

REBUTTAL TESTIMONY

OF

MARK MAPLE

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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

October 23, 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. Are you the same Mark Maple who previously filed direct testimony in this
5 docket?

6 A. Yes.

7 Q. What did you recommend in your direct testimony?

8 A. I recommended that the Commission reduce Nicor Gas' plant in service
9 by \$18,900,000 due to two building projects that I determined would not
10 be used and useful in the test year. I also recommended that Nicor Gas
11 provide more information in its rebuttal testimony regarding the renewal of
12 one of its leased storage contracts.

13 Q. Has Nicor's rebuttal testimony caused you to change your adjustments?

14 A. No, I am still advocating my original position, for reasons I will explain

15 below.

16 **Additions to Plant in Service**

17 Q. What adjustments did you make to rate base in your direct testimony?

18 A. I identified two additions that I did not believe will be used and useful by
19 the end of 2009 - the Central Distribution Center (“CDC”) at a completion
20 cost of \$13 million, and the Northern Region Reporting Center (“NRRC”)
21 at a completion cost of \$5.9 million.

22 Q. Did Nicor address your proposed adjustments regarding the CDC and the
23 NRRC?

24 A. Yes. Nicor witness Mr. D’Alessandro provided rebuttal testimony to
25 support the Company’s assertion that both projects are necessary and will
26 be used and useful in the test year.

27 Q. Has Mr. D’Alessandro’s rebuttal testimony changed your position
28 regarding these two projects?

29 A. No, I am still recommending that both projects be removed from base

30 rates. While Nicor Gas provided a list of things that could be improved
31 upon for both facilities, it still has not explained how any of the current
32 facilities are inadequate or how the new facilities will be less expensive.
33 In fact, all of the current facilities are in use today and are quite adequate
34 in meeting the needs of the Company and the customers.

35 **Used and Useful Standard**

36 Q. Mr. D'Alessandro stated in his rebuttal testimony that your reliance on
37 Section 9-212 of the Public Utilities Act was improper because that
38 section only applies to facilities that generate electricity or produce natural
39 gas. Do you agree with Mr. D'Alessandro's opinion?

40 A. No. While I do agree that Section 9-212 has the specific wording that Mr.
41 D'Alessandro discussed, the Commission has interpreted it for a much
42 broader application. For instance, in a rate case for Peoples Gas, Staff
43 witness Gunnard Kluck applied the definition of used and useful from
44 Section 9-212 to his adjustment of an automatic meter reading system
45 (Docket No. 91-0586, Rebuttal Testimony of Gunnard Kluck, pp. 3-15).
46 This system neither generated electricity nor produced natural gas, as Mr.
47 Kluck acknowledged. Nevertheless, he deemed it appropriate to apply
48 the used and useful standard to any investment made by a utility. The

49 Commission agreed with Mr. Kluck's application of Section 9-212 and
50 adopted his recommended disallowance of the meter reading system
51 (Docket No. 91-0586, ICC Order, pp. 7-9).

52 Staff has continued to apply this standard in its rate case reviews. If the
53 Commission were to use the narrow definition of used and useful
54 proposed by Mr. D'Alessandro, there would never be any oversight for the
55 vast majority of utility investments and projects. The Commission would
56 be powerless to prevent the rate base inclusion of any unnecessary
57 building, computer system, vehicle fleet, or other expense that was not
58 used to directly produce natural gas. Common sense makes it clear that
59 this is not the intent of the Public Utilities Act. The Commission's action in
60 Docket No. 91-0586 echoes that reasoning.

61 Q. Did your entire arguments against the CDC and NRRC projects hinge on
62 the fact that they were not economically advantageous to ratepayers, as
63 Mr. D'Alessandro alludes to on page 3 of his rebuttal testimony?

64 A. No. I expressed numerous concerns about the projects, including the lack
65 of demonstrated need for the projects and the ability of Nicor Gas to finish
66 the projects within the test year. It would not be fair to ratepayers to
67 charge them for two projects that fail to serve any pressing Company

68 need, or to include the expenses in rates which will possibly be in effect
69 before either of the facilities has been constructed. The fact that these
70 projects are also more costly than the alternative of using the current
71 facilities that adequately serve Nicor Gas is just one more reason to
72 oppose these two projects.

73 **Central Distribution Center & Meter Shop**

74 Q. One of the main arguments that Mr. D'Alessandro made for the CDC is
75 that the current facilities are too small and need to be expanded. Do you
76 agree with the examples that he gave regarding this need for additional
77 space?

78 A. No. Mr. D'Alessandro stated that "Some meters currently must be stored
79 outside due to lack of available indoor space. As our natural gas system
80 continues to grow, more space will be required to store new and used
81 meters" (Co. Ex. 18.0, p. 7). However, I believe this is a deliberately
82 misleading attempt to convince the Commission there is no room in the
83 current meter shop, when in fact there is plenty of open space. In
84 response to a data request ("DR") which asked the Company about the
85 meters it was storing outside, Nicor Gas responded that it only stores
86 retired meters scheduled to be disposed of by a waste re-claimer (Co.

87 Resp. to Staff DR MEM 6.03). Thus, although Mr. D'Alessandro's
88 testimony implied that new and used meters had nowhere to be stored
89 indoors, that is not the case.

90 It is common practice for all meter shops to store retired junk meters
91 outside and has nothing to do with Nicor Gas being out of usable space.
92 In fact, I have been to Nicor Gas' meter shop more than a dozen times
93 and can attest that there is more room there than ever before as older
94 equipment has been removed or replaced with smaller and fewer pieces
95 of new equipment. Mr. D'Alessandro's arguments simply lack merit.

96 Q. What other evidence do you have that space is not an issue at the current
97 meter shop?

98 A. The current meter shop is 42,975 square feet (Co. Resp. to Staff DR
99 MEM 6.01). The portion of the new building designated for the meter
100 shop is only 20,000 square feet (Co. Ex. 18.5-B, p. 8). Nicor Gas' solution
101 to a lack of current space – which does not really exist in the first place –
102 is to move into an area less than half the size of the current facility. This
103 demonstrates that open space is clearly not a concern for Nicor Gas.

104 Q. Mr. D'Alessandro admits that even though Nicor Gas has an obligation to

105 construct and operate the meter shop in accordance with 83 Illinois
106 Administrative Code Part 500, which is enforced by Staff, Nicor Gas has
107 not yet had any discussions with Staff about the construction or design
108 plans for the meter shop (Co. Ex. 18.0, pp. 8-9). Are you satisfied with his
109 statement that Nicor Gas will involve Staff as it proceeds with the planning
110 of the meter shop?

111 A. No. Clearly the planning has already begun, to the point that Nicor Gas
112 has chosen the size and location of the meter shop partition. One of the
113 issues Staff is concerned about is the ability for the meter testing room to
114 be a very stable temperature controlled environment. Placing the meter
115 shop on an exterior wall or giving it windows or high traffic doorways can
116 make it extremely difficult, if not impossible, to obtain a constant
117 temperature necessary for testing. With a little over a year before Nicor
118 Gas supposedly moves into this facility, now is the time that Nicor Gas
119 should be eliciting Staff's opinions on these basic design issues.
120 Consultation with Staff during the design phase is advisable in order to
121 avoid concerns Staff may have regarding compliance with the
122 Administrative Code requirements. The fact that Nicor Gas has not
123 contacted Staff shows either that its accelerated time table is unrealistic or
124 that the Company does not intend to consult with Staff regarding the
125 design.

126 Q. Has the cost of the CDC project increased over Nicor Gas' original
127 estimate?

128 A. Yes, according to page 8 of Mr. D'Alessandro's rebuttal testimony, the
129 projected cost has almost doubled, from \$13 million to \$22.4 million.

130 Q. Is it accurate to say that Nicor Gas is only seeking to recover \$13 million
131 in its proposed revenue requirement?

132 A. It is true that only \$13 million of this project is included in the Company's
133 revenue requirements for this case. However, the Company will most
134 certainly seek recovery of the remaining \$9.4 million in its next rate case,
135 or possibly even more money if the final cost exceeds the most recent
136 estimate. Mr. D'Alessandro's statement that Nicor Gas is not seeking
137 recovery of the full project implies that Nicor Gas is somehow giving
138 customers a break by footing part of the bill. In fact, the almost doubling
139 of the estimated project cost would result in dramatically increased costs
140 being passed onto ratepayers, when Nicor Gas files its next rate case in a
141 few years.

142 Q. One of Mr. D'Alessandro's justifications for the new CDC is the need for
143 more document storage space. Do you see this as a pressing need?

144 A. No. First of all, Nicor Gas can store many documents electronically, and
145 apparently does so according to its response to Staff DR MEM 7.04.
146 From that response, it appears that there are additional paper documents
147 that Nicor Gas currently retains that could be converted to electronic
148 format, saving additional space. Nicor Gas claims it would take a
149 “significant investment in labor, time, and technology” to convert these
150 documents. However, I think that expense of time and money would be
151 significantly less than the expense to construct a new multi-million dollar
152 facility. Finally, Nicor Gas states that there are a large number of
153 documents that have Do Not Destroy Directives and Legal Holds applied
154 to them. From my own involvement in ICC Docket No. 02-0067 and
155 related cases, I believe that many of those documents are related to the
156 pending Performance Based Rates investigation. The legal holds on
157 those documents will expire when those proceedings are resolved. I see
158 no reason to build a new document retention facility based on a number of
159 documents that will disappear in a few years.

160 **Northern Region Reporting Center**

161 Q. Mr. D’Alessandro attempted to justify the new NRRC in his rebuttal
162 testimony. Did you find his arguments compelling?

163 A. No.

164 Q. Mr. D'Alessandro stated on page 4 of his rebuttal testimony that one
165 concern with the current reporting center site was that Nicor Gas' lease
166 with the City of Park Ridge was both short-term and could be terminated
167 by the City on short notice. Do you share Mr. D'Alessandro's concern in
168 this regard?

169 A. No. Mr. D'Alessandro responded to Staff DR MEM 7.01 by saying that
170 Nicor Gas did not have any reason to believe that the City of Park Ridge
171 would terminate the lease in the near future. Additionally, he responded
172 to Staff DR MEM 7.02 to say that Nicor Gas has a short-term lease by
173 choice, and that it had no interest in seeking a longer lease. For Nicor Gas
174 to allege that the current lease is somehow problematic is ridiculous since
175 it seems to have gotten what it desired, a short-term lease. I see nothing
176 to indicate that the current facility would suddenly become unavailable to
177 Nicor Gas if it chose to stay.

178 Q. Is Mr. D'Alessandro correct when he says, "our study results show owning
179 a facility is preferable to leasing," on page 4 of his rebuttal testimony?

180 A. I think Mr. D'Alessandro was making the assumption that the decision to

181 construct a new building had already been made. In that case, it is true
182 that Nicor Gas' analysis shows building a new facility is preferable to
183 leasing a new facility over the long run. However, what Mr. D'Alessandro
184 fails to discuss is that in all likelihood, the most cost effective option is to
185 simply continue to lease the current facility.

186 Q. Has the cost of the NRRC project increased over Nicor Gas' original
187 estimate?

188 A. Yes, according to page 5 of Mr. D'Alessandro's rebuttal testimony, the
189 projected cost has more than doubled, from \$5.9 million to \$12.5 million.

190 Q. Is it accurate to say that Nicor Gas is only seeking to recover \$5.9 million
191 in its proposed revenue requirement?

192 A. It is true that only \$5.9 million of this project is included in the Company's
193 revenue requirements for this case. However, in its next rate case, the
194 Company will most certainly seek recovery of the remaining \$6.6 million or
195 possibly even more money if the final cost exceeds the most recent
196 estimate. Just as with the CDC project, Mr. D'Alessandro's statement that
197 Nicor Gas is not seeking recovery of the full project implies that it is
198 somehow giving customers a break by footing part of the bill, when in fact,

199 the more than doubling of the estimated project cost will eventually be
200 included in rates.

201 Q. Is Nicor Gas planning to construct an NRRC facility that is larger than
202 needed?

203 A. It certainly appears that way. According to Mr. D'Alessandro's exhibit
204 18.3, the floor plan shows that a full quarter of the building is designated
205 "future office area." This implies that the space will be vacant for an
206 indeterminate period of time. Nicor Gas has not said why it needs this
207 additional space or when it would be filled. The logical conclusion is that if
208 Nicor Gas constructed a building that was 25% smaller, the costs would
209 likely be significantly cheaper.

210 **Leased Storage**

211 Q. In your rebuttal testimony, you asked Nicor Gas to provide an update on
212 its negotiations with Natural Gas Pipeline Company of America ("NGPL")
213 for a leased storage service. Did Nicor Gas provide this update?

214 A. Yes, Company witness Gary Bartlett addressed my concerns on pages 6-
215 7 of his rebuttal testimony (Co. Ex. 19.0). Mr. Bartlett stated that Nicor

216 Gas recently completed negotiations with NGPL that resulted in a new
217 leased storage contract that had no changes to the volume or price from
218 the current contract.

219 Q. Do you have any other concerns about Nicor Gas' contracts with NGPL?

220 A. No, I am satisfied with the Company's response. I have no adjustments
221 related to this issue.

222 Q. Does this conclude your prepared rebuttal testimony?

223 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 Rebuttal Testimony of Mark Maple; that I have personal knowledge of the information stated in the foregoing Rebuttal Testimony; and that such information is true and correct to the best of my knowledge, information and belief.



Mark Maple
Senior Gas Engineer
Illinois Commerce Commission

Subscribed and sworn to before me
this 23rd day of October, 2008.



Notary Public

