, and thus  
211 no accurate final cost analysis?

212 A. Absolutely not. Nicor Gas has shown no need for the project. It is  
213 also questionable whether or not the facility would even be in  
214 operation by the end of 2009. Even if it were to be in operation,  
215 Nicor Gas has not demonstrated that it is used and useful or would  
216 be beneficial and thus a good expenditure of ratepayer resources.

217 Q. What is your recommendation regarding this project?

218 A. I recommend that the Commission find that this facility will not be  
219 used and useful in the test year and remove its \$5.9 million cost  
220 from the proposed rate base.

221 **Leased Storage**

222 Q. Did you review the leased storage contracts that Nicor Gas has in

223 place with various natural gas pipeline operators?

224 A. Yes.

225 Q. Are there any contracts that expire during the test year?

226 Q. Yes, there is one leased storage contract with Natural Gas Pipe  
227 Line Company of America (“NGPL”) that expires on March 31,  
228 2009. This contract is a Nominated Storage Service (“NSS”) with a  
229 maximum working gas volume of 13,000,000 MMBtu (Section  
230 285.6300, Schedule F-8).

231 Q. Does Nicor Gas intend to renew this contract for the same volumes  
232 and terms as the current contract?

233 A. Yes, according to Nicor Gas Witness Gary Bartlett’s response to  
234 Staff DR MEM 1.32.

235 Q. When does Nicor Gas expect to finalize its negotiations with NGPL  
236 for the renewal of this contract?

237 A. According to Nicor Gas Witness Gary Bartlett’s response to Staff  
238 DR MEM 1.33, the Company expects to complete negotiations by  
239 the end of the third quarter of 2008.

240 Q. Do you need Nicor Gas to provide you with updated information  
241 regarding the status of this contract?

242 A. Yes, I would like Nicor Gas to provide an update regarding the  
243 status of this contract in its rebuttal testimony. Nicor Gas will file  
244 rebuttal testimony at the very end of the third quarter of 2008,  
245 meaning that negotiations with NGPL should be near or at  
246 completion for the NSS contract. I want Nicor Gas to demonstrate  
247 that the final negotiated price, terms and volumes have not  
248 changed from the previous contract. If they have changed, Nicor  
249 Gas should explain the changes and the reasons for such changes.

250

251 Q. Are you making any adjustments based on Nicor Gas' leased  
252 storage contracts?

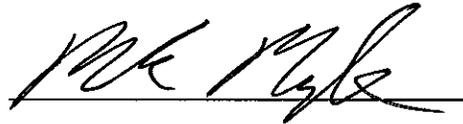
253 A. No, not at this time. However, I reserve the right to make  
254 adjustments to the working gas in storage volumes if Nicor Gas  
255 testifies in its rebuttal testimony that it has negotiated a new NSS  
256 contract with NGPL that is different than what it is currently  
257 projecting for the test year.

258 Q. Does this conclude your prepared direct testimony?

259           A.    Yes, it does.

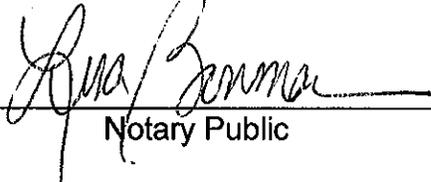
**VERIFICATION**

I, Mark Maple, being first duly sworn, depose and state that I am a Senior Gas Engineer in the Engineering Department of the Energy Division of the Illinois Commerce Commission; that I sponsor the foregoing Direct Testimony of Mark Maple; that I have personal knowledge of the information stated in the foregoing Direct Testimony; and that such information is true and correct to the best of my knowledge, information and belief.



Mark Maple

Subscribed and sworn to before me  
this 27th day of August, 2008.

  
\_\_\_\_\_  
Notary Public