

BEFORE THE
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company D/B/A)
Nicor Gas Company)
Proposed general increase in rates,) Docket No. 08-0363
)
and revisions to other terms and)
conditions of service.)

**DIRECT TESTIMONY OF
JAMES L. CRIST**

President, Lumen Group

ON BEHALF OF

THE CUSTOMER SELECT GAS SUPPLIERS

**INTERSTATE GAS SUPPLY OF ILLINOIS, INC.
AND DOMINION RETAIL, INC.**

OFFICIAL FILE

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1 **Q. Please state your name and business address, and identify on whose behalf**
2 **you are testifying?**

3 A. I am James L. Crist, President of Lumen Group, Inc. a consulting firm focused on
4 regulatory and market issues, located at 4226 Yarmouth Drive, Suite 101, Allison
5 Park, Pennsylvania 15101. I am presenting testimony on behalf of Interstate Gas
6 Supply of Illinois, Inc. ("IGS") and Dominion Retail, Inc. ("Dominion"), jointly
7 known as the Customer Select Gas Suppliers.

8

9 **Q. What is the purpose of your testimony?**

10 A. My testimony provides an outline of the steps that the Illinois Commerce
11 Commission ("Commission") should take in this proceeding to further its goal of
12 delivering the benefits of competition to residential and small commercial
13 customers. There are a number of issues pertaining to the operational
14 requirements that Nicor Gas Company ("Nicor") places on Customer Select
15 suppliers along with the treatment of costs connected with the Customer Select
16 program. The Commission's overall objective should be to promote fairer rules
17 that will create a level playing field with Nicor system supply or "Sales" service
18 and transportation service, so that the customers of Nicor can experience the
19 benefits of Customer Select. My testimony guides the Commission through the
20 various improvements that will remove obstacles from customers' ability to make
21 fair and informed choices regarding their gas supplier along with improving the
22 customer experience.

23

24

I.

25

QUALIFICATIONS AND BACKGROUND

26

27 Q. Please summarize your qualifications.

28 A. I have nearly thirty (30) years of experience in the energy markets. Currently, I
29 run a consulting practice that for the past 14 years focused on developing
30 regulated and deregulated energy company strategies, market strategies, and
31 regulatory issues. During 2004 and 2005, I undertook a consulting assignment as
32 the Vice President of Consumer Markets for ACN Energy. ACN is a natural gas
33 and electric marketer that is active in eight (8) states. Prior to that I worked at
34 three (3) major energy companies for a total of 19 years. Most recently I was
35 Vice President of Marketing for Equitable Resources, an energy exploration,
36 production, transmission, distribution and marketing company. In that function I
37 was responsible for the development of the strategy for customer choice programs
38 and oversaw the company's participation in the first residential customer choice
39 program in Rock Valley, Iowa, in 1996.

40

41 Prior to that I was Vice President of Marketing for Citizens Utilities responsible
42 for gas, electric, water and wastewater marketing activities a several service
43 territories in the United States. Under my direction, Citizens Utilities initiated
44 commercial and industrial transportation and supply services at its natural gas
45 operation in Arizona. I directed significant natural gas supply contracting

46 activities with large industrial and commercial customers in Citizens Utilities'
47 natural gas operation in Louisiana.

48

49 From 1988 through 1994, I was the Marketing Director at Peoples Gas, where I
50 was actively involved in many gas transportation programs as the company
51 relaxed transportation requirements so that residential customers would have
52 supply choices. In summary, I have considerable experience, both in Illinois and
53 nationally, involving customer choice programs.

54

55 **Q. Have you presented testimony before this Commission previously?**

56 A. Yes, I presented testimony in the most recent Nicor rate case (ICC Docket 04-
57 0779), in the WPS/Peoples Energy merger case (ICC Docket No. 06-0540) and in
58 the most recent Peoples Gas rate case (ICC Docket No. 07-0241-0242 (consol.).

59

60 **Q. Can you provide some background regarding customer choice in the Illinois**
61 **natural gas market.**

62 A. Yes. Unlike competition in the Illinois retail electric market which was created
63 by statute, competition for the commodity of natural gas for residential and small
64 commercial customers is a creation of the Commission. In 1997, the Commission
65 approved Nicor's "Customer Select" pilot program, allowing Nicor to offer a pilot
66 transportation program to small volume industrial and commercial customers. In
67 1998, the Commission entered an Order expanding the availability of its program,
68 allowing residential customers in Nicor's service territory to choose their own

69 natural gas supplier starting in May 1999. The Commission's Order in ICC
70 Docket No. 00-0620 and 00-0621 (consol.) (the "2000 Nicor Customer Select
71 Proceeding") made Customer Select permanent, and customer choice made was
72 available to all residential and small commercial customers in Nicor's service
73 territory. In short, the Commission consistently has been supportive of the
74 development of Customer Select, expansion of the program to all customers and
75 creation of a fair and equitable system.

76 II.

77 SUMMARY OF RECOMMENDATIONS

78 **Q. Have you had an opportunity to review Nicor's existing and proposed**
79 **natural gas tariffs?**

80 A. Yes, I have reviewed Nicor's existing and proposed natural gas tariffs,
81 specifically focusing on Nicor's Terms and Conditions, Rider 6 and Rider 16.

82
83 **Q. Should there be any changes to Nicor's existing and proposed tariffs, terms**
84 **and conditions affecting Customer Select customers?**

85 A. Yes. The Nicor system was developed and is operated for Nicor's ratepayers.
86 Now that Customer Select exists as a result of Commission direction, the
87 Commission must work to remove obstacles and internal subsidies to ensure equal
88 treatment of all Nicor ratepayers. The numbers and types of residential and small
89 commercial customers in the Nicor service territory has not materially changed.
90 What has changed is that some of those customers now are selecting alternate gas
91 suppliers -- but that choice should not make those customers subordinate to the

92 customers that choose to remain with Nicor as a gas supplier. Until the crucial
93 terms and conditions relating to use of storage and gas delivery are made equal as
94 applicable to all customers, those customers that select gas suppliers other than
95 Nicor will be penalized and customers will be denied the full benefits of an
96 effective, efficient competitive market.

97

98 **Q. What improvements need to be made to the Customer Select program?**

99 A. The Customer Select issues fall into two broad categories: (1) issues related to
100 Nicor's the treatment of costs connected with the Customer Select program; and
101 (2) issues pertaining to the operational requirements that Nicor places on
102 Customer Select suppliers.

103

104 First, the costs associated with the Customer Select program must be reevaluated
105 and the cost recovery mechanisms must be revised to eliminate existing obvious
106 cross-subsidies and artificial barriers to the further development of the
107 competitive market. Specifically,

108

109 **1. Customer Select Customers Should Not Cross-Subsidize Sales**
110 **Customers' Costs Associated With Working Capital** – The costs
111 associated with working capital related to Nicor's system gas in storage is
112 a cost that should be borne solely by the customers that consume Nicor's
113 system gas. This cost presently is included in base rates, charged to all
114 customers. This cost should be removed from base rates and be charged

115 only to those customers who use Nicor's system gas. If, for any reason,
116 the Commission decides not to remove this cost from base rates, Customer
117 Select customers should receive a throughput credit for these costs via an
118 existing rider.

119

120 **2. Customer Select Customers Should Not Be Required To Pay**
121 **Monthly Administrative Fees** – Nicor currently charges monthly
122 administrative fees to Customer Select suppliers. These fees, currently
123 listed in Rider 16 as \$0.59/month, are not cost-justified, and serve as an
124 artificial barrier to customers that wish to participate in the Customer
125 Select program. Customer Select is designed to provide the benefit of
126 customer choice to all Rate 1, 4 and 5 customers; it is inappropriate to
127 charge the costs associated with creating and maintaining this program
128 only to those who decide to take advantage of the program. Alternatively,
129 if the monthly administrative fee is not eliminated, the Commission should
130 require Nicor to identify and justify each cost component before it is
131 included in an administrative charge to Customer Select customers.

132

133 Second, there are a number of improper, unfair and unjustified operational
134 requirements that Nicor places upon Customer Select suppliers. Although the
135 precise costs associated with these requirements oftentimes are more difficult to
136 quantify, the negative impact upon the competitive market is just as real.
137 Specifically,

138

139

1. Storage Rights Should Be Equally Apportioned. Nicor has significant on-system storage assets, the costs of which are recovered in Nicor's base rates. The rights associated with these rights should be equally apportioned. The Commission should not allow Nicor to twist the rules to limit Customer Select customers' rights to those storage assets.

140

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(A) Access to On-System Storage – The Commission should direct Nicor to adjust the level of access that Customer Select suppliers have to storage each month to reasonably reflect changes in the actual customer counts and in load for each Customer Select supplier. Currently, this level is determined on November 1 for the entire heating season. It should be adjusted monthly based on changes in Customer Select participation for each supplier.

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(B) On-System Storage Withdrawal Rights – The on-system storage withdrawal rights for Customer Select suppliers should be equal to 1.8 times MDCQ which is the same as are proposed for other transportation customers. As an aside, it appears that Sales customers do not have any withdrawal limitations.

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2. Customer Select Customers Should Be Given Equal Opportunity To Use Upstream Assets – Nicor currently holds upstream assets (interstate pipeline storage and capacity) that are capable of delivering approximately 50% of the system peak day usage. Nicor

158

159

160

161 recovers the costs associated with these upstream assets from Customer
162 Select customers through its Customer Select Balancing Charge
163 (“CSBC”). Customer Select customers are paying for these upstream
164 assets at the same rate as Sales customers, but Customer Select customers
165 do not get comparable benefits or use of those assets. There are three (3)
166 potential remedies for this inequity:

167 (i) Nicor can recover the capacity cost by assigning a pro-rata share of the
168 assets to Customer Select suppliers instead of collecting the cost through
169 the CSBC. This way Customer Select customers would be able to equally
170 benefit from the assets;

171 (ii) Nicor could provide a peaking service such that Customer Select
172 suppliers’ delivery curves stop at 50% of a peak day. Such a service
173 would provide benefits greater than balancing services Nicor asserts it
174 presently provides using these assets; or

175 (iii) If neither asset assignment nor a peaking service is provided, Nicor
176 should significantly reduce, or eliminate, the CSBC charge altogether for
177 Customer Select customers. At base, Nicor has not provided support for
178 the current charge to Customer Select customers for upstream assets, even
179 after being directed to provide such evidence.

180

181 **3. Customer Collection Issues Should Not Create Artificial**
182 **Barriers To Competition.** Nicor’s request for a bad debt tracker should
183 be permitted only if it implements a Purchase of Receivables program

184 similar to the program mandated for electric utilities in Illinois. If a
185 Purchase of Receivables program is not established, the credit provided to
186 Customer Select to adjust the Gas Cost Portion of Uncollectible Expense
187 should be calculated using the same proportion of costs that system gas
188 supply represents to overall costs, approximately 80% at most.

189

190 **4. Nicor Should Improve Customer Communication To Clearly**
191 **Identify Its Supply Component.** Bills rendered by the Company should
192 be redesigned to show the costs for gas purchased from a Customer Select
193 supplier as “Gas Supply” not “Other Products and Services” to improve
194 the understanding of the customers.

195

196 **Q. How would these revisions impact the competitiveness of the Customer Select**
197 **program?**

198 **A.** Each of these recommendations will remove duplicative or inappropriate costs
199 that are imposed on those residential and small commercial customers who chose
200 to participate in the Customer Select program – those costs are not imposed on
201 customers that remain Nicor Sales customers. These costs are approximately
202 \$0.20/Dth for upstream assets (the CSBC), \$0.59 for the monthly administrative
203 fee, and the impact of working capital cost for gas in storage. What this means is
204 that a Customer Select supplier must beat Nicor’s posted Purchased Gas
205 Adjustment (“PGA”) by those amounts simply to maintain equity in their
206 commodity offerings. Those additional costs are inequitable and anticompetitive.

207

208

III.

209

210

**THE COMMISSION SHOULD ORDER NICOR TO REVISE
ITS CHARGES RELATED TO THE CUSTOMER SELECT PROGRAM**

211

212

213

Q. Please summarize the Customer Select charges that Nicor should be required to revise.

214

215

A. As discussed below, there are two (2) charges that, as presently configured, are not justified, clearly are not cost-based and operate as an artificial barrier to competition for residential and small commercial customers: (1) the rate base charges that Customer Select customers must pay for working capital for Sales customers' gas in storage; and (2) the Administrative Fee that was established in the 2000 Customer Select Proceeding, and that has never been revisited.

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**A. CUSTOMER SELECT CUSTOMERS SHOULD NOT BE REQUIRED
TO PAY FOR WORKING CAPITAL FOR SYSTEM GAS IN STORAGE**

222

223

224

Q. Please define "working capital."

225

A. Working capital is the amount of money which the utility has furnished from its own funds for the purpose of achieving several results, including enabling it to bridge the gap between the time expenses are incurred for certain elements, for example putting gas into the ground in the summer with billing and receipt of receivables for that commodity not being achieved until the winter consumption occurs, as well as the time gap of rendering utility service are paid and the time revenues from the same service are collected.

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Q. What is Working Capital for System Gas in Storage?

234 A. Nicor maintains gas in storage to meet the needs of Sales customers. Because the
235 Company purchases the gas that it puts into storage and the gas remains in storage
236 for several months, there is a significant amount of working capital associated
237 with the cost of the gas in storage.

238

239 **Q. How is that Working Capital for System Gas in Storage amount currently**
240 **recovered?**

241 A. Nicor currently recovers its working capital cost in its base rates. (See Nicor
242 response to data request IGS 2.26, attached hereto as CSGS Ex. 1.1.)

243

244 **Q. Do both Sales customers and Customer Select customers pay for working**
245 **capital in their base rates?**

246 A. Yes. Both Sales customers and Customer Select customers pay the same base
247 rates, which include the working capital for gas in storage.

248

249 **Q. What is the working capital amount which Nicor used in the 2009 test year**
250 **for inclusion in its base rate calculation for recovery related to gas in**
251 **storage?**

252 A. Nicor has proposed to recover \$95,645,000 in working capital for gas in storage.
253 (See Nicor Exhibit 11.1, Schedule B-1.1.)

254

255 **Q. Do Customer Select customers use the system supply gas in storage?**

256 A. No. Customer Select customers do not use the system supply gas in storage.
257 Customer Select suppliers must maintain their own gas in storage for Customer
258 Select customers. As a result, it is unfair and inappropriate for Nicor to charge
259 Customer Select customers with the working capital for gas in storage for system
260 supply.

261

262 **Q. Do Customer Select customers receive a credit that reduces their base rates?**

263 A. Yes. Although there is a credit to Customer Select customers, it is not a
264 throughput credit rather is a fixed monthly amount, it is an offset to administrative
265 charges so is not transparent to customers, and it has not been reviewed since it
266 was initiated on January 18, 2002 as a result of the Commission's Order in the
267 2000 Nicor Customer Select Proceeding.

268

269 **Q. How should the Commission direct Nicor to revise its rates to relieve**
270 **Customer Select customers from having to pay for the working capital**
271 **associated with system gas in storage?**

272 A. The Commission should direct Nicor to remove working capital cost associated
273 with system gas in storage from its base rates, and instead direct Nicor to charge
274 only those customers for whom this expense is incurred, namely Sales customers.
275 That is, the \$95,645,000 in working capital should be assigned to Sales customers
276 as a separate rider, as a throughput charge. By removing this expense from base
277 rates altogether, it no longer would be an element that could create inequity in the
278 program. As an alternative, if the Commission decides to keep this cost in base

279 rates, a throughput credit could be applied to the Customer Select customers. The
280 throughput credit could be passed through using a rider that applies to Customer
281 Select customers.

282

283 **Q. Would this alternative solution require Nicor to develop an entirely new**
284 **rider?**

285 A. No. If the Commission decides to endorse a throughput credit, it could be
286 included as part of the Transportation Service Credit included in Rider 15.

287

288 **B. CUSTOMER SELECT CUSTOMERS**
289 **SHOULD NOT BE REQUIRED TO PAY**
290 **ANTICOMPETITIVE, NON-COST-BASED ADMINISTRATIVE FEES**
291

292 **Q. Does Nicor apply a charge to the Customer Select customers or suppliers for**
293 **providing normal administrative functions?**

294 A. Yes. Nicor presently imposes a \$0.59 monthly per customer Administrative Fee
295 for each Customer Select customer.

296

297 **Q. Was the amount of the Administrative Fee determined as a result of the**
298 **Commission approving a recent cost of service study?**

299 A. No. The Administrative Fee was established in the 2000 Nicor Customer Select
300 Proceeding. There is no current cost of service study to support Nicor's
301 Administrative Fee, and a review of 2000 Nicor Customer Select Proceeding
302 reveals that even in that proceeding, the charge was the result of estimated or
303 anticipated expenses.

304

305 **Q. Since the institution of the Administrative Fee, how much revenue has Nicor**
306 **collected using this charge?**

307 A. Nicor has stated that from 2002 through June of 2008 Nicor collected
308 \$8,927,960.30 solely as a result of its Administrative Fee. (See Nicor response to
309 IGS Data Request 2.03, attached hereto as CSGS Ex. 1.2.)

310

311 **Q. Are all residential and small commercial customers eligible to participate in**
312 **the Customer Select program?**

313 A. Yes. All residential and commercial customers from rate classes 1, 4, and 5, that
314 is all of Nicor's residential and small commercial customers, are eligible to
315 participate in Customer Select.

316

317 **Q. Is the operation of the Customer Select program conducted with a team of**
318 **Nicor employees that have no other job duties?**

319 A. No. The Nicor employees that work on any issues pertaining to Customer Select
320 also work on similar issues that pertain to other Nicor sales and transportation
321 programs. In addition, call center employees appear to also spend some of their
322 working time selling products and services for Nicor's unregulated affiliate.

323

324 **Q. What are the cost items that Nicor has identified related to the Customer**
325 **Select program?**

326 A. Nicor has identified a number of expenses associated with making the Customer
327 Select program a viable option for its residential and small commercial customers.
328 A review of Nicor's responses to data requests IGS 2.01 through 2.07 indicates
329 that it has incurred expenses for Information Systems, Call Center, Rates, Billing
330 and to a lesser degree for Gas Transportation, Auditing, Gas Control, Government
331 Relations, Community Relations, Credit, and Legal. All together these are the
332 usual and customary functions that facilitate offering customer choice to its
333 customers.

334

335 **Q. How should these costs be recovered?**

336 A. Because the nature of these activities are designed to provide the benefit of
337 customer choice to all of Nicor's residential and small commercial customers,
338 these costs should be included in base rates that are paid by all customers eligible
339 for Customer Select. The potential benefits of Customer Select are available to all
340 Rate 1, 4, and 5 customers and the costs of this mainstream program should by
341 now be a normal component of base rates.

342

343 **Q. Are there examples of other programs that benefit residential and small
344 commercial customers for which Nicor is advocating distribution of costs
345 across the entire base of eligible customers?**

346 A. Yes. Nicor is recommending that it be allowed to institute an energy efficiency
347 program, and spread the costs of the program to all residential and commercial
348 customers primarily because all customers *would have access to and could benefit*

349 from such programs. The Commission should endorse the rationale that these
350 energy efficiency program costs should be spread to all residential and
351 commercial customers, and likewise should spread the costs associated with
352 offering the Customer Select program to all eligible customers.

353

354 **Q. Has Nicor articulated a reason to treat the Customer Select Administrative**
355 **Fee differently than the costs associated with its proposed energy efficiency**
356 **program?**

357 A. No.

358

359 **Q. Are there other reasons why it is inappropriate to charge Customer Select**
360 **customers a separate administrative fee?**

361 A. Yes. Nicor uses its call center facilities and employees to sell affiliate products
362 and services. In response to several data requests Nicor laid out the methods it
363 uses to solicit utility customers and sell them services of their unregulated
364 affiliate. (See Nicor responses to IGS 2.35 – 2.37, attached hereto as CSGS Ex.
365 1.3.)

366

367 **Q. Are any of the other non-affiliate suppliers part of this program?**

368 A. It appears that other suppliers do not have access to the utility customers through
369 the Nicor call center. In that regard, this sales generation program provides
370 access to the customer for the benefit of Nicor affiliates in a manner that
371 discriminates against other suppliers.

372

373 **Q. Please explain how a customer who calls Nicor concerning a utility issue is**
374 **solicited to buy unregulated products of Nicor's affiliate.**

375 A. According to the call center script which was uncovered in discovery, the call
376 center representative is to present several products and services of the unregulated
377 affiliate to the customer when the customer calls regarding a utility-related issue.
378 (See Nicor response to IGS Data Request 2.35, attached hereto as CSGS Ex. 1.3.)
379 If the customer already has one of the affiliate products, then the call center
380 representative is instructed to sell additional products.

381

382 **Q. Does Nicor pass along customer account information to its unregulated**
383 **affiliate?**

384 A. It appears that Nicor does pass along customer account information to its
385 unregulated affiliate. The scripts indicate that the utility call center representative
386 takes the sales order and opens the customer's account using the Sales
387 Management System, which then automatically tracks the order.

388

389 **Q. Does it appear that Nicor has developed fairly sophisticated information**
390 **management capabilities?**

391 A. Yes. It is illuminating that Nicor has developed sophisticated information
392 management capabilities, especially considering that Nicor has collected \$8.9
393 million dollars in Administrative Fees from the Customer Select suppliers, and

394 that one of the largest category of expense supposedly for Customer Select was
395 Information Technology.

396

397 **Q. Has Nicor indicated what authority it has to offer such services on a**
398 **apparently discriminatory basis to its affiliate?**

399 A. No.

400

401 **Q. How does Nicor's marketing on behalf of its affiliate relate to Nicor's existing**
402 **Customer Select Administrative Fee?**

403 A. As noted, Nicor requires Customers Select suppliers to pay an Administrative Fee
404 of \$0.59 per month to pay for the call center, IT and other items, although
405 apparently the Nicor call center representatives, IT personnel and infrastructure
406 team use their time and resources (paid for by Customer Select customers through
407 base rates) to make infrastructure improvements and complete call center sales
408 tasks selling these other affiliate services. It is inappropriate to charge the
409 Customer Select customers an Administrative Fee, especially given this use of
410 Company facilities and personnel to sell unregulated products and services.

411

412 **Q. Does Nicor offer compensation in addition to salary related to these calls?**

413 A. Yes. Nicor has established a tiered commission plan that pays the call center
414 representatives for selling these unregulated services. (See Nicor response to IGS
415 Data Request 2.35, attached hereto as CSGS Ex. 1.3.)

416

417 Q. **What is a “tiered” commission plan?**

418 A. With the tiered commission plan, as a call center employee sells more unregulated
419 products, the compensation increases to reflect greater amounts per product sold.
420 It is more aggressive than a simple flat commission plan.

421

422 Q. **What should the Commission order regarding the Administrative Fee?**

423 A. The Commission should order Nicor to discontinue charging a Customer Select
424 Administrative Fee. Any costs that are attributable to making Customer Select
425 available to customers should be included in base rates as a normal cost of doing
426 business.

427

428 Q. **If the Commission decides that such costs should be collected through the
429 Administrative Fee, then what adjustment should be made?**

430 A. The amounts that are currently included in base rates for the functional areas of
431 Information Systems, Call Center, Rates, Billing, Gas Transportation, Auditing,
432 Gas Control, Government Relations, Community Relations, Credit, and Legal
433 should not be charged to the Customer Select customers but only charged to the
434 Sales customers.

435

IV.

**THE COMMISSION SHOULD
ORDER NICOR TO REVISE ITS OPERATIONAL
REQUIREMENTS RELATED TO THE CUSTOMER SELECT PROGRAM**

436
437
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439
440
441

442 **Q. In addition to revising the Customer Select charges, should the Commission**
443 **also examine the operational requirements associated with the Customer**
444 **Select program?**

445 **A.** Yes. The Commission should look for ways to be able to improve the efficient
446 operation of Nicor's Customer Select program. The Customer Select Gas
447 Suppliers have several recommendations that would improve the program and
448 make Nicor's operations more equitable.

449

450 **A. CUSTOMER SELECT CUSTOMERS SHOULD**
451 **HAVE EQUAL ACCESS TO NICOR'S ON-SYSTEM STORAGE**
452

453 **Q. Please describe the access that Customer Select suppliers have to their**
454 **storage during the withdrawal season.**

455 **A.** Nicor's Rider 16 states, "Daily Storage Withdrawal Capacity: During the winter
456 period, defined as November 1 through April 30, a Supplier may withdraw up to
457 1.6 percent times the Group's storage inventory as of November 1 on any day that
458 is not a Critical Day or an OF0 Shortage Day."

459

460 **Q. Is it appropriate for Nicor to determine the withdrawal rate for the entire**
461 **six-month winter period based on the amount of a supplier's storage**
462 **inventory as of November 1?**

463 A. No. Nicor's tariff establishes a fixed withdrawal over a lengthy six-month period,
464 and fails to appropriately make adjustments for the changes in a supplier's
465 customer count or heating season demands which are directly related.

466

467 **Q. If suppliers are adding customers throughout the winter and that places**
468 **additional demands on the supplier to meet those customers' needs by**
469 **withdrawing more gas from storage, the supplier is not allowed to do so?**

470 A. Correct. The supplier's withdrawal amount is determined on November 1st and
471 remains at the same amount for the entire six-month withdrawal season.

472

473 **Q. What change should be made?**

474 A. The suppliers' withdrawal amounts should be recalculated on a month basis
475 throughout the withdrawal season and should be based on the actual number of
476 customers that the supplier has on the first of each month when the calculation is
477 performed. This would be a much fairer way to treat storage withdrawals.

478

479 **B. CUSTOMER SELECT CUSTOMERS SHOULD**
480 **HAVE EQUAL STORAGE WITHDRAWAL RIGHTS**
481

482 **Q. What is the allowable storage withdrawal rate for transportation customers?**

483 A. Transportation customers are allowed to withdraw from storage at the rate of 1.7
484 times their storage inventory. Customer Select suppliers are allowed to withdraw
485 from storage at the rate of 1.6 times their storage inventory.

486

487 In this proceeding Nicor is proposing to increase the withdrawal rate of the
488 Transportation customers to 1.8 while keeping the Customer Select customers'
489 withdrawal rate at 1.6. Customer Select customers pay the same costs through
490 base rates as Sales customers, and should have the same rights with respect to
491 withdrawal of storage. The Nicor system can support approximately 53% of a
492 peak day usage from gas withdrawals from on-system storage. This is based upon
493 a peak day of approximately 4.9 bcf and storage withdrawal capability of
494 approximately 2.597 bcf. (See Nicor Ex. 4.0 at 19:399-401; Nicor Ex. 14.0 at
495 29:646-60.) Mr. Bartlett states in his testimony that changing the storage
496 withdrawal factor to 1.8 is "based on the Company's forecasted design day
497 demand of 4.9 Bcf and the Company's on-system storage deliverability on a peak
498 day of 2.5 Bcf." (Nicor Ex. 4.0 at 24:498-500.) This does not take into account
499 any of the upstream assets, which include daily storage withdrawal rights of
500 approximately 0.730 bcf along with capacity. I will address upstream assets next.
501 Since all of the elements that apply to the other customers related to this
502 calculation are the same for choice customers, it is appropriate to move the
503 storage withdrawal factor to 1.8 for Customer Select customers.

504

505 C. **CUSTOMER SELECT CUSTOMERS SHOULD BE GIVEN**
506 **AN EQUAL OPPORTUNITY TO USE UPSTREAM ASSETS**

507

508

509 Q. In Nicor's last rate case, did the Commission address the issue of Customer
510 Select customers' rights to upstream assets?

511 A. Yes. The Order from Nicor's last rate case states:

512 “Finally, the Commission directs Nicor, in the prefiled testimony accompanying
513 its next rate increase filing, to address the level of balancing charges Customer
514 Select customers should be assessed in light of the benefits those customers
515 receive from Nicor’s upstream capacity. That testimony should contain a
516 comparison of the benefits that Nicor’s upstream capacity provides to Customer
517 Select customers and Sales customers, as well as the associated levels of charges.”
518 (Order at 170.)
519

520 **Q. Has Nicor provided such a comparison?**

521 A. No.

522

523 **Q. What information does Nicor present concerning the level of balancing**
524 **charges and the benefits Customer Select customers receive?**

525 A. Mr. Mudra devoted one page, page 25 of his testimony (Nicor Ex. 14.0) where he
526 simply states that “Nicor Gas uses its upstream capacity daily to balance the
527 aggregate supply and demand for both its Sales and Customer Select customers.”
528 He then goes on to state, “Customer Select customers should be allocated the
529 same pro-rata share of Nicor Gas’ upstream capacity charges as those customers
530 purchasing directly from the Company (Sales customers).” He explains that
531 Customer Select customers pay about \$0.02 per therm. These brief statements
532 hardly seem to adequately provide a “comparison of benefits that Nicor’s
533 upstream capacity provides to Customer Select customers, as well as the
534 associated levels of charges.” There is no different information provided here
535 than Nicor provided in its last rate case.

536

537 **Q. What should the Commission do in light of this absence of evidence which**
538 **Nicor was directed to present?**

539 A. The Commission should order Nicor to eliminate its Customer Select Balancing
540 Charge (CSBC). The Commission set forth a clear requirement that Nicor was to
541 satisfy in initial filing of this proceeding in order to justify its CSBC; incredibly,
542 Nicor chose to ignore that requirement, hoping to continue to disadvantage
543 Customer Select customers and their suppliers. This is most surprising since the
544 Commission admonished Nicor at the end of its last rate case for failing to adhere
545 to the Commission's clear directives.

546

547 **Q. Please remind the Commission how Nicor restricts Customer Select suppliers**
548 **from using Nicor's upstream capacity to manage usage swings for the**
549 **Customer Select customer?**

550 A. Even though Nicor imposes the CSBC on Customer Select customers, Nicor does
551 not allow Customer Select customers to use the upstream capacity that charge is
552 designed to cover. Nicor does not allocate any of the interstate pipeline capacity
553 (storage and firm transportation) to the Customer Select customers. This inequity
554 was explained in Nicor's last rate case, which spurred the Commission to address
555 this issue in its Order.

556

557 **Q. Please quantify the amount of upstream assets that are at issue.**

558 A. In the winter, Nicor has approximately 2.4 bcf per day of upstream capacity
559 contracted assets that deliver to the Nicor system, which includes 730,238 Dth per
560 day in upstream storage that can deliver to the system. Table CSGS 1.0 below,
561 which contains information also contained in CSGS Ex. 1.4 attached hereto, lists

562 all of the working capacity to the Nicor city gates that Nicor has under contract,
 563 based upon peak day deliverability.

Table CSGS 1.0
Upstream Assets in Nicor Service Territory

Nicor	Winter Deliverability	
NGPL	1,778,871	
Northern	206,058	
Midwestern	246,522	
N. Border	50,000	
ANR	125,000	
Panhandle	<u>507</u>	<u>Percent of System Peak</u>
Total Upstream FT	2,406,958	49.12%
On system storage	<u>2,597,000</u>	<u>53.00%</u>
Total Working Capacity	5,003,958	102.12%
<u>System Peak</u>	<u>4,900,000</u>	
Percentage of System Peak Available via Working Capacity	102.12%	

564

565

566 From this list, you can see that Nicor has 1,778,871 Dth of winter deliverability
 567 on a peak day from NGPL, another 206,058 Dth of deliverability from Northern
 568 Natural Gas, 246,522 Dth of winter deliverability from Midwestern, and 175,507
 569 Dth of winter deliverability of Northern Border, ANR and Panhandle, combined.

570

571 Collectively this amounts to the 2,406,958 Dth of upstream winter peak day
572 deliverability that Nicor has under contract as firm service.

573

574 These assets, combined with the approximately 2.6 bcf per day in on-system
575 storage deliverability comprise the assets Nicor has under its control or under
576 contract to deliver commodity to the system, approximately 5,003,958 Mcf of
577 peak day deliverability, to meet its design peak day of approximately 4.9 bcf.

578

579 **Q. Can you illustrate the difference in the assets that are available to satisfy**
580 **peak demand of the Sales customers on the one hand and the Customer**
581 **Select customers on the other hand?**

582 **A. Yes. Below is a graph that dramatically illustrates the assets that are available to**
583 **Sales customers and the Customer Select customers.**

584

CSGS Graph 1.0

585

Sales vs. Customer Select Utilization of Assets

586

587

588

589

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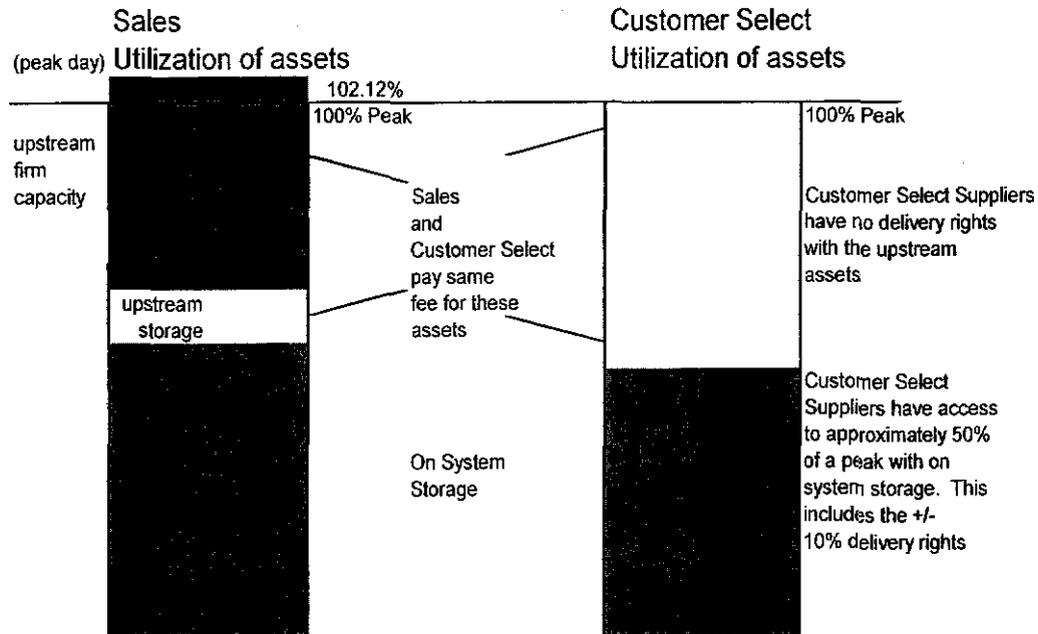
592

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597

Q. It appears that Nicor assigns on-system storage assets to Customer Select suppliers, but none of the upstream assets are made available to Customer Select suppliers, is that correct?

598

599

600

A. Yes. On a peak day and approaching a peak day, Nicor uses these upstream assets to meet the daily needs of Nicor Sales customers, but unless a critical day is called (something that is entirely within Nicor's discretion), Customer Select suppliers must go to the market to find the assets to meet their daily delivery obligation, even though the Customer Select customers have paid the CSBC. The total amount of assets held by Nicor exceeds the design peak day need, yet

601

602

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605

606 Customer Select suppliers cannot access any of the upstream assets to meet daily
607 demand curve delivery requirements.

608

609 **Q. How should this inequity be remedied?**

610 A. The clearest and most direct means of ensuring that Customer Select customers
611 are permitted the same benefits as Sales customers for assets paid for at the same
612 rate, would be for Nicor should assign on a pro-rata basis the associated upstream
613 capacities based on the amount the supplier's customer group contributes towards
614 the payment of such capacities on an annual basis.

615

616 **Q Why is this allocation or capacity release so critical to Customer Select
617 suppliers?**

618 A. Under the current system, although Customer Select customers pay the exact
619 same cost as Sales customers on a per therm basis for the upstream assets, as is
620 illustrated in the above graph, Customer Select customers have no access above
621 the 50% on-system storage to the assets unless Nicor chooses to call a critical day.
622 Sales customers by contrast, have access to upstream assets sufficient to satisfy
623 usage all the way up to 102.12% of a peak day. Since Customer Select suppliers
624 cannot rely upon Nicor calling a critical day, on cold days Customer Select
625 suppliers must be ready to serve and have a prudent supply plan to meet the
626 customer requirements in peak periods. During those days Customer Select
627 suppliers should be able to use that interstate pipeline capacity to meet these cold
628 periods.

629

630 **Q. What is the consequence of Nicor denying Customer Select suppliers access**
631 **to this upstream capacity?**

632 A. Nicor's restrictions on access to upstream capacity create a substantial financial
633 penalty for those customers who choose to become Customer Select customers,
634 since they pay the cost of these delivery assets but they are not allowed to use the
635 assets. There have been cold days when Customer Select suppliers were required
636 to deliver to the city gate over 70% of customer requirements, where none of gas
637 was delivered through the capacity that Customer Select customers paid to use.

638

639 **Q. But on critical days Nicor makes it easier for Customer Select suppliers by**
640 **reducing their delivery obligation, correct?**

641 A. Nicor reduces Customer Select gas delivery requirements to 34% if Nicor calls a
642 critical day -- but Nicor very rarely calls critical days. According to Nicor, the
643 there were only eight (8) critical days during the last five (5) year period. The
644 reality that the Customer Select suppliers face is that they must plan for and
645 acquire capacity to handle their load on very cold days.

646

647 **Q. Has Nicor provided an estimate of the additional costs that Nicor's policy**
648 **adds to Customer Select customers?**

649 A. Yes. Nicor witness Mudra states that Nicor's CSBC adds \$0.20 per dekatherm to
650 the cost of gas for Customer Select customers with no corresponding benefit in
651 supply flexibility. (See Nicor Ex. 14.0 at 25:559-64.)

652

653 **Q. In his testimony Mr. Mudra claims that the benefit received by the Customer**
654 **Select customers is that Nicor handles the daily balancing for those**
655 **customers.**

656 A. That “benefit” hardly justifies Nicor not allocating the same share of upstream
657 capacity to the marketers. Customer Select suppliers would be happy to receive
658 the capacity allocation and be responsible for balancing their customers’ needs.
659 Mr. Mudra is citing a very minor benefit to justify holding on to a significant
660 amount of capacity.

661

662 **Q. In addition to the upstream capacity does the Company also hold part of**
663 **their on-system storage capacity on behalf of marketers so they can provide**
664 **balancing services?**

665 A. Yes. The Company retains 6 times the MCDQ, also known as 6 “days” of storage
666 which marketers cannot use to provide balancing services and this storage
667 capacity can also be used to provide daily balancing.

668

669 **Q. Have you been able to identify Nicor’s upstream capacity and storage assets?**

670 A. Yes. In response to a data request, Nicor listed all upstream contracted capacity
671 and storage. (See Nicor response to Data Request DRI 1.11 attached hereto as Ex.
672 CSGS Ex. 1.5.)

673

674 **Q. What is the amount that Nicor used for the CSBC in their calculations?**

675 A. According to Nicor, for the period of September 2007 through August 2008, the
676 average monthly CSBC was \$0.0205/Therm. (See Nicor response to Data
677 Request DRI 1.25 attached hereto as CSGS Ex. 1.6.)

678

679 **Q. How should Nicor allocate upstream capacity?**

680 A. Nicor should release the storage capacity on one-year recallable basis and pipeline
681 capacity on month-to-month recallable basis. Nicor would remain the contract
682 entity and the capacity would be temporarily assigned to each Customer Select
683 supplier on a recallable basis. Nicor would continue to own that capacity and
684 would have access to it in the event of a supplier default. The cost would be paid
685 by the Customer Select supplier directly to the interstate pipelines which would
686 eliminate that portion of the CSBC charge to Customer Select customers.

687

688 **Q. Do you have an example using current consumption of how the upstream
689 capacity should be allocated?**

690 A. Yes. Attached as Exhibit CSGS Ex. 1.7 is an example of how the upstream
691 capacity should be allocated, using current consumption.

692

693 **Q. Do you have an alternative proposal that the Commission could adopt if the
694 Commission does not want to direct Nicor to allocate upstream capacity to
695 Customer Select suppliers?**

696 A. Yes. Nicor should utilize the upstream assets to provide a peaking service for
697 Customer Select customers, so that Customer Select supplier delivery curves
698 would never have to exceed 50% of a peak day with respect to deliveries for both
699 critical and non-critical days. The other 50% would be delivered by Nicor. As is
700 illustrated on the graph, Customer Select customers pay for the upstream assets
701 and, if they are not going to get access to those assets through a recallable
702 assignment, an equally acceptable solution is to end the Select delivery curves at
703 50% of a peak day. In the event Nicor would call a critical day, the current
704 delivery parameters would be in place. Although this would not give Customer
705 Select customers all of the value of the upstream assets, it would much more
706 closely approximate the services that Sales customers are receiving from the
707 current assets.

708

709 **Q. Are there any other alternatives available?**

710 A. The only remaining alternative if assets are not assigned or a peaking service
711 provided, is that Customer Select customers should not have to pay for upstream
712 capacity that they cannot use. Therefore, the Commission should direct Nicor to
713 remove the Customer Select Balancing Charge. Although Nicor may use
714 upstream capacity to meet the needs of Customer Select customers on critical
715 days, this "use" of the upstream capacity has provided minimal value, however,
716 because Customer Select suppliers never knows when a critical day may be
717 called, they must plan to meet supply needs on even the coldest days.

718

719 Just to be clear, Customer Select suppliers would strongly prefer to have access to
720 upstream capacity, either through a recallable assignment or a peaking service,
721 rather than the elimination of the Customer Select Balancing Charge. However,
722 in light of Nicor failing to provide a substantial analysis as directed in the Order
723 from the last rate case, Nicor should be directed to allocate the Customer Select
724 share of those assets to the suppliers of the Customer Select customers.

725

726 **D. BAD DEBT TRACKER AND PURCHASE OF RECEIVABLES**

727

728

729 **Q. What is a Bad Debt Tracker?**

730 A. The Company has filed for such a mechanism. Because of the volatile nature of
731 gas prices and hence gas bills it becomes increasingly difficult to accurately
732 forecast bad debt that is to be included in operating expenses. For that reason the
733 Company wishes to have a “tracker” so it can adjust the amount of bad debt that it
734 recovers.

735

736 **Q. What is Purchase of Receivables (POR) and how does it foster retail
737 competition for natural gas supply?**

738 A. Under a POR program, the utility reimburses the supplier for its customer billings
739 associated with the provision of natural gas supply regardless of whether the
740 utility received payment from the customer. The utility is made financially
741 whole, however, by recovering the uncollectible amounts and program
742 administration expenses through one of two options: 1) a discount rate equal to
743 the utility’s actual uncollectible amount that offsets the payments to the supplier

744 and is subject to a periodic reconciliation process; or 2) an element of the utility's
745 base rates.

746

747 **Q. How does this tie in with the Company's proposed Bad Debt Tracker?**

748 A. I would recommend that the Bad Debt Tracker be approved only if the Company
749 offers a POR. That way any debt obtained through POR by the Company will be
750 tracked and recovered and the utility will not be in an advantageous position with
751 respect to Customer Select suppliers and bad debt.

752

753 **E. GAS COST PORTION OF UNCOLLECTIBLE EXPENSE**

754

755 **Q. What is the Transportation Service Credit (TSC)?**

756 A. The TSC removes the gas cost portion of uncollectible expense (currently 0.58
757 cents per therm) and the Sales customer portion of gas storage losses (currently
758 0.44 cents per therm) from base rates. The rationale from removing the gas cost
759 portion of uncollectible expense from base rates assumes that the supplier, rather
760 than Nicor Gas, would incur these costs after a customer switches to Customer
761 Select. Since suppliers pay for gas storage losses in kind, through application of
762 the Unaccounted-For-Gas Adjustment, this component is removed from base
763 rates.

764

765 **Q. When considering the total bill that a typical customer pays, what is the ratio
766 of gas costs to distribution charges?**

767 A. Of the total bill, gas costs comprise 80% of the charges and distribution costs
768 comprise 20% of the charges.

769

770 **Q. Then logically of the total uncollectibles what portion is attributable to the**
771 **gas costs?**

772 A. Obviously 80% would be attributable to gas costs. The remaining 20% would be
773 attributable to distribution costs.

774

775 **Q. But what percent of the uncollectibles does the Company credit to the TSC**
776 **for the gas cost portion of uncollectible expense?**

777 A. They only credit 69%, not 80%, of the uncollectible expense.

778

779 **Q. What should the credit be?**

780 A. It should be 80% of the uncollectibles, the same as the Company's portion of gas
781 costs to total costs.

782

783 **Q. Is there any case where the TSC should not include such a credit?**

784 A. Yes. If the Company implements a POR as I recommended earlier then those
785 amounts attributable to the gas cost portion of uncollectible expense would not
786 need to be credited. The best alternative is that Nicor buys the Customer Select
787 customers' receivables at no discount.

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F. PROPER BILL DESIGN WILL REDUCE CUSTOMER CONFUSION

Q. Nicor provided an example of a revised bill design. What is your evaluation of that bill design?

A. Nicor provided an example of the bill design, attached hereto as CSGS Ex. 1.8. This sample bill contains the amount for gas costs from suppliers in a section titled "Additional Products and Services." This is not the proper terminology.

Q. In the context of today's unregulated natural gas markets, what are "Additional Products and Services?"

A. "Additional Products and Services" would be items such as line repair programs, appliance warranties, and other non-gas items. "Additional Products and Services" would certainly not include natural gas costs.

Q. What terminology would be more appropriate for the charges from suppliers for natural gas supply?

A. Simply stated, the change should be called "Gas Supply Charges," and it should be designed similar to the Additional Products and Services section.

Q. Would it still be necessary to have a section titled "Additional Products and Services"?

A. Yes. Some suppliers may wish to sell additional products or services beyond basic gas supply, and it would be prudent and appropriate for the bill to contain a

812 separate and distinct section for those items – this will promote clarity and
813 decrease customer confusions.

814 V.

815 **THE PROPOSED MODIFICATIONS ARE CRITICAL TO A VIABLE,**
816 **LONG-TERM COMPETITIVE MARKET**

817 **Q. Please explain why Nicor needs to make the changes you recommend above.**

819 A. To a non-participant or a passive observer, the changes recommended by the
820 Customer Select Gas Suppliers may seem relatively minor and non-consequential.
821 However, for a Customer Select supplier, these changes are critical to the
822 continued viability of the competitive market. Customers closely scrutinize prices
823 and expect gas suppliers in the competitive market to be maximally competitive.
824 These revisions will help Customer Select to be competitive in the long run.

825

826 **Q. Would these changes cost Nicor Gas any revenue?**

827 A. No. The Customer Select Gas Suppliers are not asking Nicor to reduce its rates or
828 unfairly assign costs to others. These revisions merely would result in equal
829 allocations of facilities and use of facilities for which Customer Select customers.

830

831 **Q. Would the recommended changes affect Nicor's risks?**

832 A. Yes. These changes would *reduce* Nicor's risks by shifting to Customer Select
833 suppliers the risk and responsibility of managing their own decisions on gas
834 deliveries and storage operations.

835

836 **Q. Are Nicor and its customers protected financially with respect to Customer**
837 **Select?**

838 A. Yes. Nicor and its customers are very well protected from issues related to
839 Customer Select suppliers. Nicor requires strict financial guarantees and has non-
840 performance penalties. (See, e.g., Nicor Rider 16, 8th Revised Sheet Nos. 75.4 at
841 (e)-(f), 75.5 at (g)-(h), 75.7 at "Company and Supplier Contract".) Yet, Nicor is
842 still unwilling to relinquish control by allowing suppliers to use the facilities
843 equally.

844

845 **Q. Does Nicor have stringent gas supply controls in place for Customer Select?**

846 A. Very much so. Nicor has the ability to impose severe penalties for non-
847 compliance. For example Nicor imposes a \$60/dth penalty for missed deliveries
848 during critical days. This penalty is on top of paying the potentially high market
849 price for delivery shortages.

850

851 **Q. Does the severity of these penalties affect your analysis and your**
852 **recommendations?**

853 A. Yes. Not having upstream capacity to move gas to Nicor is a disadvantageous
854 condition for Customer Select. Fortunately, to my knowledge, no major problems
855 have occurred, but marketers are hopeful that the Commission and other parties
856 would view it as more prudent for Nicor to provide the right amount of facilities
857 for Customer Select so that a supply catastrophe never happens and is never a
858 threat. Although it is acceptable to have proper deterrents for gaming and

859 incentives to encourage prudent behavior by suppliers, Nicor has taken deterrence
860 to an unnecessary and unjustified extreme and has severely and unnecessarily
861 limited the market capabilities of Customer Select suppliers to properly serve
862 their customers.

863

864 **Q. Is there any reliability, financial, or equitable reasons why these changes**
865 **should not implemented?**

866 A. No. There does not appear to be any reliability, financial, or equitable reasons
867 that would justify Nicor or the Commission failing to embrace these changes.

868

VI.

869

CONCLUSIONS AND RECOMMENDATIONS

870 **Q. Please summarize the position of the Customer Select Gas Suppliers.**

871 A. Nicor's customer base is like a three-legged stool consisting of Sales,
872 transportation, and Customer Select customers. Nicor must fairly allocate system
873 assets such as on-system storage and upstream capacity to all three customer
874 groups. However, Nicor's current policies do not allocate system assets equally
875 to Customer Select customers relative to Sales and transportation customers.
876 Instead, Customer Select customers are saddled with duplicative and unnecessary
877 costs. Nicor should be directed to stop burdening Customer Select customers
878 with duplicative costs and to relieve the Customer Select customers of costs that
879 are related to system gas supply. This would alleviate some of the unfair burden
880 placed upon Customer Select customers and, by extension, upon the Customer

881 Select Gas Suppliers, and would allow for a fair comparison between Nicor's gas
882 cost and a Customer Select supplier's gas cost.

883

884 **Q. Please summarize your recommendations.**

885 A. Costs associated with the Customer Select program must be reevaluated and the
886 cost recovery mechanisms must be revised and updated to eliminate cross-
887 subsidies and artificial barriers to competition. Similarly, unfair and unjustified
888 operational requirements placed upon Customer Select suppliers must be
889 eliminated, in order to foster the continued development of a robust competitive
890 market. Within this context, the Commission should order Nicor to take the
891 following steps:

892 1. Working capital cost for gas in storage should be removed from base
893 rates and charged only to Sales customers. Alternatively, Customer Select
894 customers should receive a throughput credit of approximately \$0.028 per
895 therm for working capital related to the system gas in storage – this
896 throughput credit could be administered through an existing rider.

897 2. The monthly administrative fee of \$0.59 per bill charged to Customer
898 Select suppliers should be eliminated.

899 3. Storage access should be adjusted each month to reflect changes in the
900 actual customer counts and in load for each Customer Select supplier – the
901 current approach whereby storage access is set on November 1 and left
902 static throughout the winter is inaccurate and unfair.

903 4. Storage withdrawal rights for Customer Select suppliers should be
904 equal to 1.8 percent times storage inventory, which is the same as the
905 proposal for other transportation customers.

906 5. Upstream assets (interstate pipeline storage and capacity) should be
907 assigned equally for Sales and Customer Select customers. Alternatively,
908 Nicor should provide a peaking service such that Customer Select
909 suppliers' delivery curves stop at 50% of a peak day. Alternatively, Nicor
910 should significantly reduce, or eliminate, this charge altogether for
911 Customer Select customers.

912 6. A bad debt tracker should be conditionally permitted only if Nicor
913 implements a Purchase of Receivables program similar to the program
914 mandated for electric utilities in Illinois.

915 7. Nicor's bills should be redesigned to show the costs for gas purchased
916 from a Customer Select supplier as "Gas Supply" -- not "Other Products
917 and Services." This change will decrease customer confusion.

918 8. The credit provided to Customer Select customers to adjust the Gas
919 Cost Portion of Uncollectible Expense should be calculated using the same
920 proportion of costs that system gas supply represents to overall costs --
921 approximately 80% at most.

922

923 **Q. Does this conclude your direct testimony?**

924 **A. Yes.**

925

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Interstate Gas Supply of Illinois
Ill.C.C. Docket No. 08-0363
IGS Second Set of Data Requests

IGS 2.26 Q. Please identify and quantify each and every input that is included in calculating working capital cost for gas in storage.

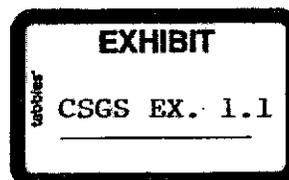
IGS 2.26 A. For ratemaking purposes, the Company's gas in storage falls into three categories: non-recoverable base gas, recoverable base gas and "working" or "top" gas. All categories of gas in storage are financed through the permanent capital of the Company (i.e. common stockholder equity, long term debt and preferred stock).

Non-recoverable base gas is included in rate base under the classifications of Gross Utility Plant and Accumulated Provision for Depreciation and Amortization. In addition, depreciation expense on non-recoverable base gas is included in the calculation of the Company's revenue requirement. Please refer to Schedule B-1, Jurisdictional Rate Base Summary by ICC Account and to Schedule C-1, Jurisdictional Operating Income Summary, to the Company's Part 285 materials for details.

Recoverable base gas is included in rate base under the classification of Gross Utility Plant. Please refer to Schedule B-1, Jurisdictional Rate Base Summary by ICC Account and Schedule B-5, line 9, Gross Additions, Retirements, and Transfers, to the Company's Part 285 materials for details on recoverable base gas included in rate base.

"Working" or "top" gas is included as a component of rate base under the classification of Gas in Storage. The Gas in Storage component is a thirteen month average balance and is net of an accounts payable adjustment. Please refer to Schedule B-1, Jurisdictional Rate Base Summary by ICC Account and Schedule B-1.1, Gas in Storage, to the Company's Part 285 materials for details.

Witness: James M. Gorenz



NRC 005528

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Interstate Gas Supply of Illinois
Ill.C.C. Docket No. 08-0363
IGS Second Set of Data Requests

IGS 2.03 Q. Please provide the total amount of revenue Nicor has received for each year since January 1, 2000 from Customer Select Customers or Customer Select Suppliers as a result of Nicor imposing the \$0.59 monthly Administrative Fee. Please provide the estimate of the anticipated revenue from the Administrative Fee using a 2009 test year. Please provide all workpapers reviewed and relied upon in developing this answer.

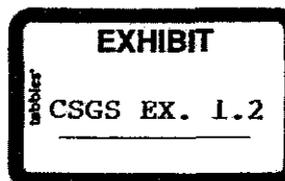
IGS 2.03 A. The \$0.59 Account Charge became effective January 18, 2002. The following is an annual breakdown of revenue from suppliers for each year since then.

Customer Select Account Charge Summary	
Program Year	Revenue
2002	\$1,045,009.86
2003	\$1,272,778.68
2004	\$1,319,840.03
2005	\$1,449,142.66
2006	\$1,445,092.31
2007	\$1,538,986.09
2008*	\$857,021.02
*2008 Revenue through June	

The estimated revenue from the Customer Select Account Charge for the 2009 test year is \$1,724,623.

The work paper relied upon is attached as IGS 2.03 Exhibit 1.

Witness: None



NRC 005477

Customer Select Account Charge

	January		February		March		April		May		June		July		August		September		October		November		December		Total				
	Customers	Total		Customers	Total																								
2002*	113,300	\$30,591.00	112,339	\$66,280.01	112,358	\$66,291.22	120,048	\$70,827.14	126,958	\$76,085.22	155,951	\$92,011.09	178,536	\$105,348.04	186,750	\$110,182.50	184,174	\$108,862.66	181,451	\$107,056.09	180,110	\$106,284.90	178,661	\$105,409.89	178,661	\$105,409.89	\$1,045,009.86		
2003	176,808	\$104,316.72	175,115	\$103,317.85	172,188	\$101,590.92	170,793	\$100,767.87	172,229	\$101,615.11	175,072	\$103,292.48	178,539	\$105,338.01	183,327	\$108,162.93	184,951	\$109,121.09	186,651	\$110,124.09	189,961	\$111,486.98	192,708	\$113,697.72	192,708	\$113,697.72	\$1,272,778.88		
2004	195,245	\$115,194.95	193,559	\$114,199.81	188,821	\$111,404.39	185,071	\$108,191.89	188,821	\$111,404.39	188,821	\$111,404.39	185,071	\$108,191.89	182,211	\$107,404.49	182,211	\$107,404.49	186,101	\$109,799.59	191,881	\$113,209.79	197,057	\$116,263.63	197,057	\$116,263.63	\$1,319,840.03		
2005	200,650	\$118,383.50	200,640	\$118,377.60	201,238	\$118,730.42	203,444	\$120,031.96	201,238	\$118,730.42	205,982	\$121,470.38	205,982	\$121,470.38	203,618	\$120,133.44	203,618	\$120,133.44	214,798	\$126,730.82	203,480	\$120,041.40	202,573	\$119,518.07	202,573	\$119,518.07	\$1,448,142.66		
2006	201,190	\$118,702.10	200,298	\$118,175.82	199,173	\$117,512.07	200,654	\$118,385.86	199,173	\$117,512.07	202,654	\$118,385.86	203,638	\$120,146.42	206,233	\$121,877.47	206,233	\$121,877.47	208,727	\$123,148.93	210,598	\$124,252.82	211,998	\$125,078.82	211,998	\$125,078.82	\$1,445,082.31		
2007	211,908	\$125,025.72	211,460	\$124,761.40	212,294	\$125,253.46	212,811	\$125,440.49	212,294	\$125,253.46	212,811	\$125,440.49	213,401	\$126,806.59	217,496	\$128,322.84	217,496	\$128,322.84	221,987	\$130,960.53	226,512	\$133,642.08	233,532	\$137,783.88	233,532	\$137,783.88	\$1,536,986.09		
2008**	236,532	\$140,733.86	240,821	\$142,084.39	239,217	\$141,138.03	242,333	\$142,976.47	242,333	\$142,976.47	245,142	\$144,633.78	245,142	\$144,633.78	n/a		n/a				\$857,021.02								

* In January 2002, the account charge was \$0.27 (prorated because the \$0.59 charge became effective mid-month).
** Data through June 2008.

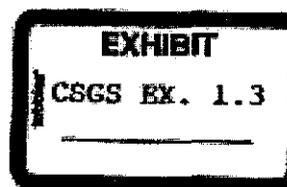
	Total Customers	Rate	Account Fee
2009	240,476	0.59	141,881
January	240,129	0.59	141,876
February	240,878	0.59	142,118
March	241,627	0.59	142,560
April	242,376	0.59	143,002
May	243,125	0.59	143,444
June	243,874	0.59	143,886
July	244,623	0.59	144,328
August	245,372	0.59	144,789
September	246,121	0.59	145,211
October	246,870	0.59	145,653
November	247,619	0.59	146,095
December	2,923,090		1,724,623

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Interstate Gas Supply of Illinois
I.L.C.C. Docket No. 08-0363
IGS Second Set of Data Requests

- IGS 2.35 Q. Do Nicor customer call center representatives market or provide information related to Nicor affiliate products and/or services? If so, please answer the following:
- a. Please provide full details regarding the affiliate products and/or services about which Nicor customer call center representatives market or provide information.
 - b. Please provide full details regarding how Nicor customer call center representatives market or provide such information.
 - c. Please provide copies of each and every "script" or similar document relied upon by call center representative to transfer calls for such marketing or such provision of information.
 - d. Do Nicor customer call center representatives receive any additional compensation for successfully marketing or selling any affiliate products and/or services? If yes, please provide the compensation schedule(s).

- IGS 2.35 A: Yes
- a. See attached Exhibit 1.
 - b. See attached Exhibit 2.
 - c. See attached Exhibit 2.
 - d. Yes, see attached Exhibit 3.

Witness: Kevin W. Kirby



NRC 005646

Nicor Services Product Information Protection Solution Plans

GAS LINE COMFORT GUARD (GLCG) - \$4.95 per month

ELIGIBILITY:

- Residential customers only.
- If a customer is eligible for GLCG, it will show up in the "Applicable Campaigns" section of the Control Central – Customer Information page.
- A customer's contract(s) move with them if the stop/start is a back-to-back and you establish the new SA by using an existing account.
- If the move-in is not a back-to-back and you establish service with "Create New Account," the contract will not automatically move and you may present GLCG, ELCG and an HVAC plan to the customer.
- Not available to residents of mobile homes.
- Air Conditioning plans are available for customers with a central air unit. Not available for window units.

COVERED:

- Exposed piping (black pipe ½" – 1 ¼")
- Includes ½" and ¾" shut-off valves (leaking or inoperable)
- Replacement of any brass connectors (leaking or not)
- Replacement of brass connectors on hot water heater and furnace, if completely accessible (replacement should be with black pipe)
- Leaks in crawl spaces and attics on exposed pipe, if accessible

NOT COVERED:

- Any pre-existing conditions (previous hazard tags)
- Leaks on pipe not completely exposed (example: behind walls, in ceiling)
- Damage caused by third parties, natural disasters
- Restoration to affected areas
- Fireplace valves
- B' valves
- Services such as connecting or disconnecting appliances
- Repairs to yard lights, grills and pool heaters
- Nothing outside the home is covered – including any appliances inside detached garages
- Mobile homes and trailers
- Facilities used for commercial purposes
- Gas meters

BENEFITS

- Up to \$600 per incident
- All parts and labor covered for mechanical or electrical failure
- No deductibles or trip charges
- Customer service 24 hours a day, seven days a week
- Nicor Services' satisfaction guarantee
- Costs just \$4.95 per month and that is conveniently added to the customer's Nicor Gas bill.

ELECTRIC LINE COMFORT GUARD (ELCG) - \$4.95 per month

ELIGIBILITY:

- Electric Line Comfort Guard is available to residential customers only.
- Customers may be enrolled in GLCG and ELCG.
- Available to customers who live in mobile homes.
- There is not an Applicable Campaigns reminder for Electric Line Comfort Guard (ELCG) eligibility eligibility.
 - However, if a customer already has an ELCG contract, it will show "Active WRNT Contract" in the alerts section.
- If a customer has a current Clean & Check or warranty contract, you should Not present ELCG to them.
- A customer's contract(s) move with them if the stop/start is a back-to-back and you establish the new SA by using an existing account.
- If the move-in is not a back-to-back and you establish service with "Create New Account," the contract will not automatically move and you may present GLCG, ELCG and an HVAC plan to the customer.

COVERED:

- Any hard-wired items, including:
 - General wiring
 - Fuse box
 - Circuit breaker panels
 - Switches and receptacles

NOT COVERED:

- Meter Boxes
- Light Fixtures
- Surge Protectors
- Wiring located outside of the principal dwelling or wiring in a detached garage (wiring in a attached garage is covered).
- Conditions of inadequate wiring capacity or overload.

BENEFITS:

- Electric Line Guard protects customers from any unexpected problems with the internal wiring and hard-wired electrical components in their home.
- Covers both parts and labor up to \$300 per incident.
- Covers both parts and labor up to \$2000 total coverage annually.
- Costs just \$4.95 per month and that is conveniently added to the customer's Nicor Gas bill.

HEATING VENTILATION & AIR CONDITIONING (HVAC)

TYPES OF PLANS:

1. Clean and Checks Plans:

- Furnace/Water Heater Clean & Check (U607) \$8.95
- Air Conditioner Clean & Check (U609) \$8.95
- Furnace/Water Heater/AC Clean & Check (U608) \$15.95

2. Repair Plans:

- Furnace/Water Heater Repair plan (U602) \$12.95
- AC Repair plan (U664) \$12.95
- Furnace/Water Heater/AC Repair plan (U657) \$19.95

3. Combination Clean and Check and Repair Plans:

- Furnace/Water Heater Repair AND Clean & Check (U663) \$18.95
- AC Repair AND Clean & Check (U665) \$18.95
- Furnace/Water Heater/AC Repair AND Clean & Check (U662) \$29.95

ELIGIBILITY:

- Residential customers only.
- Not available to residents of mobile homes.
- Air Conditioning plans are available for customers with a central air unit. Not available for window units.
- There is not an Applicable Campaigns reminder for HVAC eligibility. However, if a customer already has an HVAC contract, it will show "Active WRNT Contract" in the alerts section.
- If a customer has a current Clean & Check or Warranty contract, you should Not present to them.
- A customer's contract(s) move with them if the stop/start is a back-to-back and you establish the new SA by using an existing account.
- If the move-in is not a back-to-back and you establish service with "Create New Account," the contract will not automatically move and you may present GLCG, ELCG and an HVAC plan to the customer.

COVERED:

Furnace Performance Tune-Up

- Remove burners and pilot assembly. Clean and inspect for cracks and rust.
- Check thermocouple and replace, if needed.
- Clean flue passages, check flue pipe for rust holes and good seal at chimney. Check draft and chimney passages for obstruction.
- Inspect heat exchanger for cracks and holes.
- Vacuum combustion chambers.
- Inspect exposed wiring and connections.
- Inspect and test blower assembly.
- Replace air filter if necessary (customer supplied).
- Vacuum blower compartment.
- Reight and adjust pilot height, check pilot and main burner safety. Cycle on burner and check and adjust flame pattern.
- Level wall thermostat and check calibration
- Cycle unit and check for excessive vibration.

Water Heater Performance Tune-Up

- Inspect pilot and burner assembly.
- Replace thermocouple, if necessary.
- Check tank, valves and fittings for leaks.
- Cycle on burner and check flame pattern.
- Check draft and condition of flue pipe.
- Check location and piping of T/P valve.

Air Conditioner Performance Tune-Up

- Start system, check suction and discharge pressures.
- Inspect and chemically clean condenser coil. Replenish up to 2 lbs of Freon.
- Lubricate fan motor, if applicable. Check for bearing wear.
- Remove electrical control panel and inspect all exposed connections. Check connections to compressor terminals.
- Inspect tubing for kinks or oil leaks.
- Inspect and lubricate blower assembly.
- Replace filter (customer supplied).
- Blow out condensate drain line.
- Check inside for oil leaks at evaporator fittings.
- Start system and recheck pressures and check amp draw.
- Check temperature drop across evaporator.
- Level wall thermostat and check calibration.

NOT COVERED:

- Under our Performance Tune-Up plan, parts are not covered.
- If you agree to have a part installed or additional labor performed that is not covered, you will pay the contractor directly at his current competitive rate.

BENEFITS

- Up to \$300 per repair or replacement incident (up to \$2,000 annually)
- All parts and labor covered for mechanical or electrical failure
- Nominal monthly fee conveniently added to your natural gas bill
- No deductibles or trip charges
- Customer service 24 hours a day, seven days a week
- Nicor Services' satisfaction guarantee

Nicor Services Presentation Script Information

This document contains the following information:

- Process
- Presentation Scripts
 - Customer does not have any Nicor Services plans:
 - Customer already has Gas Line Comfort Guard but does not have any other Warranty products:
- Confirmation Scripts
 - GLCG
 - ELCG
 - GLCG plus ELCG
 - ELCG plus a warranty plan
- Process After Enrollment

PROCESS

- Handle the customer's issue as you normally would.
- If the customer is eligible, present Gas Line Comfort Guard (GLCG).
- Check to see if the customer has an existing Nicor Services contract:
 - If the customer does have an existing contract, end the call as normal.
 - If the customer does not have an existing contract, ask the customer if they want to hear about a program Nicor Services offers.
- Use the scripting in this document to present the program(s).
 - When you open the customer's account using the Sales Management System (SMS), the system will automatically track it as an HVAC presentation.
 - If you also make an ELCG presentation, you will need to click the "Both" button.
- If the customer is interested, go ahead and enroll the customer.
 - Explain to the customer that they will receive the terms and conditions of the program in 5 – 7 business days and it will have information about scheduling an appointment.
- You can monitor your sales using the Nicor Services application which is updated immediately.

PRESENTATION SCRIPTS

Customer does not have any Nicor Services plans:

Mr/Ms _____, your account is eligible for our Gas Line Comfort Guard program. As you probably know, Nicor Gas is responsible for repairing any gas leaks outside of your home. However, homeowners are responsible for repairing any gas leaks that occur *inside* the home. However, with Gas Line Comfort Guard a Nicor Gas technician will repair a leak on any exposed interior piping, replace faulty appliance connectors or shut off valves. The monthly charge is \$4.95, which would be added to your gas bill. Would you like to enroll in this leak protection program?

Mr/Ms _____, I wanted to let you know that Nicor Services also offers a complementary product for the electrical system in your home. Electric Line Comfort Guard protects you from any unexpected problems with your internal wiring and hard-wired electrical components in your home, such as circuit breakers, fuse boxes, switches and outlets... All for just \$4.95 per month. Your investment covers you for both parts and labor up to \$300 per incident. Would you like to enroll in this program?

Customer already has Gas Line Comfort Guard but does not have any other Warranty products:

Mr/Ms _____, I see that you are protected with the Gas Line Comfort Guard program for your interior gas lines. Nicor Services recently began offering similar protection for the electrical system in your home. With Electric Line Comfort Guard, you are protected from any unexpected problems with your internal wiring and the hard-wired electrical components in your home, such as circuit breakers, fuse boxes, switches and outlets... All for just \$4.95 per month. Your investment covers you for both parts and labor up to \$300 per incident with up to \$2000 total coverage annually and the charge is conveniently added to your monthly Nicor Gas bill. Would you like to enroll in this program?

[If customer accepts GLCG, continue with a clean and check (or repair plan) presentation.]
Great! Mr/Ms _____ I also wanted to make you aware of another valuable service offered by Nicor Services. As you probably know, most manufacturers recommend that you have regular maintenance of your furnace (or air conditioner) to inspect for safety and maximize efficiency. Nicor Services a clean and check plan for just \$8.95 per month which entitles you to an annual clean and check at your convenience. Would you like to enroll in this program?

CONFIRMATION SCRIPTS

GLCG

Mr/Ms _____, you're enrolled in the Gas Line Comfort Guard program for \$4.95 per month and the terms and conditions will arrive at your home in 7-10 days. This program is offered by Nicor Services, which is an affiliate of Nicor Gas, and is not regulated by the Illinois Commerce Commission. Customers are not required to buy products or services from Nicor Services in order to receive the same quality service from Nicor Gas.

ELCG

Mr. _____, you're enrolled in the Electric Line Comfort Guard program for \$4.95 per month and that covers the internal wiring and hard-wired electrical components in your home. The terms and conditions will arrive at your home in 7-10 days. This program is offered by Nicor Services, which is an affiliate of Nicor Gas, and is not regulated by the Illinois Commerce Commission. Customers are not required to buy products or services from Nicor Services in order to receive the same quality service from Nicor Gas.

GLCG plus ELCG

Mr. _____, you're enrolled in the Gas Line Comfort Guard for \$4.95 per month and Electric Line Comfort Guard program for \$4.95 per month. The total will be \$9.90 per month. The terms and conditions of both programs will arrive at your home in 7-10 days. These program are offered by Nicor Services, which is an affiliate of Nicor Gas, and is not regulated by the Illinois Commerce Commission. Customers are not required to buy products or services from Nicor Services in order to receive the same quality service from Nicor Gas.

ELCG plus a warranty plan

Note: Use the ELCG confirmation and add the Warranty plan product description and monthly amounts. For example, the confirmation for an ELCG plus Clean & Check sale would be:

Mr. _____, you're enrolled in the Electric Line Comfort Guard program for \$4.95 per month and the Furnace Clean & Check program for \$8.95 per month. The terms and conditions for these programs will arrive at your home in 7-10 days. This program is offered by Nicor Services, which is an affiliate of Nicor Gas, and is not regulated by the Illinois Commerce Commission. Customers are not required to buy products or services from Nicor Services in order to receive the same quality service from Nicor Gas.

PROCESS AFTER ENROLLMENT

- Nicor Services will mail the customer a welcome packet that includes the Terms and Conditions of their plan.
- If the customer wants to schedule a repair to interior gas piping or connectors, they will schedule the work by calling Nicor Gas at 1-888-642-6748 (that's you).
- There are two versions of GLCG.
 - Customers who enrolled prior to July 9, 2004 are entitled to one free inspection each year.
 - Customers who enrolled after July 9th, 2004 receive a discount on the normal inspection fee. They pay \$58 rather than the \$68 for non-GLCG customers.
- If the customer wants to cancel their Gas Line Comfort Guard plan, they should contact Nicor Services at 1-866-626-2121.
- If the customer has the repair plan and wants to schedule service, they contact Nicor Services at 1-800-373-1100.
 - You are not able to schedule service for the customer.
- If the customer has the Clean & Check Plan and wants to schedule service, they should also call Nicor Services.
 - We will visit the customer's home once a year (spring/early summer) for the air conditioner clean & check.
 - We will visit the customer's home once a year (late summer/fall) for the furnace clean & check.
- If the customer does not call us to schedule their clean & check, we send the customer several reminder cards to prompt them.
- If a customer wants to cancel a Nicor Services HVAC plan, they should contact Nicor Services at 1-800-373-1100.

Nicor Gas Call Center Commissions

The Nicor Gas Call Centers (Sycamore and Bloomington) are paid monthly commissions when they sell GLCG, ELCG or Warranty contracts. There are three different tier structures in place for Full Time, Part Time and Training employees. Training employees fall under the training structure until they are released to the floor. Once they are on the floor they fall under the Full Time or Part Time tier structure. The tier structures are as follows:

FULL TIME EMPLOYEES

GLCG/ELCG Sales

1- 49 Sales = \$1.00 per Sale
50- 89 Sales = \$5.00 per Sale
90+ Sales = \$7 per Sale

<u>Warranty Sales</u>	Contracts < \$15	Contracts > \$15
1- 14 Sales =	\$6	\$12
15- 24 Sales =	\$8	\$14
25 + Sales =	\$10	\$16

*In order to be eligible for the higher GLCG/ELCG tiers, you have to sell at least 7 Warranty contracts. To be eligible for higher Warranty tiers, you have to sell 25 GLCG/ELCG contracts if you are full time and 15 GLCG/ELCG contracts if you are part time.

PART TIME EMPLOYEES

GLCG/ELCG Sales

1- 24 Sales = \$1.00 per Sale
25- 44 Sales = \$5.00 per Sale
45+ Sales = \$7 per Sale

<u>Warranty Sales</u>	Contracts < \$15	Contracts > \$15
1- 7 Sales =	\$6	\$12
8- 12 Sales =	\$8	\$14
13 + Sales =	\$10	\$16

*In order to be eligible for the higher GLCG/ELCG tiers, you have to sell at least 7 Warranty contracts. To be eligible for higher Warranty tiers, you have to sell 25 GLCG/ELCG contracts if you are full time and 15 GLCG/ELCG contracts if you are part time.

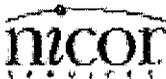
TRAINING EMPLOYEES

GLCG/ELCG Sales

1- 9 Sales = \$1.00 per Sale
9 + Sales = \$5.00 per Sale

Warranty Sales

\$10 for every sale



Summary of Nicor's Upstream Assets

NicorGas

Pipeline Capacity Effective July 2008

**Maximum Daily Contract Quantity (MMBtu)
Working Capacity To Nicor Gate**

<u>Pipeline/ Schedule No. / Service Type</u>	<u>winter</u>	<u>storage</u>	
Natural Gas Pipeline FTS 110208 firm transportation	145,368		Amarillo ->Market
Natural Gas Pipeline FTS 110209 firm transportation	123,589		MidCon ->Market
Natural Gas Pipeline FTS 110212 firm transportation	15,142		So TX ->Market
Natural Gas Pipeline FTS 110213 firm transportation	64,620		LA ->Market
Natural Gas Pipeline FTS 110214 firm transportation	219,262		15141 SoTX; 139500 TX-OK; 64621 LA ->Market
Natural Gas Pipeline FTS 110215 firm transportation	129,884		15142 SoTX; 50122 TX-OK; 64621 LA ->Market
Natural Gas Pipeline FTS 130381 firm transportation	24,074		MidCon ->Market
Natural Gas Pipeline FTS 130382 firm transportation	75,926		TX-OK ->Market
Natural Gas Pipeline FTS 130391 firm transportation	40,000		MidCon ->Market
Natural Gas Pipeline FTS 131333 firm transportation	40,000		TX-OK ->Market
Natural Gas Pipeline FTS 131334 firm transportation	20,000		So TX ->Market
Natural Gas Pipeline DSS 129866 firm storage	23,000	23,000	No Notice Storage w/ transport
Natural Gas Pipeline DSS 110204 firm storage	488,006	488,006	No Notice Storage w/ transport
Natural Gas Pipeline DSS 110205 firm storage		219,262	
Natural Gas Pipeline FTS 103253 firm transportation	100,000		IA-IL ->Market
Natural Gas Pipeline FTS 119426 firm transportation	100,000		IA-IL ->Market
Natural Gas Pipeline FTS 132156 firm transportation	50,000		IA-IL ->Market Negotiated when avail
Natural Gas Pipeline FTS 132373 firm transportation	50,000		IA-IL ->Market
Natural Gas Pipeline FTS 132346 firm transportation	70,000		TX-OK ->Market Dec-> Feb Only
Northern Natural Gas Company TFX 110727 firm transportation	206,058		Ventura/Demarc -> Nicor
Midwestern Gas Transmission FT-A FA 0167 firm transportation	246,522		
Midwestern Gas Transmission FT-A FA 0186 firm transportation			Delivers into Northern Border
Tennessee Gas Pipeline FT-A 42813 firm transportation			Delivers into Midwestern
Texas Gas Transmission STF STF 022282 firm transportation			Delivers into Midwestern
Northern Border Pipeline TIB FB 0252 firm transportation	50,000		Midwestern-> Troy Grove(Storage)
ANR ETS 109131 firm transportation	25,000		Nicor Group 1
ANR ETS 112848 firm transportation	75,000		Nicor Group 1
ANR ETS 113042 firm transportation	25,000		Nicor Group 1
Panhandle Eastern Pipeline Co. FT 11582 firm transportation	507		SW Fieldzone to Nicor
total capacity/ storage	2,406,958	730,268	

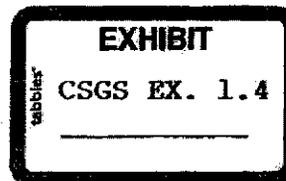
			% of peak
total system peak day (mcf)	4,900,000		100.000%
system peak day for Rate 1 customers	2,788,400	*Nicor Ex 15.1 Sch L p 3	56.906%
system peak day for Rate 4 customers	806,400	see above	16.457%
customers select peak day	270,700	see above	5.524%
sales customers peak day	2,517,700	see above	51.382%
			% of Annual Throughput
annual sendout (mcf)	462,600,000		100.000%
residential send out (mcf)	214,900,000		46.5%
commercial (mcf)	125,700,000		27.2%
industrial (mcf)	107,800,000		23.3%
power generation	3,700,000		0.8%
company use, unaccounted for	10,500,000		2.3%

total on-system storage working gas (mcf)	149,741,109		
total on-system storage anticipated working inventory (mcf)	134,633,000	On-system Peak Deliverability	Peak Day Deliverability
on-system storage peak day deliverability (mcf)	2,597,000	0.53	5,003,958 upstream & onsystem 102.12%

average residential customer use - annual (therms) 1.088

Source: IGS 2.09

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Interstate Gas Supply of Illinois, Inc.
ICC Docket No. 08-0363
IGS Second Set of Data Requests to Nicor

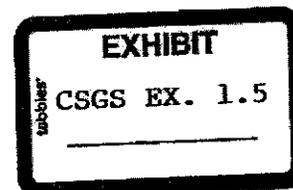


Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Dominion Retail, Inc.
Ill.C.C. Docket No. 08-0363
DRI First Set of Data Requests

DRI 1.11 Q. Please provide a summary of Nicor's contracted upstream interstate pipeline transportation and storage capacities. For each contract, please provide the Counterparty, Term of Contract, Type of Service, Pipeline Rate Schedule, Contract Quantity, Assignment/Release Provisions and any special delivery considerations associated with contract.

DRI 1.11 A. Please see attached Exhibit 1 for Counterparty, Term of Contract, Type of Service, Pipeline Rate Schedule, Contract Quantity, Assignment /Release Provisions and delivery point. It is unclear what is meant by, "any special delivery considerations associated with contract".

Witness: Gary R. Bartlett



NRC 005870

Northern Illinois Gas Company d/b/a Nicor Gas Company
 Response to: Dominion Retail, Inc.
 Ill.C.C. Docket No. 08-0363
 DRI First Set of Data Requests

Nicor Gas
 Pipeline Capacity Effective July 2008

Pipeline	Rate Schedule	Contract No.	Expiration	Maximum Daily Contract Quantity (MMBtu)		Service Type	Assignment/Release Provisions	Delivery point
				winter	summer			
Natural Gas Pipeline	FTS	110208	3/31/2009	113,368	113,368	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110209	3/31/2009	123,589	123,589	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110212	3/31/2009	15,142	15,142	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110213	3/31/2009	64,620	64,620	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110214	3/31/2009	219,262	219,262	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110215	3/31/2009	129,884	129,884	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	130381	3/31/2012	24,074	24,074	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	130382	3/31/2012	75,926	75,926	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	130391	3/31/2012	40,000	40,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	131333	3/31/2011	20,000	20,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	131334	3/31/2011	20,000	20,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	DSS	128266	3/31/2012	23,000	23,000	firm storage	/	Nicor Gas Citygate
Natural Gas Pipeline	DSS	128267	3/31/2012	488,066	488,066	firm storage	/	Nicor Gas Citygate
Natural Gas Pipeline	NSS	110205	3/31/2009	219,262	219,262	firm storage	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	104253	3/31/2009	100,000	100,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	110426	3/31/2012	100,000	100,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	132136	3/31/2009	50,000	50,000	firm transportation	/	Nicor Gas Citygate
Natural Gas Pipeline	FTS	132146	2/28/2009	70,000	70,000	firm transportation	/	Nicor Gas Citygate
Horizon Pipeline Company	FT	519490	5/13/2012	300,000	300,000	firm transportation	/	Nicor Gas Citygate
Northern Natural Gas Company	TPX	110727	10/31/2008	206,958	150,708	firm transportation	/	Nicor Gas Citygate
Midwestern Gas Transmission	FL-A	FA 0167	10/31/2009	246,522	246,522	firm transportation	/	Nicor Gas Citygate
Midwestern Gas Transmission	FL-A	FA 0166	10/31/2009	30,000	30,000	firm transportation	/	Nicor Gas Citygate
Tennessee Gas Pipeline	FL-A	42813	10/31/2009	202,517	202,517	firm transportation	2/	Midwestern Gas Transmission
Texas Gas Transmission	SIF	SIF 022282	3/31/2009	47,000	47,000	firm transportation	/	Midwestern Gas Transmission
Northern Border Pipeline	TIB	PB 0252	10/31/2009	50,000	50,000	firm transportation	/	Nicor Gas Citygate
ANR	FTS	109131	10/31/2009	25,000	25,000	firm transportation	/	Nicor Gas Citygate
ANR	Gathering	109132	10/31/2009	25,000	25,000	firm transportation	/	SIF Gathering Hemistation
ANR	ETS	112448	3/31/2010	75,000	75,000	firm transportation	/	Nicor Gas Citygate
ANR	Gathering	112850	3/31/2010	75,000	75,000	firm transportation	/	SE Gathering Hemistation
ANR	ETS	113042	10/31/2012	25,000	25,000	firm transportation	/	Nicor Gas Citygate
ANR	Gathering	113044	10/31/2012	25,000	25,000	firm transportation	/	SE Gathering Hemistation
Panhandle Eastern Pipeline Co.	FT	11582	10/31/2008	507	507	firm transportation	/	Nicor Gas Citygate

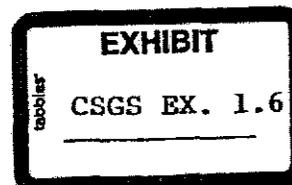
1/ Nicor Gas capacity may be assigned or released for its pipeline's tariff. Provisions for releases are included in the posting.
 2/ Assignments: Either party may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture, or other instrument which it has executed or may execute hereafter as security for indebtedness. Either party may, without relieving itself of its obligation under this Agreement, assign any of its rights hereunder to a company with which it is affiliated. Otherwise, Shipper shall not assign this Agreement or any of its rights hereunder, except in accordance with Article III, Section 11 of the General Terms and Conditions of Transporter's FERC Gas Tariff. Releases: Nicor Gas may release this capacity. Provisions for releases are included in the posting.

Northern Illinois Gas Company d/b/a Nicor Gas Company
Response to: Dominion Retail, Inc.
Ill.C.C. Docket No. 08-0363
DRI First Set of Data Requests

DRI 1.25 Q. Please provide the spreadsheet calculations showing how the Customer Select Balancing Charge was derived (including all associated assumptions) for the last 12 months.

DRI 1.25 A. Attached as Exhibit 1, please find a spreadsheet showing how the Customer Select Balancing Charge (CSBC) was derived for the period of September 2007 through August 2008.

Witness: Robert R. Mudra



NRC 006255

Customer Select Balancing Charge (CSBC)

DRI 1.25 Exhibit 1
Page 1 of 1

	Estimated Recoverable Gas Costs Associated with Balancing Requirements (A)	Estimated Base Period Applicable Therms (Remaining) (B)	Customer Select Balancing Charge (CSBC) (A/B)
Sep-07	\$20,963,531	1,012,730,969	\$0.0207
Oct-07	\$19,458,448	944,584,843	\$0.0206
Nov-07	\$16,250,950	770,187,187	\$0.0211
Dec-07	\$9,590,098	452,363,111	\$0.0212
Jan-08	\$60,474,647	2,812,774,276	\$0.0215
Feb-08	\$49,107,277	2,273,485,041	\$0.0216
Mar-08	\$37,683,637	1,865,526,595	\$0.0202
Apr-08	\$29,751,621	1,502,607,124	\$0.0198
May-08	\$25,863,751	1,299,685,985	\$0.0199
Jun-08	\$23,560,386	1,195,958,693	\$0.0197
Jul-08	\$22,274,669	1,130,693,849	\$0.0197
Aug-08	\$21,134,328	1,072,808,518	\$0.0197

Exhibit JC-UPCA

Upstream Pipeline Capacity Allocation Analysis

Billed Monthly Consumption (Dths)

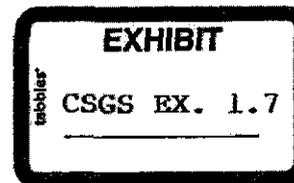
		Annual Volumes in Therms		
		<u>Sales</u>	<u>Select</u>	<u>Total</u>
Nicor Gas Exhibit 15.1	Rate 1	1,928,947,000	220,572,000	2,149,519,000
Schedule L	Rate 4	526,546,000	293,223,000	819,769,000
Page 1 of 3	Rate 5	-	4,333,000	4,333,000
	Total	2,455,493,000	518,128,000	2,973,621,000
	Peak Day (therms/day)			37,709,000
		82.58%	17.42%	

		Upstream Pipelines Capacity Allocation by Customer Type		
<u>Maximum Daily Quantities in dths</u>	<u>Upstream Max Daily Capacity</u>	<u>Sales</u>	<u>Select</u>	<u>Total</u>
DRI 1.11	NGPL DSS	421,968	89,038	511,006
	NGPL NSS	181,057	38,205	219,262
	NGPL FTS LN	1,065,778	224,887	1,290,665
	HORIZON FT	247,728	52,272	300,000
	MIDWESTERN FTA	228,340	48,182	276,522
	TENNESSEE FTA	167,230	35,287	202,517
	TEXAS GAS STF	38,811	8,189	47,000
	NORTHERN BORDER	41,288	8,712	50,000
	ANR ETS	103,220	21,780	125,000
	Total Capacity	2,495,419	526,553	3,021,972
	Total City Gate Peak	2,041,651	430,804	2,472,455

<u>Upstream Estimated Max Seasonal Storage Capacity</u>			
NGPL DSS	21,098,131	4,451,869	25,550,000
NGPL NSS	13,579,311	2,865,339	16,444,650
	34,677,442	7,317,208	41,994,650

Operational Issues

The capacity should be released on a pro-rata basis to Customer Select suppliers
 Customer Select suppliers must agree to flow gas on the capacity especially during peak periods and extreme periods to maintain system integrity.
 Temporarily assign upstream capacities based on their contribution to CSBC charge;
 Nicor pays the pipelines on behalf of the suppliers
 Capacity release should be monthly for the FTS LN and Annual for the Storage (DSS, NSS).
 Receipt and Delivery point issues would require additional discussions.
 Nicor could direct suppliers to flow gas to certain points – must flow provisions could be developed





Nicor Gas
P.O. Box 2020
Aurora, IL 60507-2020

nicorgas.com/myaccount

1 888 Nicor4U 1 888 642-6748

Account Summary for Nickel Flame	
Account Number:	01-23-45-6789 7
Meter Number:	9999998
Service Address:	5678 Natural Gas Ln, Aurora
Bill Period:	04/01/08 - 04/29/08 (28 days)
Bill Issue Date:	04/30/08
Previous Balance	\$226.47
Last Payment Received 04/25/08 - Thank You!	\$226.47
Remaining Balance	\$0.00
New Charges	\$20.56
Additional Products & Services	\$117.02
Total Amount Due:	\$137.58

A Message for You

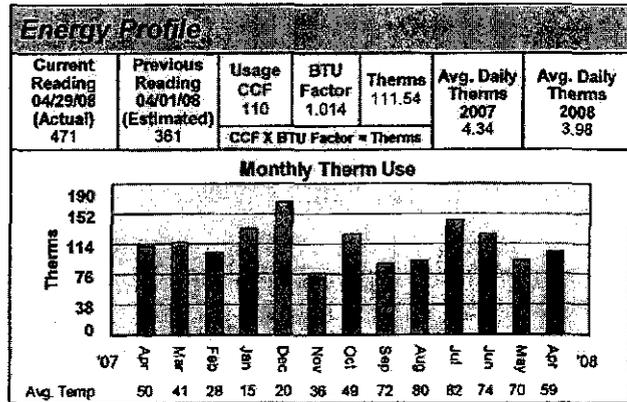
Thank you for choosing ABC Supplier Inc. as your Customer Select Supplier. For questions relating to your Natural Gas Cost, contact them at: 800 555-5555. If you have any questions regarding natural gas safety, call us at 1 888 642-6748.

Additional Products & Services	\$117.02
Supplier previous balance	198.20
Amount of 4/25/08 payment applied	-198.20
Gas Commodity Charge (1.03568/Therm) 4/29/08	115.52
Admin fee 4/29/08	1.50
Total Due ABC Supplier Inc.	117.02

ABC Supplier Inc. Billing Questions? Please call 1 800 555-5555.

New Charges - Residential - Heat
Rate 1: Residential Service

Delivery Charges	\$17.86
Monthly Customer Charge	8.85
First 20 Therms 20 @ \$0.1473	2.95
21 - 50 Therms 30 @ \$0.0579	1.74
Over 50 Therms 61.54 @ \$0.0519	3.19
Environmental Cost Recovery 111.54 @ \$0.0024 =	0.27
Transportation Service Credit 111.54 Therms @ \$-0.0102 =	-1.14
Customer Select Charge	2.00
Taxes	\$2.70
Utility Fund Tax \$17.86 @ 0.1%	0.02
State Gas Use Tax 111.54 @ \$0.024 =	2.68
Total	\$20.56



Please see the reverse side of this bill for additional billing explanations.

Please do not include written inquiries as the stub is processed by machine. Return this portion with your check made payable to Nicor Gas.



Please check a box to add a one-time charitable donation to Sharing:

Account Number: 01-23-45-6789 7

Current bill \$137.58 due by 05/22/2008

Payment Due by
5/22/08
\$137.58

MDG2008 00001234 1 SP 0.420



Nickel Flame
5678 Natural Gas Ln
Aurora, IL 60491-9217

012345

PO BOX 0416
Aurora, IL 60568-0001

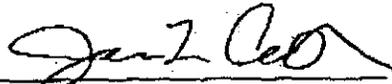


EXHIBIT
CSGS EX. 1.8

01 23 45 6789 7 00000137588 00000137588 9

VERIFICATION

Under penalties as provided by law pursuant to Section 1-109 of the Illinois Code of Civil Procedure, the undersigned, James L. Crist, hereby certifies that he has personal knowledge of the facts contained in the Direct Testimony of James L. Crist filed in ICC Docket No. 08-0363 and that such Direct Testimony of James L. Crist is true and correct to the best of his knowledge, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies as aforesaid that he verily believes the same to be true.


James L. Crist
Dated: August 27, 2008

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company)
d/b/a Nicor Gas Company)
)
Proposed general increase in)
Natural gas rates)
)

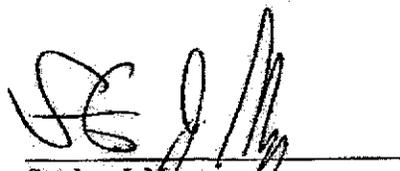
Docket No. 08-0363

NOTICE OF FILING

Please take notice that on August 29, 2008, the undersigned caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Errata and Corrected Direct Testimony of James L. Crist on behalf of the Customer Select Gas Suppliers (CSGS Ex. 1.0 (Correct)) and the exhibits thereto in the above-referenced proceeding.

Dated: August 29, 2008

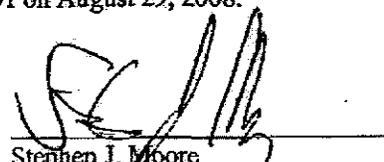

Christopher N. Skey
On behalf of Interstate Gas Supply
of Illinois, Inc.


Stephen J. Moore
On behalf of Dominion Retail, Inc.

CERTIFICATE OF SERVICE

The undersigned certify that they caused to be served copies of the foregoing Errata and Corrected Direct Testimony of James L. Crist on behalf of the Customer Select Gas Suppliers (CSGS Ex. 1.0 (Correct)) and the exhibits thereto upon the parties on the service list maintained on the Illinois Commerce Commission's eDocket system for the instant docket via electronic delivery from 203 N. LaSalle Street, Chicago, Illinois 60601 on August 29, 2008.


Christopher N. Skey
On behalf of Interstate Gas Supply
of Illinois, Inc.


Stephen J. Moore
On behalf of Dominion Retail, Inc.