

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

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

Rebuttal Testimony of

GARY R. BARTLETT

Vice President, Supply Operations

Northern Illinois Gas Company
d/b/a Nicor Gas Company

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Gary R. Bartlett, 1844 Ferry Road, Naperville Illinois 60563.

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

5 A. I am the Vice President, Supply Operations for Northern Illinois Gas Company d/b/a
6 Nicor Gas Company (“Nicor Gas” or the “Company”).

7 **Q. Are you the same Gary Bartlett who previously submitted direct testimony in this**
8 **case on behalf of Nicor Gas?**

9 A. Yes.

10 **II. PURPOSE AND SUMMARY**

11 **Q. What is the purpose of your rebuttal testimony?**

12 A. The purpose of my rebuttal testimony is to respond to Staff and Intervenor direct
13 testimony regarding storage and supply issues, as well as Nicor Gas’ proposed changes to
14 its Storage Banking Service (“SBS”) tariff and the Company’s proposed Company Use
15 Adjustment Rider (“Rider CUA”). In particular, I will respond to the direct testimony of:

- 16 (1) Illinois Commerce Commission (the “Commission” or “ICC”) Staff (“Staff”)
17 witnesses Dennis Anderson (Staff Ex. 9.0), Mark Maple (Staff Ex. 10.0), David
18 Sackett (Staff Ex. 11.0R), and David Brightwell (Staff Ex. 13.0);
- 19 (2) Office of the Attorney General (“AG”) and Citizens Utility Board (collectively
20 “AG/CUB”) witness David Efron (AG Ex 1.0);
- 21 (3) Illinois Industrial Energy Consumers (“IIEC”) witness Dr. Alan Rosenberg (IIEC
22 Ex. 1.0);

- 23 (4) Constellation New Energy, Inc. (“CNE”) witnesses Darcy Fabrizius (CNE
24 Ex. 1.0) and Lisa A. Rozumialski (CNE Ex. 2.0);
- 25 (5) Interstate Gas Supply of Illinois, Inc. and Dominion Retail, Inc., (collectively
26 Customer Select Gas Suppliers, “CSGS”) witness James L. Crist (CSGS Ex. 1.0);
27 and
- 28 (6) Vanguard Energy Services, L.L.C. (“Vanguard” or “VES”) witness Neil
29 Anderson (VES Ex. 1.0).

30 **Q. Please summarize your conclusions.**

31 **A.** I conclude the following:

- 32 (1) **Working Gas in Storage:** Contrary to AG/CUB witness Effron’s arguments in
33 his direct testimony, the proposed test year level of working gas in storage is an
34 appropriate and prudent level and should be included in base rates as filed.
- 35 (2) **Storage Gas Losses (2% Withdrawal Factor):** In response to Staff witness
36 Anderson’s argument that the 2% withdrawal factor has not been supported, I
37 disagree and will show why the factor is appropriate.
- 38 (3) **SBS Charges and SBS Storage Rights:** I disagree with various
39 recommendations that a volume of 149.74 Bcf be used in the calculation of the
40 SBS Charge, SBS Capacity, and SBS Critical Day withdrawal rights. The
41 134.6 Bcf level of storage is the appropriate level of storage capacity to use in all
42 three of these calculations.
- 43 (4) **Proposed Maximum Daily Nominations (“MDN”) Tariff Revisions:** Staff
44 witness Sackett, CNE witness Fabrizius, and IIEC witness Rosenberg each argue
45 against the Company’s proposed tariff revisions. I disagree with their arguments
46 and will provide additional support for why the Commission should accept Nicor
47 Gas’ proposal to change Transportation customers’ daily nomination limits.
- 48 (5) **Customer Select:** I will provide a summary of the upstream pipeline services
49 included in calculating Nicor Gas’ Customer Select Balancing Charge (“CSBC”)
50 and describe the benefits that Customer Select customers receive from these
51 services. I will also describe how the settlement reached between Nicor Gas and
52 the Customer Select suppliers impacts these benefits.
- 53 (6) **Intraday Nominations:** I disagree with CNE witness Rozumialski’s
54 recommendation that the Commission order Nicor Gas to accept North American

55 Energy Standards Board (“NAESB”) intraday nomination changes and will
56 provide support for why the Commission should reject this recommendation.

57 (7) **Rider 27, Company Use Adjustment (“Rider CUA”):** Staff witness Brightwell
58 provides alternatives to the Company’s proposed Rider CUA with a
59 recommendation that the Commission approve his Alternative (a). The Company
60 accepts Mr. Brightwell’s recommended alternative.

61 **Q. Are there any Exhibits attached to your rebuttal testimony?**

62 **A.** Yes.

63 • Nicor Gas Exhibit 19.1 provides an illustration showing that the Company’s 2%
64 withdrawal factor is appropriate and is referenced in the portion of my testimony
65 regarding Storage Gas Losses.

66 • Nicor Gas Exhibit 19.2 provides hysteresis curves for the Troy Grove and Ancona
67 storage fields and is referenced for support in the portion of my testimony
68 regarding the SBS Charges and SBS Storage Rights.

69 • Nicor Gas Exhibit 19.3 provides analysis indicating the cost impact that
70 Transportation customers’ storage utilization has on Nicor Gas’ Sales customers
71 and is referenced in the portion of my testimony regarding the Company’s
72 proposed SBS Tariff Revisions.

73 • Nicor Gas Exhibit 19.4 provides a list of the pipeline services that are included in
74 the CSBC and identifies how costs of these services are allocated to Customer
75 Select customers. This exhibit is referenced in the portion of my testimony
76 regarding Customer Select.

77 **III. WORKING GAS IN STORAGE**

78 **Q. Are you familiar with the recommendation provided by AG/CUB witness Effron**
79 **regarding the forecasted volumes of gas in storage for the test year?**

80 **A.** Yes. Mr. Effron has expressed concern in that the gas in storage component included in
81 the Company’s rate base is based on a forecast that is higher than the actual balances for
82 2007. (Effron Dir., AG/CUB Ex. 1.0, 9:19-13:11). Mr. Effron has concluded that the
83 majority of the increase results from volumetric differences between the forecasted

84 month-end storage balances for the test year and actual month-end storage balances in
85 2007. (*Id.*). Mr. Effron has proposed that actual month-end storage balances be used in
86 calculating the gas in storage component of the Company's rate base rather than the
87 Company's forecasted volumes. (*Id.*, 11:20-21.). Mr. Effron does not contest the prices
88 used in the gas in storage calculation, only the volumetric portion of the calculation.
89 Mr. Effron's proposal results in a net reduction to gas in storage of \$26,503,000. (*Id.*,
90 13:10-11).

91 **Q. Do you agree with Mr. Effron's proposal regarding gas in storage?**

92 A. No. I take issue with Mr. Effron's proposal for several reasons.

93 First, Mr. Effron apparently believes that a test year forecast can properly be
94 derived merely by using any twelve contiguous months of actual storage field month end
95 volumetric balances. The trouble with this approach is that it proves too much. For
96 instance, actual calendar year 2004 and actual calendar year 2005 month end storage
97 balances were higher than Nicor Gas has forecast for the 2009 test year. If either of those
98 historical calendar year period balances were substituted for the Company's test year
99 forecasted balances, rate base would actually increase. Mr. Effron does not explain why
100 use of actual storage balances from two different calendar years (i.e. the last six months
101 of 2007 and the first six months of 2008) is any more representative than calendar years
102 2004 or 2005 of what is likely to occur during the test year (calendar year 2009). The fact
103 of the matter is that there is no basis to reach such a conclusion.

104 Second, Mr. Effron fails to consider that operating realities of the Nicor Gas'
105 storage fields have anything to do with forecasting month end balances of gas in storage
106 for the test year. The physical operation of Nicor Gas' aquifer reservoirs is managed

107 around individual storage cycle years that begin around May 1 and end on the following
108 April 30. The actual month end storage balances for each cycle year depend on the
109 specific operational considerations for that cycle year as well as the April 30 storage
110 balance for the previous cycle year. Variations in weather and Transportation customer
111 utilization of their storage inventories during a storage cycle year will affect month end
112 storage inventory balances during that storage cycle year and may affect the beginning
113 storage balance for the following storage cycle year. Weather impacts and Transportation
114 customer utilization are not factors that Nicor Gas can control. The Company makes
115 reasonable and appropriate assumptions about weather and Transportation customer
116 utilization in establishing its storage plan for a cycle year and will make adjustments
117 during the cycle year as actual conditions warrant.

118 Mr. Effron has merely proposed using actual storage balances from 2008 for the
119 months of January through June and from 2007 for the months of July through
120 December, but has made no effort to consider the impact on storage balances based on
121 normal weather compared to the actual weather during the particular periods he chose.
122 He also fails to consider the impact that endusers' storage utilization had on total storage
123 activity during those particular periods.

124 Third, Mr. Effron has failed to consider the information that Nicor Gas provided
125 to Staff witness Maple in response to data requests MEM 2.04 and 3.16. For example,
126 one item that has caused the volumetric storage balances to be higher is the inventory
127 level targeted under Nicor Gas' NSS (Nominated Firm Storage Service) contract with
128 NGPL. As mentioned in response to MEM 3.16, the change in operating strategy was
129 targeted to provide Sales customers with an additional 2 Bcf of storage withdrawals

130 (providing winter supply at summer prices). This is a strategy that Nicor Gas has
131 implemented and is on track to achieve in 2008, with a continuation of the strategy
132 planned for 2009. Using actual storage balances for 2007 completely ignores this change
133 in operating strategy, which improves the utilization of contracted storage capacity. By
134 excluding this item, Mr. Effron ignores the benefits that could be afforded Nicor Gas'
135 Sales customers. He appears to be implying that Nicor Gas should not pursue this
136 strategy even though doing so allows the Company to more fully utilize its NSS
137 contracted capacity to the benefit of its Sales customers. Such a result is not reasonable.

138 An additional item discussed in the Company's response to MEM 3.16 is the
139 expectation that 3rd Party utilization of their storage capacity during the injection season
140 of the test year will be lower than 2007 actuals by about 1.5 Bcf, which brings the
141 forecast back closer to historical levels. Since Nicor Gas' storage fields operationally
142 require that they be filled to approximately 135 Bcf by the end of each injection cycle to
143 meet winter delivery requirements, this forecasted change in 3rd Party activity increases
144 the amount of on-system storage that Nicor Gas needs to fill on behalf of its Sales
145 customers.

146 For all the reasons enumerated above, Mr. Effron's proposed adjustments to
147 working gas in storage should be rejected.

148 **Q. Have you reviewed Staff witness Maple's request regarding Nicor Gas' NSS**
149 **contract with NGPL (Natural Gas Pipeline Company of America LLC)?**

150 A. Yes. In his direct testimony, Mr. Maple requests an update on Nicor Gas' contract
151 negotiations with NGPL regarding the Nominated Storage Service ("NSS") contract that
152 is scheduled to expire March 31, 2009. (Maple Dir., Staff Ex. 10.0, 14:242-49). Nicor

153 Gas recently completed its negotiations on the extension of multiple contracts with
154 NGPL, including the referenced NSS contract, and has executed the new contracts. The
155 NSS contract has been extended for four years with no changes in price or volumes from
156 those included in the current NSS contract.

157 **Q. Should the Commission accept Mr. Effron's proposal regarding the gas in storage**
158 **component of the Company's rate base?**

159 A. No. Mr. Effron has provided no credible support for his proposed reduction in the
160 Company's test year gas in storage component of rate base. The Commission should
161 accept the Company's forecasted gas in storage balances as filed and supported.

162 **IV. STORAGE GAS LOSSES (2% WITHDRAWAL FACTOR)**

163 **Q. Staff witness Anderson states that the Company has not demonstrated that a 2%**
164 **adjustment factor for storage is appropriate. (Anderson Dir., Staff Ex. 9.0, 11:206-**
165 **07). Do you agree?**

166 A. No. There is ample empirical evidence and supporting documentation to show that 2% is
167 the right factor to use. The fact that the 2% withdrawal factor has been applied
168 consistently since the development of the storage fields in the 1960s, and during this time
169 there has been no indication of significant adverse changes in reservoir performance is
170 strong evidence that the 2% rate is appropriate.

171 **Q. Please describe the nature of the storage gas losses encompassed in the 2%**
172 **withdrawal factor.**

173 A. There are basically two categories of gas losses connected with storage operations: un-
174 metered surface losses (which Mr. Anderson identifies as "physical" losses) and non-

175 effective reservoir volumes (which Mr. Anderson identifies as “performance variations”).
176 The 2% withdrawal factor Nicor Gas employs accounts for both categories. Nicor Gas
177 has consistently applied the 2% withdrawal factor in aggregate to all of its fields with no
178 differentiation between categories.

179 **Q. Please describe the nature of un-metered surface losses or physical losses.**

180 A. The physical losses can be attributed to things such as construction tie-ins where lines
181 need to be blown down, well drilling, well logging, well completion operations,
182 compressor blow downs, numerous pneumatic systems operated with gas, wellhead
183 heaters, dehydration equipment operation, and water handling equipment. These losses
184 are a function of normal day-to-day aquifer storage operations.

185 **Q. Please describe the nature of non-effective reservoir losses.**

186 A. The non-effective reservoir volume losses are attributed to gas volumes in storage that
187 migrate into previously un-invaded reservoir pore spaces, both within the existing extent
188 of the storage reservoir or on the perimeter of the reservoir. In aquifer storage reservoirs,
189 this is mainly due to operating at a “delta pressure” above the original aquifer pressure.
190 This higher pressure facilitates displacement of the water providing space for the gas
191 injected. Certain amounts of the gas volumes entering the previously un-invaded
192 reservoir pore space become entrapped and non-recoverable. These losses are also a
193 function of normal day-to-day aquifer storage operations.

194 **Q. What evidence does Nicor Gas have that the 2% withdrawal factor accurately**
195 **reflects the annual level of storage gas losses that occurs in total?**

196 A. Annually, Nicor Gas conducts an Inventory Verification Study (“IVS”) of its storage
197 volumes. The methodology used by Nicor Gas in conducting the IVS is widely accepted
198 in the industry and the Company periodically has such studies reviewed and verified by
199 an independent third party storage reservoir consultant. The Company’s last IVS was
200 completed in September 2007 and was reviewed and verified by the outside consultant
201 Fairchild and Wells, Inc.

202 **Q. Please provide a brief explanation of the IVS.**

203 A. These studies are based on reservoir engineering principles of material balance.
204 Production (withdrawal) data, flow rates, pressures, etc. are gathered for the storage
205 reservoir. This performance data, combined with an understanding of the water
206 movement in the reservoir, are used to “back calculate” the volume of gas that should be
207 in the reservoir to achieve this performance. This calculated volume is then compared to
208 the metered volume of inventory that is shown to be in the reservoir. In non-technical
209 terms, the IVS examines the expected performance in a storage field relative to its
210 inventory. There is a relationship between inventory in the field and performance. When
211 the performance of a field changes at a given expected inventory, it provides an
212 indication that the “booked” inventory level may be incorrect and that some of the
213 volumes have become ineffective in supporting field performance. When storage field
214 performance is consistent with the assumed inventory level, the assumption is that the
215 stated level of inventory is correct.

216 **Q. Do the results of an IVS provide a precise measurement of the physical gas volumes**
217 **in place in the reservoir?**

218 A. The calculated results of each annual IVS tend to vary by a small percentage above or
219 below the metered inventory level because there are no means to obtain precise
220 measurements. This process involves taking the ending inventory from the previous year
221 and then adding and subtracting metered injections and withdrawals to determine the new
222 inventory level. These metered inventory levels are adjusted by the 2% factor. This
223 inventory level is then compared to the calculated volume determined using the process
224 just described.

225 **Q. What do the results of Nicor Gas' IVSs show?**

226 A. Nicor Gas Exhibit 19.1 attached hereto shows a plot of the results of the annual inventory
227 verification studies in total since the 1993-1994 cycle year, along with a regression plot
228 of the individual points to be able to identify any trends. As Nicor Gas Exhibit 19.1
229 shows, the trend line over the entire period is essentially flat, indicating that the 2%
230 withdrawal factor that Nicor Gas has been using is correct. This clearly demonstrates
231 that the 2% withdrawal factor, which has been in use since the initial development of the
232 fields is appropriate.

233 **Q. Does the Company currently have the necessary information to determine what**
234 **portion of the 2% withdrawal factor is attributable to "physical losses" and what**
235 **portion is attributable to "performance variations"?**

236 A. The Company currently does not have available data to determine the split of the 2%
237 between the two categories. There is no way of directly measuring non-effective
238 reservoir losses. The only means of measuring non-effective reservoir losses is through
239 empirical evidence developed by observing actual field operations, which is what Nicor
240 Gas already does. Further, the Company has not conducted any recent and thorough

241 studies directed toward determining a reasonable estimate of the physical surface losses
242 at each of the fields. While Nicor Gas does not believe that a split is necessary, in the
243 event that the Commission finds that a split of the losses should be determined, the
244 Company would agree to conduct a study directed toward developing a reasonable
245 estimate of the surface losses by field based on typical operations. An estimate of
246 reservoir losses then could then be arrived at by subtracting the amount determined for
247 the surface losses from the total 2% which has been validated. The results of the study,
248 which would take some time to complete, would be provided to the Commission at the
249 next rate case or upon completion and could then be used on a prospective basis. Further,
250 Nicor Gas would continue its ongoing practice of conducting its annual IVS to monitor
251 and continually validate the overall storage loss factor.

252 **Q. Staff witness Anderson recommends that the Company develop written procedures**
253 **for the treatment of the sources and types of inventory adjustments and to**
254 **distinguish between “physical losses” and “performance variations”. (Anderson**
255 **Dir., Staff Ex. 9.0, 29:555-60). What is your response to Mr. Anderson’s**
256 **recommendation?**

257 A. Nicor Gas is agreeable to establishing a written policy and procedures for estimating
258 “physical losses” at its storage fields and for the treatment of the source and types of
259 losses.

260 **V. SBS CHARGES AND SBS STORAGE RIGHTS**

261 **Q. Staff and certain Intervenors have argued against the capacity utilization of Nicor**
262 **Gas’ on-system storage fields. Please summarize their arguments.**

263 A. Staff and certain Intervenors disagree with the level of capacity that Nicor Gas is using in
264 various SBS calculations, including calculations of the SBS charge, SBS capacity, and
265 SBS Critical Day withdrawal rights. Staff witness Sackett argues that the SBS charge is a
266 capacity charge, and therefore it should use capacity in its calculation. (Sackett Dir.,
267 Staff Ex. 11.0R, 23:465-68). He argues that the actual capacity of the storage fields is
268 149.74 Bcf. (*Id.*, 23:471-82). CNE witness Fabrizius argues that the SBS charge, the
269 Critical Day withdrawal rights under SBS, and the SBS capacity available to
270 Transportation customers should all be calculated using the 149.74 Bcf number, simply
271 because that is the number Nicor Gas was ordered to use in their last rate case. (Fabrizius
272 Dir., CNE Ex. 1.0, 13:260-65). Meanwhile, IIEC witness Rosenberg also argues that the
273 SBS charge should be calculated using the 149.74 Bcf number. (Rosenberg Dir., IIEC
274 Ex. 1.0, 16:311-19).

275 **Q. Do you agree with these arguments?**

276 A. No. I have already described in various data request responses that the Company's
277 proposed 134.6 Bcf represents the operationally available capacity that supports peak day
278 and subsequent peak day storage deliverability. This total inventory target has proven to
279 improve reservoir performance and is reflective of the actual inventory capacity level
280 reached and used over the past three years is the appropriate number. Yet, Staff and
281 Intervenors believe that the 149.74 Bcf number should be used in calculating the SBS
282 charge even though that number is just a total of each storage field's non-coincidental
283 maximum storage inventory.

284 The various Intervenors appear to be confusing a rate making concept (capacity)
285 with the allocation of an operational capability. If the 149.74 Bcf were to be used in

286 calculating the SBS charges and in the allocation of storage capacity, then Transportation
287 customers will receive a greater allocation of storage, and pay less per therm for that
288 capacity, since the actual annual operational capability of the storage fields remains at the
289 approximate 135 Bcf level. The operational capability of the storage fields will not
290 increase to 149.74 Bcf just because of rate design calculations. The result of using the
291 149.74 number for allocation purposes is that Nicor Gas' Sales customers are denied
292 access to their rightful proportionate share of available capacity because the actual size of
293 the pie is approximately 135 Bcf. In his rebuttal testimony, Nicor Gas witness
294 Robert Mudra shows the impact of the Intervenor's recommendation on Sales customers
295 as compared to Nicor Gas' proposal using the actual available capacity of 134.6 Bcf.
296 (See Mudra Reb., Nicor Gas Ex. 29.0, Table 5).

297 **Q. You mention that the 134.6 Bcf inventory level has proven to improve reservoir**
298 **performance and represents the annual operational capacity of the storage fields.**
299 **Can this be illustrated?**

300 A. Yes. Nicor Gas Exhibit 19.2 attached hereto shows hysteresis curves for the Company's
301 two largest storage fields, Troy Grove and Ancona. These graphs also show that the
302 higher inventory years did not translate into greater levels of cycling. In fact, since the
303 2000-2001 cycle year, the total volume cycled from on-system storage, on a non-
304 coincidental basis, has ranged between 110 to 130 Bcf, and actual cycled volumes have
305 never reached levels anywhere near the 149.74 Bcf level. The curves illustrate that
306 operating at lower inventory levels, which allows Nicor Gas to more fully cycle the gas in
307 storage while still protecting peak day deliverability, has improved storage field
308 performance. These curves depict the pressure build up in the fields during injection

309 from the inventory level existing at the beginning of the season and then the pressure
310 decline as volumes are withdrawn during the winter. As can be seen by looking at the
311 graphs, there has been a progressive improvement in reservoir pressures at various
312 inventory levels as top gas inventory has been cycled closer to zero at the end of each
313 cycle (higher pressures at any given inventory level). This translates directly to higher
314 deliverability at lower inventory levels providing enhanced reliability on high demand
315 days.

316 **VI. PROPOSED MAXIMUM DAILY NOMINATIONS (“MDN”) TARIFF**
317 **REVISIONS**

318 **Q. Several parties have argued that the changes proposed by Nicor Gas for calculation**
319 **of its Transportation customers’ MDNs are not necessary and should be rejected.**
320 **Do you agree with these arguments? (Sackett Dir., Staff Ex. 11.0, 14:276-23:482;**
321 **Anderson Dir., VES Ex. 1.0, 8:155-9:184).**

322 A. No. I disagree with these arguments, and I continue to support Nicor Gas’ proposal
323 regarding daily nomination limits.

324 **Q. Why do you believe that the proposed changes to the daily nomination limits are**
325 **necessary?**

326 A. From an operational perspective, the daily nomination limit proposals make sense in that
327 they are designed to more closely match customers’ storage utilization with actual storage
328 field operating requirements. Further, such changes are expected to reduce the additional
329 costs which Sales customers are forced to incur due to transport customer storage usage
330 patterns. This analysis gives an indication of the incremental costs which Sales
331 customers have had to bear as a consequence of the pattern of Transportation customer

332 use of their storage. Nicor Gas Exhibit 19.3 attached hereto shows the results of the
333 analysis for the 12 month period from December 2006 to November 2007.

334 **Q. Please describe the above mentioned analysis completed by Nicor Gas.**

335 A. The analysis provided in the attached Nicor Gas Exhibit 19.3 compares estimated actual
336 daily storage activity of Transportation customers to their proportionate share (based on
337 their allocated storage capacity) of the total planned daily storage activity of the
338 Company-owned on-system storage fields. For example, Transportation customers'
339 allocated storage capacity, which has recently been around 35 Bcf, was calculated as a
340 percentage of the total on-system storage targeted inventory level or around 135 Bcf.
341 This percentage, or proportionate share, was applied to the daily operationally planned
342 storage activity which is based on field operating requirements. The result of this
343 application resulted in the level of storage activity that Transportation customers should
344 have utilized, or their daily proportionate share, in order for Sales customers to have
345 access to their proportionate share. This daily proportionate share of storage was then
346 compared to their estimated actual daily storage activity. The difference was then
347 considered to be the volumetric impact on Sales customers. This volumetric impact was
348 then valued at the difference between the cash price for Chicago and the settle of the
349 Nymex futures contract for the prompt month for each day.

350 As an example, if Transportation customers should have withdrawn 500,000
351 MMBtu on a day to match their proportionate share of Nicor Gas' operational level of
352 storage activity, but instead they injected 100,000 MMBtu, then Sales customers would
353 have needed to withdraw an incremental 600,000 MMBtu to make up for their variance
354 on that day to keep total physical storage activity where it needed to be. If cash prices

355 were lower than the prompt month for that particular day, then Sales customers were not
356 able to purchase the lower priced gas (relative to the prompt month's futures contract) for
357 that day by 600,000 MMBtu while the Transportation customers participated in the day's
358 lower prices.

359 **Q. Please describe the results of this analysis.**

360 A. The results of this analysis indicate that Sales customers are negatively impacted by
361 Transportation customers' utilization of their on-system storage capacity. The daily,
362 monthly, and seasonal capability of Nicor Gas' storage fields is limited—it is not infinite.
363 Therefore, to the extent Transportation customers utilize their storage capacity differently
364 than their proportionate share, Sales customers must make up the difference, or at least a
365 significant portion of the difference.

366 The analysis indicates that for the twelve month period December 2006 through
367 November 2007, the cost impact on Sales customers was about \$12 million.

368 **Q. Has Staff witness Sackett considered this indicative cost impact on Sales customers
369 that was provided to him in Nicor Gas' response to DAS 4.02?**

370 A. No. While he agrees that there would be an impact, he does not consider this in his
371 recommendation. (Sackett Dir., Staff Ex. 11.0R, 14:294-97). Mr. Sackett states that the
372 Company did provide an estimate of the cost impact but that he did not have a chance to
373 evaluate the data. (*Id.*, 15:313-16).

374 **Q. Do you have any other comments on Staff witness Sackett's direct testimony on the
375 daily nomination limit issue?**

376 A. Mr. Sackett states that he does not believe that Nicor Gas has shown that pipeline caps
377 are harmful to transportation customers. (Sackett Dir., Staff Ex. 11.0R, 11:217-24).
378 Mr. Sackett's comment that Nicor Gas only produced one correspondence, is misleading,
379 and it infers that only one communication took place. Just because one party in particular
380 chose to communicate via email does not mean that all communications must be made in
381 that form. Other communications were made, in addition to the email, but were via
382 phone.

383 **Q. Staff and other Intervenors provide arguments against the Company's proposed**
384 **MDN changes that are based on the opinion that the proposals would not help**
385 **reduce the need to issue pipeline caps. Do you agree with these arguments?**

386 A. No. Staff witness Sackett and CNE witness Fabrizius argue against the Company's
387 proposed MDN changes by stating that the Company has not issued pipeline caps in
388 sixteen months. (Sackett Dir., Staff Ex. 11.0R, 10:197-99; Fabrizius Dir., CNE Ex. 1.0,
389 30:660-31:681). This argument completely ignores the potential that Nicor Gas is trying
390 to protect against. This could be countered in similar simple terms that since
391 Transportation customer nominations have not been at levels necessary for the Company
392 to issue caps recently, then any reduction in nomination limits would not impact
393 customers.

394 Mr. Sackett and Ms. Fabrizius focus their arguments against the summer MDN
395 proposal and downplay pipeline caps when discussing the March and April proposal. As
396 Mr. Sackett and Ms. Fabrizius mention in their testimony, the Company has not issued
397 many pipeline caps in the summer months. However, Mr. Sackett dismisses the
398 significant number of pipeline caps issued in the months of March and April simply

399 because none were issued during the months of March and April 2008. (Sackett Dir.,
400 Staff Ex. 11.0R, Fig. 2).

401 **Q. VES witness Anderson states that Nicor Gas' proposed tariff revisions will not**
402 **guarantee that the Company will be able to avoid issuing pipeline caps. (Anderson**
403 **Dir., VES Ex. 1.0, 8:155-9:184). Do you agree with this statement?**

404 A. Yes. As already stated in my direct testimony, the proposed tariff revisions may not
405 completely eliminate the need to issue pipeline caps, they definitely are expected to help
406 reduce the need to issue pipeline caps. (Bartlett Dir., Nicor Gas Ex. 4.0, 26:542-45).

407 **Q. IIEC witness Rosenberg argues against Nicor Gas' proposal by stating that Nicor**
408 **Gas has been able to "satisfactorily operate its storage fields" without the proposed**
409 **restrictions. (Rosenberg Dir., IIEC Ex. 1.0, 17:332-34). Do you agree with this**
410 **argument?**

411 A. Not entirely. While it is true that Nicor Gas has avoided degradation in the storage fields
412 with routine maintenance programs, operating practices, and greater cycling, this has not
413 been a "free" move. As the capabilities of the storage fields are limited, at least one piece
414 of the pie must accommodate changes made by any of the other pieces. As noted above,
415 Sales customers are impacted to the extent Transportation customers operate outside of
416 their proportionate share of the pie.

417 **Q. IIEC witness Rosenberg argues that Nicor Gas' proposed tariff revisions will make**
418 **it harder for Transportation customers to cope with volatile and escalating natural**
419 **gas costs. (Rosenberg Dir., IIEC Ex. 1.0, 17:335-42). Do you agree with this**
420 **argument?**

421 A. No. Dr. Rosenberg has not offered any support to show how Nicor Gas' proposals would
422 "pile on" increased energy costs to Transportation customers. However, he contradicts
423 himself since this argument serves to support my testimony above that the storage
424 utilization of Transportation customers under Nicor Gas' current tariff provisions
425 negatively impact Nicor Gas' Sales customers.

426 **Q. Regarding the proposed limits for the months of March and April, IIEC witness**
427 **Rosenberg counters the fact that Transportation customers as a group could inject**
428 **significantly more than 1 Bcf per day by stating that customers have actually**
429 **injected less than 2/10th of 1 Bcf in March and less than that in April. (Rosenberg**
430 **Dir., IIEC Ex. 1.0, 20:388-91). Do you have any comments?**

431 A. Apparently, Dr. Rosenberg's calculation of the 2/10ths of 1 Bcf simply takes the average
432 of the month. This calculation does not take into consideration the daily activity behind
433 the monthly total. For a simple example, customers could have withdrawn 1 Bcf per day
434 for half of a month and injected 1.2 Bcf for the remaining days which would result in a
435 net total injection for the month of about 3.0 Bcf, or a ratable average injection of about
436 only 100,000 MMBtu per day. Taking the simple average of the monthly total in this
437 example ignores the daily extremes that are possible within the month. Dr. Rosenberg's
438 example does not provide valid support for his argument against Nicor Gas' proposal.

439 Further, if 2/10ths of 1 Bcf per day truly is the current practical limit of exposure
440 from Transportation customers that Nicor Gas needs to manage around, then either
441 (1) Dr. Rosenberg is offering support as to why the Company could have proposed even
442 more restrictive limitations, or (2) he should have no problem with Nicor Gas limiting

443 storage rights that Transportation customers do not utilize, according to his example, in
444 the first place.

445 **Q. Staff witness Sackett and other Intervenors recommend that the Commission reject**
446 **the Company's proposal regarding MDN limits. (Sackett Dir., Staff Ex. 11.0R,**
447 **16:320-24;). Should the Commission accept this recommendation?**

448 A. No. The Commission should reject this recommendation and approve the Company's
449 proposed changes to its tariff regarding daily nomination limits. In addition to the
450 reasons stated above, Mr. Sackett has acknowledged that he has not had the opportunity
451 to evaluate Nicor Gas' cost impact analysis and yet he has made a recommendation.
452 (Sackett Dir., Staff Ex. 11.0R, 15:315-16). Therefore, his recommendation has not been
453 fully substantiated and admittedly ignores a vital piece of information. He and other
454 Intervenors have not offered any substantial evidence to show how Transportation
455 customers would be harmed by Nicor Gas' proposal. Further, Nicor Gas has provided
456 support, from a cost impact perspective in Nicor Gas Exhibit 19.3, for its proposal
457 regarding daily nomination limits.

458 **Q. Staff witness Sackett recommends that Nicor Gas only issue caps as Operational**
459 **Flow Orders, or "OFO"s. (Sackett Dir., Staff Ex. 11.0R, 11:211-15). Does the**
460 **Company agree with this recommendation?**

461 A. Yes. Nicor Gas will revise its tariff such that pipeline caps will be termed Operational
462 Flow Order (OFO) Cap Days, and the current tariff provision which enables Nicor Gas to
463 call pipeline caps will be moved to the Transportation customer section of Terms and
464 Conditions. This is explained further in the rebuttal testimony of Mr. Mudra. (Nicor Gas
465 Ex. 29.0).

466 **Q. Staff witness Sackett recommends, for clarification purposes, that Nicor Gas should**
467 **have one definition to use for a daily nomination limit and that the definition should**
468 **be effective for all twelve months of a year. (Sackett Dir., Staff Ex. 11.0R, 16:327-**
469 **30) Does the Company agree with this recommendation?**

470 A. Yes. As described in Mr. Mudra's rebuttal testimony, the Company agrees, for
471 clarification purposes, the daily nomination limit of each month of the year will be called
472 an "MDN", or Maximum Daily Nomination". (Mudra Reb., Nicor Gas Ex. 29.0). A
473 customer's MDN will be effective all year, however, the volumetric calculation of a
474 customer's MDN may vary from month to month. (*Id.*)

475 **Q. IIEC witness Rosenberg recommends that Nicor Gas's current tariff provision that**
476 **requires that Transportation customers' SBS capacity be 90% full on November 1**
477 **in order to receive a SWF of 1 for the subsequent winter be revised so that**
478 **customers can reach their 90% requirement at any time between October 15 and**
479 **November 15. (Rosenberg Dir., IIEC Ex. 1.0, 22:436-45). Do you agree?**

480 A. No. It appears that Dr. Rosenberg has taken one provision from NGPL's DSS tariff that
481 he views as favorable and has ignored all of the other provisions under the DSS tariff that
482 reduce summer injection limits for inventory remaining in a shipper's account as of
483 April 30, and that establish daily, monthly and seasonal injection and withdrawal
484 requirements. Mr. Mudra addresses this issue further in his rebuttal testimony. (Mudra
485 Reb., Nicor Gas Ex. 29.0).

486 **VII. CUSTOMER SELECT**

487 **Q. Has Nicor Gas addressed the level of balancing charges paid by Customer Select**
488 **relative to the benefits received from upstream assets, as directed by the**
489 **Commission in the last rate case?**

490 A. In my opinion, Nicor Gas responded in the direct testimony of Mr. Mudra. (Mudra Dir.,
491 Nicor Gas Ex. 14.0). However, based on the testimony of Commission witness Sackett
492 (Sackett Dir., Staff Ex. 11.0R,28:567-68), the information provided below offers further
493 detail for the purpose of clarification. The following testimony provides a direct, and I
494 believe complete, response to the Commission's direction.

495 **Q. Please address the level of balancing charges (the CSBC) Customer Select customers**
496 **should be assessed in light of the benefits those customers receive from Nicor Gas'**
497 **upstream capacity. Also compare the benefits that Nicor Gas' upstream capacity**
498 **provides to Customer Select customers and Sales customers, as well as the**
499 **associated levels of charges.**

500 A. It is and has been Nicor Gas' intent that the allocation of benefits and costs be equivalent
501 between Sales customers and Customer Select customers. Relative to charges, the
502 allocation is exactly the same between Sales and Customer Select customers, as I will
503 show. Relative to benefits, there are minor differences made necessary due to Nicor Gas'
504 overall operational responsibility for the system, the continuing operational responsibility
505 for providing service to the Customer Select customers, and the practical necessity of
506 designing a small customer transportation program. However, I view the benefits as
507 equivalent.

508 **Q. Please describe the upstream pipeline capacity services that Nicor Gas allocates to**
509 **Customer Select customers and charges through the CSBC.**

510 A. The upstream services include the following:

- 511 (1) Storage capacity Nicor Gas leases from NGPL under the DSS (Delivered Firm
512 Storage Service) Tariff;
- 513 (2) Storage capacity Nicor Gas leases from NGPL under the NSS tariff along with the
514 firm transportation service (FTS) that Nicor Gas uses to inject and withdrawal
515 from its NSS storage bank; and
- 516 (3) Various market area transportation services contracted for by Nicor Gas. These
517 market area services are held by Nicor Gas for the purpose of balancing its system
518 when it is operationally over-supplied in one location on its system and under-
519 supplied in another. These market area services do not directly add to total design
520 day capacity.

521 **Q. Please describe the DSS and NSS services.**

522 A. DSS is a bundled no-notice storage service. By “bundled” I mean that the service
523 provides both storage and the transportation necessary to deliver the gas to Nicor’s
524 system all included in a single rate. By “no-notice” I mean that, within a limited range
525 defined by NGPL’s tariff, storage withdrawals or injections will be made on a daily basis
526 to balance the inevitable differences between the volume scheduled to Nicor Gas’ system
527 on a day, and the volume of gas actually used. DSS also contributes to Nicor’s design
528 day requirements and seasonal supply.

529 NSS is a storage service that provides a more limited level of no-notice service
530 and which requires stand alone transportation capacity to access such storage. Nicor Gas
531 holds a level of firm transportation on NGPL for the purpose of injecting and
532 withdrawing gas from that NSS storage service. NSS also contributes to Nicor’s design
533 day requirements and seasonal supply.

534 **Q. Please describe the various market area transportation services.**

535 A. These services access upstream pipelines and supply and are used for the purpose of
536 redistributing gas volumes within Nicor Gas' service territory to ensure supplies are
537 available at the actual points of consumption. Nicor Gas' Customer Select customers
538 have the freedom to use multiple pipelines to bring their supplies to Nicor Gas' system
539 with no direct linkage between the physical location of their customers on Nicor Gas'
540 system and the pipeline the supplier chooses to use.

541 **Q. What are the costs of these services and what portion of the costs are allocated to**
542 **Customer Select customers?**

543 A. Nicor Gas Exhibit 19.4 attached hereto identifies the pipeline capacity services Nicor Gas
544 allocates to Customer Select customers and expects to have under contract for the
545 2008/2009 winter. The exhibit also shows that the estimated annual reservation costs of
546 these services total approximately \$60.4 million.

547 The exhibit also identifies how these costs are allocated to Customer Select
548 customers in the CSBC, and that these costs are allocated in an equal manner to Sales
549 customers. About \$8.5 million of the \$60.4 million total is recovered from Customer
550 Select customers, and the balance of \$51.9 million is recovered from Sales customers.
551 The \$8.5 million is recovered from Customer Select customers at a rate of approximately
552 \$.02 per therm, the same as the cost impacts seen by the Sales customers.

553 **Q. What are the benefits that Customer Select customers currently receive from the**
554 **services that are included in the CSBC?**

555 A. First, their benefits are linked to critical day rights. The volume that Customer Select
556 customers are required to deliver on a critical day is only 34% of their maximum use.
557 The remaining balance of demand (66%) must come from on-system storage and other
558 sources. However, on-system storage provides only approximately 50% of total
559 requirements. The Company relies on DSS and NSS storage withdrawals for the
560 difference. These withdrawals provide the basis of the allocation to Customer Select
561 customers of the additional rights.

562 Second, Customer Select customers receive 6 days of additional storage (beyond
563 the 28 days of on-system storage allocation). Customer Select customers use these days
564 of storage when they under-nominate or over-nominate in comparison to their daily use.
565 As a result of this storage capacity, Customer Select customers are not required to be
566 daily balanced.

567 Third, Customer Select customers are not required to balance their actual use and
568 deliveries until month end. While they are required to deliver within a high-and-low
569 range based on estimated weather, differences between their available supply and actual
570 use, long or short, are managed by Nicor Gas. Customer Select markets have no
571 obligation to manage daily shifts in load requirements after making their nomination and
572 delivery. After they make their nomination any change in the weather forecast, or other
573 driver of demand, has no impact on the Customer Select marketer's delivery requirement.
574 It is Nicor Gas that will need to use its storage (including DSS and NSS, the costs of
575 which are recovered through the CSBC) and its supply and upstream capacity to daily
576 balance actual weather requirements with what is delivered by Customer Select

577 marketers. This is the same thing that happens in balancing deliveries for Sales
578 customers.

579 Fourth, as mentioned above, Nicor Gas' Customer Select customers have the
580 freedom to use multiple pipelines to bring their supplies to Nicor Gas' system with no
581 direct linkage to the location of their customers on its system.

582 **Q. Has the settlement between Nicor Gas and the Customer Select suppliers as**
583 **described by Mr. Mudra in his rebuttal testimony (Nicor Gas Ex. 29.0) impacted**
584 **any of the benefits Customer Select customers currently receive as described above?**

585 A. Yes. Customer Select customers will continue to receive the benefits as described above.
586 In addition, Customer Select customers will receive two additional benefits, at no
587 additional cost, as a result of the settlement: (1) greater storage utilization by allowing
588 customers to fully cycle their entire 34 "days" of storage capacity (which is composed of
589 28 days of on-system storage plus the 6 additional days of storage discussed above)
590 which provides an added level of seasonal supply, and (2) increased daily storage
591 flexibility since the calculation of customers' daily withdrawal and injection rights will
592 utilize 34 "days" of storage capacity instead of 28 "days" of storage capacity, thus
593 increasing their daily injection and withdrawal rights.

594 **Q. Staff witness Sackett claims that "Customer select marketers are balanced daily"**
595 **and further states that customer select customer should not ".. bear the full cost of**
596 **using those assets" since they balance daily, not monthly. (Sackett Dir., Staff**
597 **Ex. 11.0R, 29: 600-01, 29:608-10). Do you agree with these statements?**

598 A. No. In my opinion, Customer Select customers are not daily balanced. Customer Select
599 marketers are required to nominate volumes to Nicor Gas within a high and low range on
600 a daily basis. However, the difference between the level of volumes delivered on behalf
601 of the customers and the actual usage of the customers is met by Nicor Gas through the
602 operations of its on-system storage, its leased storage, and its supply purchases.

603 **Q. Is the delivery range for Customer Select customers based on use?**

604 A. It is based on estimated use (which is a function of forecasted weather), not actual use,
605 which is largely determined by actual weather. When Customer Select marketers provide
606 Nicor Gas a nomination for the next day, neither the marketer nor Nicor Gas knows what
607 actual weather, and demand, will be. However, Nicor Gas needs to provide gas to the
608 customer based on their actual level of use, not an estimated level of use. The
609 responsibility of the marketer is to nominate a volume within the specified known
610 delivery range by 11:30 AM the day prior. Nicor Gas' responsibility is to provide a
611 sufficient supply of gas to meet the customers need, regardless of weather and regardless
612 of the accuracy, or lack thereof, of weather estimates. Simply put, Customer Select
613 customers are not balanced daily.

614 **Q. Does Nicor Gas know the level of use of Customer Select customers on a daily basis?**

615 A. No. At best, Nicor Gas can attempt to estimate the use of the customers after the day is
616 over and actual weather is known.

617 **VIII. INTRADAY NOMINATIONS**

618 **Q. Are you familiar with the argument presented by CNE witness Rozumialski**
619 **regarding intraday nominations? (Rozumialski Dir., CNE Ex. 2.0, 4:80-14:300).**

620 A. Yes. Ms. Rozumialski recommends that the Commission require Nicor Gas to implement
621 the NAESB intraday nomination schedule and allow customers the ability to modify their
622 nominations submitted on a timely basis in response to situations such as a change in
623 weather conditions, a revised production schedule, unanticipated operational difficulties
624 on Nicor Gas' system, or correcting a nomination error. (*Id.*, 4:68-69).

625 **Q. CNE witness Rozumialski states that Nicor Gas “has admitted that it provides**
626 **intraday nominations to volumes of natural gas delivered on behalf of its bundled**
627 **system customers”. (Rozumialski Dir., CNE Ex. 2.0, 13:270-73). Is this a true**
628 **statement?**

629 A. No. In her direct testimony, Ms. Rozumialski has incorrectly interpreted Nicor Gas’
630 response to data request CNE 2.38. (*Id.*). The question asked “Does the Company utilize
631 the NAESB intra-day nomination cycles for making adjustments to volumes of gas
632 delivered on behalf of system customers?” Nicor Gas responded “Yes, as system
633 operator Nicor Gas utilizes the intra-day nomination cycles.” Nicor Gas did not state that
634 it provided intraday nominations to volumes of gas delivered on behalf of its bundled
635 system customers only.

636 **Q. Does Nicor Gas accept NAESB nominations from itself?**

637 A. Yes. As system operator, Nicor Gas utilizes the intraday nomination cycles to manage
638 the balancing of its system.

639 **Q. Why is it appropriate for Nicor Gas to accept NAESB intraday nominations from**
640 **itself and not other customers?**

641 A. Nicor Gas operates its system for the benefit of all customers and has an obligation to
642 provide safe, reliable service to all its customers, Sales, Transportation and Customer
643 Select customers included. Nicor Gas does utilize late-day and intraday nomination
644 cycles, but it does so as the system operator to balance its system as necessary. While a
645 marketer needs to only be concerned with its contractual obligations to the customers to
646 which it sells gas, Nicor Gas is obligated to manage physical deliveries to all customers.
647 Operational needs, regardless of the cause, necessitate intraday nominations by Nicor
648 Gas. The cause may be due to unexpected volatility in end-user nominations as shown in
649 Nicor Gas' response to data request DAS 2.04.

650 **Q. Does Nicor Gas ever accept nominations submitted by customers other than itself**
651 **under the various NAESB intraday cycles?**

652 A. Yes. Given that the full set of NAESB guidelines are applicable to interstate pipeline
653 transactions, Nicor Gas does follow NAESB guidelines to the extent required for the
654 efficient coordination with interstate pipelines and gas suppliers. Nicor Gas does not
655 operate under, and is not required by regulation to operate under, the full range of
656 NAESB standards as interstate pipelines are required to by FERC. However, under
657 Critical Day or OFO Shortage Day conditions, Nicor Gas would accept any properly
658 scheduled nomination for gas delivery from an interstate pipeline, including nominations
659 received over a weekend.

660 It is also important to point out that Nicor Gas' customers have the benefit of
661 balancing their daily usage and deliveries with storage that is allocated to them. Since
662 Nicor Gas' customers do not need to nominate their storage activity, they are
663 automatically, or "no-notice", balanced. This "no-notice" level of service provides

664 customers with greater value than an intraday nomination service. In fact, if Nicor Gas
665 were to accept nominations under the NAESB cycles, it would need to operate its system
666 under the condition of increased operational uncertainty, which would increase costs.

667 **Q. CNE witness Rozumialski cites several other LDC's as companies that do allow**
668 **customers to make intraday nominations. (Rozumialski Dir., CNE Ex. 2.0, 8:172-**
669 **10:213:172-213). Why is it appropriate for Nicor Gas to be different?**

670 A. The practice of not accepting nominations to increase deliveries to its gate is appropriate
671 for Nicor Gas, given its role as a local distribution company and as system operator, and
672 should not be changed. The Company has requested that Ms. Rozumialski provide us
673 with the transportation tariffs of each company she has cited, along with the number of
674 transportation customers served by each utility, as Nicor Gas would like to understand
675 any fundamental differences between its own operations and customer base and those of
676 the cited LDCs. At this time, while Constellation has provided Nicor Gas with some
677 tariffs, we are still waiting for responses to other questions. Nicor Gas, however, has
678 contacted several of the cited LDCs in an effort to understand these differences. It is
679 Nicor Gas' understanding that several major differences exist between its own operations
680 and customer base and those of the LDCs contacted. Several major differences include:
681 (1) the LDCs contacted do not offer storage services to their transportation customers, (2)
682 these LDCs require that their customers match their load and therefore require intraday
683 nomination changes as necessary and apply penalties if usage is not closely matched with
684 pipeline deliveries, and (3) one LDC referred to by Ms. Rozumialski offers intraday
685 nomination cycles to transportation customers per its tariff but the company does not
686 even have any transportation customers on its system.

687 **Q. Should the Commission accept CNE's proposal regarding intraday nominations?**

688 A. No. The Commission should reject Constellation's proposal regarding intraday
689 nominations. In addition to the reasons stated above, Ms. Rozumialski's proposal is not
690 supported, and while her proposal may serve as a means of providing an interstate
691 balancing service for a marketer that operates in 22 U.S. states and has customers served
692 by LDCs that do not provide storage services to their customers, she has not identified
693 any quantifiable value to Nicor Gas' customers.

694 Further, Nicor Gas would not be able to manage its system under such an
695 environment without substantive changes. Examples of possible changes for
696 consideration could include, but are not limited to, any of the following or any
697 combination of the following: (1) increasing leased storage services, (2) reducing storage
698 rights (capacity rights and injection and withdrawal rights) for both Transportation and
699 Customer Select customers, (3) requiring nominations of daily storage injection and
700 withdrawal activity, (4) implementing additional balancing charges, (5) enhancing the
701 Company's nomination and billing systems in order to allow the Company to accept and
702 manage, on a regular basis, intraday nominations which, (6) increased staffing, and (7)
703 increased declarations of pipeline cap days. Most of these possible changes would result
704 in increased costs to Nicor Gas' customers.

705 Finally, the Commission has already addressed the issue by ruling against this
706 recommendation in Nicor Gas' last rate case, as Ms. Rozumialski herself mentions in her
707 direct testimony. *Northern Illinois Gas Co.*, Docket No. 04-0779, Order at pp.134-35
708 (entered Sept. 20, 2005).

709 **IX. RIDER 27, COMPANY USE ADJUSTMENT (“CUA”)**

710 **Q. Please summarize the issues Staff presented with regard to Nicor Gas’ proposed**
711 **Rider CUA.**

712 A. Staff witness Brightwell opposes the proposed Rider CUA. (Brightwell Dir., Staff
713 Ex. 13.0, 20:406). Nicor Gas witness O’Connor addresses several issues raised by
714 Mr. Brightwell. (O’Connor Reb., Nicor Gas Ex. 27.0). There are two issues that I
715 address in my testimony: (1) Staff witness Brightwell’s assertion that the Company
716 would have diminished incentive to control its costs with Rider CUA (Brightwell Dir.,
717 Staff Ex. 13.0, 20:406-07), and (2) that there are accounting and measurement concerns
718 (*Id.* 20:409-11).

719 **Q. Do you agree with Staff witness Brightwell in that high prices and uncertainty about**
720 **prices provide the Company incentives to reduce its company use gas expenses and**
721 **that allowing these costs to be recovered through Rider CUA would reduce these**
722 **incentives? (Brightwell Dir., Staff Ex. 13.0, 20:406-09).**

723 A. No. I disagree with the assertion that the Company would have no incentive to reduce
724 company use gas costs if Rider CUA is approved. Nicor Gas has a long record of
725 operating efficiently and at lower costs to the benefit of rate payers. Under Nicor Gas’
726 proposal, the Company is seeking an adjustment mechanism to recognize changes in the
727 price of natural gas which has been, and continues to be, extremely volatile, and over
728 which the Company has no control. Such volatility is acknowledged by Mr. Brightwell.
729 (Brightwell Dir., Staff Ex. 13.0, 22:436-50). Under the proposal, the Company would
730 bear the full costs associated with any volumes greater than those established for the test
731 year. Therefore, the Company will continue to have every incentive to keep usage

732 volumes low. This item is also discussed in the rebuttal testimony of Nicor Gas witness
733 O'Connor. (O'Connor Reb., Nicor Gas Ex. 27.0).

734 **Q. Do you agree with Mr. Brightwell that the Company should have control over its**
735 **natural gas usage? (Brightwell Dir., Staff Ex. 13.0, 22:467-68)?**

736 A. No, not entirely. The Company has a limited amount of control because of its obligation
737 to ensure customer deliveries are maintained. The Company continually strives to
738 minimize usage whenever possible while maintaining safe and reliable service to its
739 customers. Of the approximate 3 Bcf of company use gas volumes included in the test
740 year, about 1.15 Bcf, or approximately 37%, is for compressor fuel. The Company has
741 no choice but to utilize its compressors to facilitate the injections and withdrawals
742 necessary to cycle its storage fields. As stated in my direct testimony, such cycling is
743 necessary to maintain the operating integrity of the fields. (Bartlett Dir., Nicor Gas
744 Ex. 4.0, 20:405-06). Mr. Brightwell suggests replacing older compressors with newer,
745 more efficient ones. (Brightwell Dir., Staff Ex. 13.0, 23:477-78). The Company
746 routinely looks at potential replacement whenever safety or reliability is in question.
747 However, the replacement of a single unit involves millions of dollars of investment.
748 While newer units could provide some improvement in fuel usage, there is insufficient
749 economic benefit for customers in such investments solely for purposes of realizing
750 reduced fuel usage, even if gas costs were two or three times the current level. It should
751 be noted that the Company has in fact replaced two 15,000 HP units over the past 5 years
752 and is currently in the midst of replacing two additional 10,000 HP units. All of the
753 replacements were prompted because existing units had reached the end of their useful
754 life and were no longer capable of providing reliable service.

755 Mr. Brightwell suggests improvements in the system to reduce lost gas with no
756 specifics set forth. (Brightwell Dir., Staff Ex. 13.0, 24:482-85). The Company
757 continuously strives to minimize such losses and has every incentive under the
758 Company's CUA proposal to continue to do so. However, there are practical limits to
759 what can be done to significantly reduce such losses given the inherent losses associated
760 with managing Nicor Gas' storage operations.

761 **Q. Does Mr. Brightwell offer any alternatives to the Company's proposed design of**
762 **Rider CUA?**

763 A. Yes. Mr. Brightwell outlines four alternatives for consideration. (Brightwell Dir., Staff
764 Ex. 13.0, 25:518-30). Alternative (a) includes modifying Rider CUA so that only the
765 test-year forecasted level of Company Use Gas consumption is used in calculating the
766 CUA. Alternative (b) includes modifying Rider CUA so that each year the level of
767 Company Use Gas consumption used in calculating the CUA is automatically reduced by
768 a fixed percentage, starting with the test-year forecasted level, to reflect the long-run
769 trend in increasing efficiency. Alternative (c) includes modifying Rider CUA so that the
770 Company's Use Gas consumption level used in calculating the CUA is a function of
771 heating and cooling degree days. Alternative (d) includes utilizing a combination of
772 alternatives (b) and (c). He recommends that Alternative (a) be chosen if the
773 Commission approves Rider CUA.

774 **Q. Does the Company agree with Mr. Brightwell's recommendation for Commission**
775 **approval of Alternative (a)?**

776 A. Yes. The Company would be agreeable to making the changes which Mr. Brightwell sets
777 forth in Alternative (a) if the Commission approves Rider CUA. The Company,

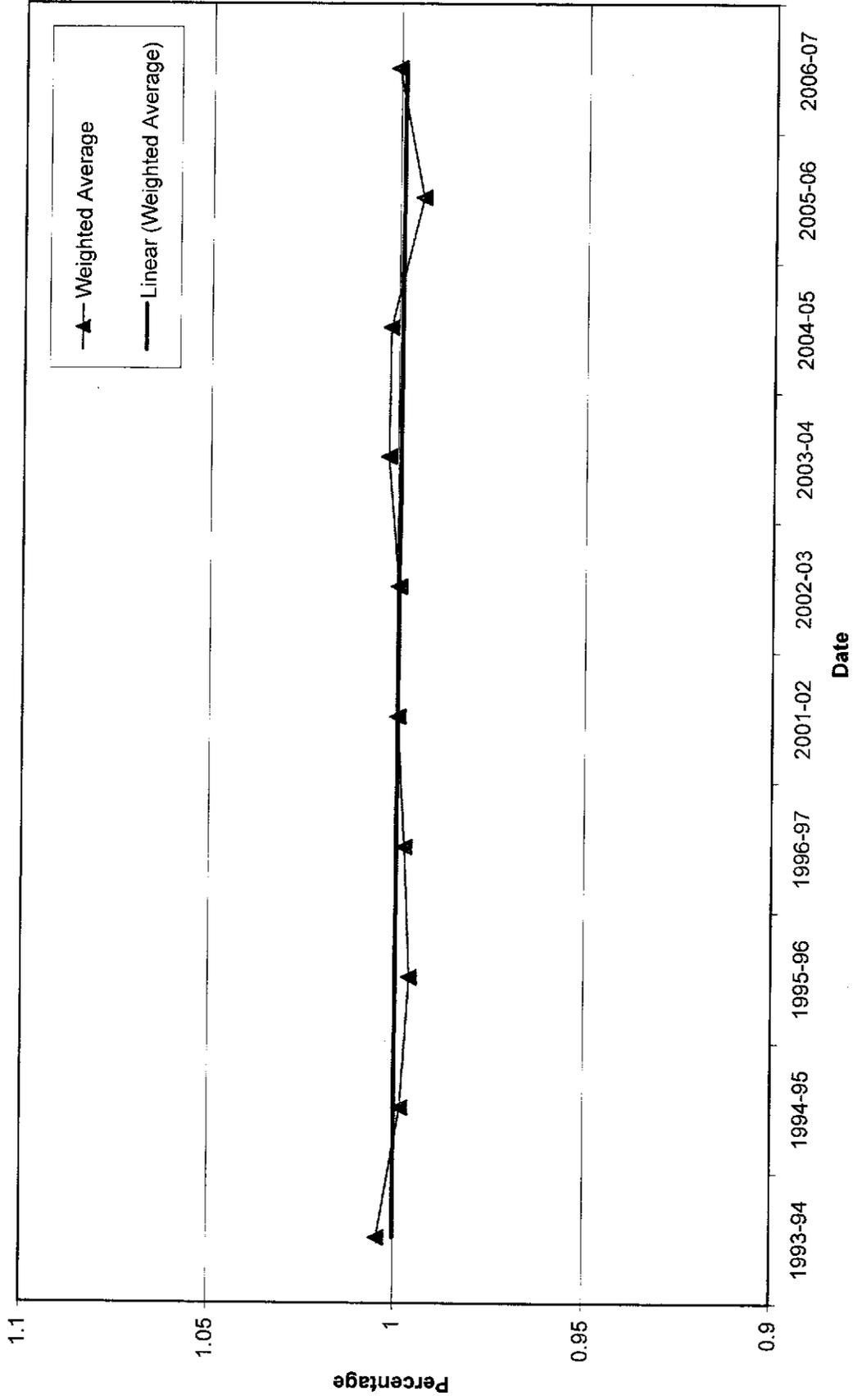
778 however, does not agree with Mr. Brightwell's other alternatives. This item is also
779 discussed in the rebuttal testimony of Nicor Gas witness O'Connor. (O'Connor Reb.,
780 Nicor Gas Ex. 27.0).

781 **X. CONCLUSION**

782 **Q. Does this conclude your rebuttal testimony?**

783 **A. Yes.**

Inventory Verification Results



Summary of Estimated Gas Cost Impact on Sales Customers
Based on Transportation Customer Storage Activity vs
Proportionate Share of Planned Operational Storage Activity
Gain / (Cost)

2006 Dec	(\$2,552,394)
2007 Jan	(\$1,042,046)
Feb	(\$3,215,274)
Mar	(\$3,289,254)
Apr	(\$2,419,001)
May	\$61,757
Jun	\$251,392
Jul	\$446,441
Aug	(\$296,639)
Sep	\$427,624
Oct	\$1,040,638
Nov	(\$1,488,316)
Total	<u>(\$12,075,072)</u>

December
2006

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer On-System Storage Allocated Storage: 27%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	680,000	180,476	(112,503)	(292,979)	-\$0.48	(\$139,165)
2	680,000	180,476	190,481	10,005	-\$0.09	\$920
3	680,000	180,476	252,233	71,757	-\$0.09	\$6,602
4	680,000	180,476	336,723	156,247	-\$0.09	\$14,375
5	680,000	180,476	305,983	125,507	-\$0.01	\$753
6	680,000	180,476	239,917	59,441	-\$0.23	\$13,671
7	680,000	180,476	416,919	236,443	-\$0.17	\$40,668
8	680,000	180,476	344,227	163,751	-\$0.06	\$9,170
9	680,000	180,476	(127,968)	(308,444)	-\$0.29	(\$89,757)
10	730,000	193,746	(172,828)	(366,574)	-\$0.29	(\$106,673)
11	730,000	193,746	(180,656)	(374,402)	-\$0.29	(\$108,951)
12	730,000	193,746	579	(193,167)	-\$0.75	(\$145,262)
13	730,000	193,746	(428,756)	(622,502)	-\$0.45	(\$280,126)
14	730,000	193,746	(39,336)	(233,082)	-\$0.44	(\$103,255)
15	730,000	193,746	8,461	(185,285)	-\$0.36	(\$65,776)
16	770,000	204,362	(114,393)	(318,755)	-\$0.48	(\$152,684)
17	770,000	204,362	(71,841)	(276,203)	-\$0.48	(\$132,301)
18	730,000	193,746	43,581	(150,165)	-\$0.48	(\$71,929)
19	730,000	193,746	42,999	(150,747)	-\$0.37	(\$55,023)
20	680,000	180,476	7,618	(172,858)	-\$0.68	(\$117,198)
21	680,000	180,476	(75,307)	(255,783)	-\$0.17	(\$44,506)
22	680,000	180,476	(73,330)	(253,806)	-\$0.56	(\$140,862)
23	680,000	180,476	(59,802)	(240,278)	-\$0.51	(\$121,340)
24	680,000	180,476	(84,355)	(264,831)	-\$0.51	(\$133,740)
25	680,000	180,476	(50,834)	(231,310)	-\$0.51	(\$116,811)
26	680,000	180,476	29,246	(151,230)	-\$0.51	(\$76,371)
27	680,000	180,476	6,590	(173,886)	-\$0.21	(\$37,038)
28	680,000	180,476	(65,807)	(246,283)	-\$0.18	(\$43,838)
29	680,000	180,476	(22,827)	(203,303)	-\$0.49	(\$100,228)
30	720,000	191,092	(56,452)	(247,544)	-\$0.54	(\$134,664)
31	720,000	191,092	(31,436)	(222,528)	-\$0.54	(\$121,055)
Total	21,740,000	5,769,917	457,126	(5,312,791)		(\$2,552,394)

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2.
(B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
(C) - daily estimated storage activity by Transportation customers identified in DAS 2.04 Exhibit I.
(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit I.
(F) - (D) x (E)
All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

January
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer On-System Storage Allocated Storage: 27%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	980,000	260,097	103,487	(156,610)	-\$0.75	(\$118,084)
2	980,000	260,097	118,380	(141,717)	-\$0.75	(\$106,855)
3	980,000	260,097	110,994	(149,103)	-\$0.76	(\$113,915)
4	980,000	260,097	41,105	(218,992)	-\$0.39	(\$86,064)
5	980,000	260,097	20,614	(239,483)	-\$0.27	(\$65,140)
6	1,020,000	270,714	79,238	(191,476)	-\$0.40	(\$77,356)
7	980,000	260,097	119,127	(140,970)	-\$0.40	(\$56,952)
8	980,000	260,097	191,170	(68,927)	-\$0.40	(\$27,847)
9	980,000	260,097	226,791	(33,306)	-\$0.16	(\$5,262)
10	980,000	260,097	131,111	(128,986)	-\$0.39	(\$49,789)
11	880,000	233,557	37,537	(196,020)	-\$0.29	(\$55,866)
12	880,000	233,557	108,357	(125,200)	-\$0.05	(\$5,884)
13	880,000	233,557	146,952	(86,605)	-\$0.27	(\$23,037)
14	880,000	233,557	160,850	(72,707)	-\$0.27	(\$19,340)
15	880,000	233,557	337,057	103,500	-\$0.27	\$27,531
16	980,000	260,097	386,519	126,422	-\$0.27	\$33,628
17	980,000	260,097	440,492	180,395	\$0.24	(\$42,754)
18	980,000	260,097	427,400	167,303	\$0.38	(\$62,906)
19	980,000	260,097	403,832	143,735	\$0.02	(\$2,300)
20	1,750,000	464,460	166,498	(297,962)	-\$0.47	(\$140,340)
21	1,705,000	452,517	159,244	(293,273)	-\$0.47	(\$138,131)
22	955,000	253,462	221,470	(31,992)	-\$0.47	(\$15,068)
23	955,000	253,462	278,962	25,500	-\$0.23	\$5,967
24	955,000	253,462	317,093	63,631	-\$0.32	\$20,171
25	955,000	253,462	425,226	171,764	-\$0.14	\$23,360
26	855,000	226,922	256,705	29,783	\$0.09	(\$2,532)
27	855,000	226,922	373,554	146,632	-\$0.13	\$18,329
28	895,000	237,538	480,000	242,462	-\$0.13	\$30,308
29	930,000	246,827	512,608	265,781	-\$0.13	\$33,223
30	930,000	246,827	604,457	357,630	\$0.47	(\$167,371)
31	930,000	246,827	562,210	315,383	-\$0.47	\$148,230
Total	30,830,000	8,182,454	7,949,040	(233,414)		(\$1,042,046)

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2.
 (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
 (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
 (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
 (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
 (F) - (D) x (E)
 All volumes shown as MMBtu, injections shown as a negative volume, withdrawals shown as a positive volume.

February
2007

	(A)	(B) Transportation Customer On-System Storage			(E)	(F)
	On-System Storage Plan	Allocated Storage: 27%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	2,045,000	542,754	509,163	(33,591)	\$0.11	\$3,628
2	805,000	213,651	524,047	310,396	\$0.53	(\$166,062)
3	845,000	224,268	298,401	74,133	\$2.48	(\$183,776)
4	845,000	224,268	326,202	101,934	\$2.48	(\$252,695)
5	805,000	213,651	355,486	141,835	\$2.48	(\$351,608)
6	805,000	213,651	285,926	72,275	\$1.70	(\$122,939)
7	805,000	213,651	641,223	427,572	\$0.33	(\$140,671)
8	730,000	193,746	723,818	530,072	\$0.21	(\$111,845)
9	730,000	193,746	501,291	307,545	\$0.20	(\$62,739)
10	730,000	193,746	516,234	322,488	\$0.17	(\$55,790)
11	730,000	193,746	403,890	210,144	\$0.17	(\$36,355)
12	725,000	192,419	466,615	274,196	\$0.17	(\$47,436)
13	795,000	210,997	484,574	273,577	\$0.59	(\$162,504)
14	795,000	210,997	481,030	270,033	\$0.99	(\$266,792)
15	790,000	209,670	553,120	343,450	\$1.54	(\$530,286)
16	1,730,000	459,152	390,654	(68,498)	\$0.63	\$43,359
17	810,000	214,979	262,663	47,684	-\$0.10	\$4,912
18	810,000	214,979	252,477	37,498	-\$0.10	\$3,862
19	768,000	203,831	176,865	(26,966)	-\$0.10	(\$2,778)
20	766,000	203,301	147,119	(56,182)	-\$0.10	(\$5,787)
21	764,000	202,770	(23,580)	(226,350)	-\$0.47	(\$105,253)
22	762,000	202,239	(156,181)	(358,420)	-\$0.32	(\$115,053)
23	685,000	181,803	(187,532)	(369,335)	-\$0.31	(\$115,232)
24	684,000	181,537	(235,551)	(417,088)	-\$0.32	(\$133,468)
25	682,000	181,007	(266,983)	(447,990)	-\$0.32	(\$143,357)
26	756,000	200,647	(191,168)	(391,815)	-\$0.32	(\$125,381)
27	754,000	200,116	8,009	(192,107)	\$0.09	\$17,866
28	753,000	199,850	(87,192)	(287,042)	-\$0.18	(\$51,094)
29		0		0		\$0
30		0		0		\$0
31		0		0		\$0
Total	23,704,000	6,291,174	7,160,620	869,446		(\$3,215,274)

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2.
 (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
 (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
 (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
 (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
 (F) - (D) x (E)
- All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

March
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Allocated Storage: 27%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	1,334,000	354,051	222,986	(131,065)	-\$0.09	(\$12,451)
2	687,000	182,334	292,235	109,901	-\$0.14	\$15,716
3	685,000	181,803	298,936	117,133	-\$0.01	\$937
4	724,000	192,154	244,760	52,606	-\$0.01	\$421
5	722,000	191,623	336,253	144,630	-\$0.01	\$1,157
6	682,000	181,007	427,723	246,716	\$0.09	(\$21,218)
7	682,000	181,007	442,930	261,923	-\$0.03	\$7,072
8	606,000	160,836	91,890	(68,946)	\$0.02	\$1,310
9	605,000	160,570	(199,694)	(360,264)	-\$0.15	(\$53,679)
10	605,000	160,570	(493,247)	(653,817)	-\$0.04	(\$24,845)
11	605,000	160,570	(501,633)	(662,203)	-\$0.04	(\$25,164)
12	604,000	160,305	(502,475)	(662,780)	-\$0.04	(\$25,186)
13	653,000	173,310	(616,779)	(790,089)	-\$0.20	(\$159,598)
14	653,000	173,310	(323,944)	(497,254)	-\$0.26	(\$127,794)
15	1,038,000	275,491	(44,850)	(320,341)	-\$0.40	(\$127,496)
16	627,000	166,409	77,884	(88,525)	-\$0.09	(\$8,321)
17	666,000	176,760	(95,796)	(272,556)	-\$0.29	(\$78,769)
18	666,000	176,760	(152,318)	(329,078)	-\$0.29	(\$95,104)
19	626,000	166,144	(173,413)	(339,557)	-\$0.29	(\$98,132)
20	626,000	166,144	(90,316)	(256,460)	-\$0.25	(\$64,628)
21	625,000	165,878	(630,802)	(796,680)	-\$0.24	(\$187,220)
22	624,000	165,613	(449,564)	(615,177)	-\$0.53	(\$326,044)
23	624,000	165,613	(44,963)	(210,576)	-\$0.55	(\$115,817)
24	624,000	165,613	(200,376)	(365,989)	-\$0.69	(\$252,166)
25	624,000	165,613	(226,586)	(392,199)	-\$0.69	(\$270,225)
26	624,000	165,613	(178,019)	(343,632)	-\$0.69	(\$236,763)
27	622,000	165,082	(164,952)	(330,034)	-\$0.73	(\$242,245)
28	622,000	165,082	(7,347)	(172,429)	-\$0.98	(\$168,636)
29	622,000	165,082	(66,552)	(231,634)	-\$0.56	(\$130,410)
30	622,000	165,082	(120,612)	(285,694)	-\$0.63	(\$179,702)
31	662,000	175,698	(203,308)	(379,006)	-\$0.75	(\$284,255)
Total	20,991,000	5,571,128	(3,051,949)	(8,623,077)		(\$3,289,254)

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2.
(B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
(C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
(F) - (D) x (E)

All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

April
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer Allocated Storage: 27%	On-System Storage Estimated Activity	On-System Storage Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price, Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	646,000	171,452	11,139	(160,313)	-\$0.84	(\$134,663)
2	606,000	160,836	(10,177)	(171,013)	-\$0.84	(\$143,651)
3	606,000	160,836	95,799	(65,037)	-\$0.34	(\$22,178)
4	601,000	159,509	418,378	258,869	-\$0.01	\$2,848
5	581,000	154,201	336,907	182,706	-\$0.06	\$10,962
6	571,000	151,547	366,237	214,690	\$0.04	(\$9,232)
7	600,000	159,243	324,106	164,863	\$0.04	(\$7,089)
8	590,000	156,589	252,700	96,111	\$0.04	(\$4,133)
9	485,000	128,722	297,339	168,617	\$0.04	(\$7,251)
10	475,000	126,068	191,990	65,922	\$0.10	(\$6,526)
11	458,000	121,556	255,542	133,986	-\$0.25	\$33,363
12	433,000	114,921	338,887	223,966	\$0.11	(\$24,636)
13	428,000	113,594	131,665	18,071	-\$0.09	\$1,699
14	423,000	112,267	108,295	(3,972)	-\$0.26	(\$1,017)
15	413,000	109,613	69,744	(39,869)	-\$0.26	(\$10,206)
16	298,000	79,091	16,481	(62,610)	-\$0.26	(\$16,028)
17	298,000	79,091	(44,964)	(124,055)	-\$0.35	(\$42,799)
18	293,000	77,764	7,639	(70,125)	-\$0.18	(\$12,833)
19	288,000	76,437	(56,783)	(133,220)	-\$0.29	(\$38,900)
20	223,000	59,185	(201,477)	(260,662)	-\$0.43	(\$111,303)
21	216,000	57,328	(358,133)	(415,461)	-\$0.53	(\$218,532)
22	216,000	57,328	(333,784)	(391,112)	-\$0.53	(\$205,725)
23	211,000	56,001	(279,154)	(335,155)	-\$0.53	(\$176,291)
24	206,000	54,674	(219,419)	(274,093)	-\$0.71	(\$195,154)
25	206,000	54,674	(82,665)	(137,339)	-\$0.38	(\$51,914)
26	200,000	53,081	(29,009)	(82,090)	-\$0.38	(\$31,112)
27	200,000	53,081	(148,996)	(202,077)	-\$0.25	(\$50,115)
28	235,000	62,370	(334,522)	(396,892)	-\$0.89	(\$351,647)
29	235,000	62,370	(298,839)	(361,209)	-\$0.89	(\$320,031)
30	190,000	50,427	(259,852)	(310,279)	-\$0.89	(\$274,907)
31		0		0		\$0
Total	11,431,000	3,033,851	565,074	(2,468,777)		(\$2,419,001)

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2.
(B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
(C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
(F) - (D) x (E)
All volumes shown as MMBtu, injections shown as a negative volume, withdrawals shown as a positive volume.

May
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer On-System Storage Allocated Storage: 27%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price, Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(555,000)	(147,767)	57,855	(205,622)	-\$0.26	\$54,078
2	(555,000)	(147,767)	(572)	(147,195)	-\$0.05	\$7,065
3	(555,000)	(147,767)	(9,014)	(138,753)	-\$0.09	\$12,488
4	(555,000)	(147,767)	(125,442)	(22,325)	-\$0.43	\$9,533
5	(555,000)	(147,767)	(175,259)	27,492	-\$0.30	(\$8,193)
6	(555,000)	(147,767)	(141,757)	(6,010)	-\$0.30	\$1,791
7	(555,000)	(147,767)	(123,004)	(24,763)	-\$0.30	\$7,379
8	(555,000)	(147,767)	(160,424)	12,657	-\$0.22	(\$2,835)
9	(555,000)	(147,767)	(118,121)	(29,646)	-\$0.23	\$6,878
10	(555,000)	(147,767)	(139,337)	(8,430)	-\$0.35	\$2,908
11	(555,000)	(147,767)	(159,377)	11,610	-\$0.18	(\$2,101)
12	(555,000)	(147,767)	(218,692)	70,925	-\$0.52	(\$37,165)
13	(556,000)	(148,033)	(192,230)	44,197	-\$0.52	(\$23,159)
14	(556,000)	(148,033)	(129,915)	(18,118)	-\$0.52	\$9,494
15	(557,000)	(148,299)	11,499	(159,798)	-\$0.15	\$23,490
16	(557,000)	(148,299)	(23,721)	(124,578)	-\$0.20	\$24,791
17	(558,000)	(148,565)	42,498	(191,063)	-\$0.20	\$38,213
18	(555,000)	(147,767)	(156,591)	8,824	-\$0.36	(\$3,133)
19	(615,000)	(163,741)	(212,388)	48,647	-\$0.31	(\$15,275)
20	(680,000)	(181,047)	(162,720)	(18,327)	-\$0.31	\$5,755
21	(681,000)	(181,314)	(170,163)	(11,151)	-\$0.31	\$3,501
22	(681,000)	(181,314)	(143,939)	(37,375)	-\$0.41	\$15,436
23	(682,000)	(181,580)	(105,838)	(75,742)	-\$0.38	\$28,479
24	(683,000)	(181,846)	(109,006)	(72,840)	-\$0.31	\$22,726
25	(683,000)	(181,846)	(148,324)	(33,522)	-\$0.25	\$8,414
26	(680,000)	(181,047)	(306,038)	124,991	-\$0.58	(\$72,495)
27	(680,000)	(181,047)	(307,532)	126,485	-\$0.58	(\$73,361)
28	(680,000)	(181,047)	(290,660)	109,613	-\$0.58	(\$63,575)
29	(680,000)	(181,047)	(209,121)	28,074	-\$0.58	(\$16,283)
30	(680,000)	(181,047)	9,633	(190,680)	-\$0.30	\$56,441
31	(680,000)	(181,047)	(39,535)	(141,512)	-\$0.29	\$40,473
Total	<u>(18,784,000)</u>	<u>(5,001,165)</u>	<u>(3,957,235)</u>	<u>(1,043,930)</u>		<u>\$61,757</u>

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
 (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
 (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
 (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
 (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
 (F) - (D) x (E)
- All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

June
2007

	(A)	(B) Transportation Customer On-System Storage			(E) Potential Impact on Sales Customers	(F)
	On-System Storage Plan	Allocated Storage: 26%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(717,000)	(183,205)	(94,240)	(88,965)	-\$0.22	\$19,572
2	(718,000)	(183,460)	(164,725)	(18,735)	-\$0.49	\$9,236
3	(718,000)	(183,460)	(222,370)	38,910	-\$0.49	(\$19,183)
4	(686,000)	(175,284)	(146,054)	(29,230)	-\$0.49	\$14,410
5	(686,000)	(175,284)	(65,924)	(109,360)	-\$0.51	\$55,336
6	(636,000)	(162,508)	(84,130)	(78,378)	-\$0.34	\$26,570
7	(636,000)	(162,508)	(106,522)	(55,986)	-\$0.31	\$17,356
8	(636,000)	(162,508)	(45,628)	(116,880)	-\$0.24	\$27,467
9	(636,000)	(162,508)	(198,277)	35,769	-\$0.55	(\$19,780)
10	(636,000)	(162,508)	(210,395)	47,887	-\$0.55	(\$26,482)
11	(636,000)	(162,508)	(161,621)	(887)	-\$0.55	\$490
12	(636,000)	(162,508)	(99,143)	(63,365)	-\$0.41	\$26,170
13	(636,000)	(162,508)	(9,673)	(152,835)	-\$0.45	\$69,081
14	(636,000)	(162,508)	34,990	(197,498)	-\$0.04	\$8,492
15	(636,000)	(162,508)	(13,269)	(149,239)	-\$0.39	\$57,905
16	(571,000)	(145,899)	(195,602)	49,703	-\$0.58	(\$28,728)
17	(571,000)	(145,899)	(222,053)	76,154	-\$0.58	(\$44,017)
18	(571,000)	(145,899)	(35,469)	(110,430)	-\$0.58	\$63,829
19	(571,000)	(145,899)	(11,880)	(134,019)	-\$0.09	\$11,392
20	(571,000)	(145,899)	(13,583)	(132,316)	-\$0.19	\$25,669
21	(571,000)	(145,899)	(18,099)	(127,800)	-\$0.01	\$767
22	(571,000)	(145,899)	(117,601)	(28,298)	-\$0.10	\$2,915
23	(571,000)	(145,899)	(289,213)	143,314	-\$0.15	(\$21,497)
24	(571,000)	(145,899)	(278,751)	132,852	-\$0.15	(\$19,928)
25	(571,000)	(145,899)	(207,596)	61,697	-\$0.15	(\$9,254)
26	(571,000)	(145,899)	53,973	(199,872)	-\$0.17	\$32,979
27	(571,000)	(145,899)	111,755	(257,654)	\$0.01	(\$2,061)
28	(571,000)	(145,899)	(47,870)	(98,029)	-\$0.17	\$16,567
29	(571,000)	(145,899)	(273,730)	127,831	-\$0.16	(\$20,325)
30	(571,000)	(145,899)	(294,057)	148,158	-\$0.16	(\$23,557)
31		0		0		\$0
Total	(18,450,000)	(4,714,264)	(3,426,757)	(1,287,507)		\$251,392

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
- (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
- (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
- (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
- (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
- (F) - (D) x (E)

All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

July
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer Allocated Storage: 26%	On-System Storage Estimated Activity	Storage Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(515,000)	(131,591)	(168,447)	36,856	-\$0.58	(\$21,487)
2	(515,000)	(131,591)	(154,435)	22,844	-\$0.58	(\$13,318)
3	(515,000)	(131,591)	(61,662)	(69,929)	-\$0.68	\$47,481
4	(515,000)	(131,591)	(221,006)	89,415	-\$0.56	(\$49,983)
5	(515,000)	(131,591)	(151,001)	19,410	-\$0.56	(\$10,850)
6	(515,000)	(131,591)	(133,010)	1,419	-\$0.49	(\$693)
7	(515,000)	(131,591)	(244,274)	112,683	-\$0.48	(\$54,539)
8	(515,000)	(131,591)	(197,877)	66,286	-\$0.48	(\$32,083)
9	(515,000)	(131,591)	(11,092)	(120,499)	-\$0.48	\$58,321
10	(515,000)	(131,591)	61,066	(192,657)	-\$0.15	\$27,935
11	(515,000)	(131,591)	28,659	(160,250)	-\$0.33	\$52,722
12	(515,000)	(131,591)	(137,621)	6,030	-\$0.04	(\$241)
13	(515,000)	(131,591)	(134,631)	3,040	-\$0.40	(\$1,207)
14	(515,000)	(131,591)	(222,156)	90,565	-\$0.59	(\$53,162)
15	(515,000)	(131,591)	(211,314)	79,723	-\$0.59	(\$46,798)
16	(515,000)	(131,591)	(99,374)	(32,217)	-\$0.59	\$18,911
17	(515,000)	(131,591)	(30,379)	(101,212)	-\$0.14	\$13,765
18	(515,000)	(131,591)	35,584	(167,175)	-\$0.04	\$6,185
19	(515,000)	(131,591)	59,944	(191,535)	-\$0.39	\$74,315
20	(515,000)	(131,591)	(79,914)	(51,677)	-\$0.31	\$15,813
21	(515,000)	(131,591)	(168,109)	36,518	-\$0.21	(\$7,523)
22	(515,000)	(131,591)	(151,425)	19,834	-\$0.21	(\$4,086)
23	(515,000)	(131,591)	(75,150)	(56,441)	-\$0.21	\$11,627
24	(515,000)	(131,591)	29,243	(160,834)	-\$0.21	\$34,418
25	(515,000)	(131,591)	69,107	(200,698)	-\$0.30	\$60,811
26	(570,000)	(145,644)	62,407	(208,051)	-\$0.41	\$84,261
27	(570,000)	(145,644)	16,748	(162,392)	-\$0.13	\$21,598
28	(570,000)	(145,644)	(109,827)	(35,817)	-\$0.49	\$17,371
29	(570,000)	(145,644)	(77,195)	(68,449)	-\$0.49	\$33,198
30	(570,000)	(145,644)	38,149	(183,793)	-\$0.49	\$89,140
31	(570,000)	(145,644)	248,732	(394,376)	-\$0.19	\$74,537
Total	<u>(16,295,000)</u>	<u>(4,163,628)</u>	<u>(2,190,260)</u>	<u>(1,973,368)</u>		<u>\$446,441</u>

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
(B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
(C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
(F) - (D) x (E)
All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

August
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer On-System Storage			Potential Impact on Sales Customers	
		Allocated Storage: 26%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(627,000)	(160,208)	261,204	(421,412)	\$0.24	(\$100,718)
2	(627,000)	(160,208)	226,373	(386,581)	-\$0.07	\$25,901
3	(682,000)	(174,262)	3,525	(177,787)	\$0.37	(\$65,603)
4	(682,000)	(174,262)	(231,802)	57,540	\$0.05	\$2,877
5	(682,000)	(174,262)	(214,818)	40,556	\$0.05	\$2,028
6	(682,000)	(174,262)	62,856	(237,118)	\$0.05	(\$11,856)
7	(682,000)	(174,262)	221,171	(395,433)	-\$0.08	\$32,821
8	(682,000)	(174,262)	247,102	(421,364)	\$0.20	(\$83,851)
9	(682,000)	(174,262)	83,082	(257,344)	\$0.04	(\$9,007)
10	(682,000)	(174,262)	(121,194)	(53,068)	-\$0.19	\$10,136
11	(682,000)	(174,262)	(216,128)	41,866	-\$0.39	(\$16,328)
12	(682,000)	(174,262)	(226,362)	52,100	-\$0.39	(\$20,319)
13	(682,000)	(174,262)	(125,865)	(48,397)	-\$0.39	\$18,875
14	(682,000)	(174,262)	43,888	(218,150)	\$0.23	(\$49,302)
15	(682,000)	(174,262)	137,268	(311,530)	-\$0.18	\$54,518
16	(682,000)	(174,262)	142,960	(317,222)	\$0.25	(\$79,623)
17	(682,000)	(174,262)	7,637	(181,899)	-\$0.15	\$26,375
18	(682,000)	(174,262)	(185,328)	11,066	-\$0.24	(\$2,656)
19	(682,000)	(174,262)	(176,295)	2,033	-\$0.24	(\$488)
20	(682,000)	(174,262)	(90,335)	(83,927)	-\$0.24	\$20,142
21	(682,000)	(174,262)	86,468	(260,730)	\$0.20	(\$52,146)
22	(682,000)	(174,262)	94,337	(268,599)	-\$0.04	\$11,281
23	(682,000)	(174,262)	176,450	(350,712)	\$0.16	(\$56,815)
24	(682,000)	(174,262)	106,853	(281,115)	\$0.05	(\$13,494)
25	(682,000)	(174,262)	(116,840)	(57,422)	-\$0.03	\$1,608
26	(682,000)	(174,262)	(117,591)	(56,671)	-\$0.03	\$1,587
27	(682,000)	(174,262)	(58,525)	(115,737)	-\$0.03	\$3,241
28	(682,000)	(174,262)	262,564	(436,826)	-\$0.12	\$52,419
29	(682,000)	(174,262)	292,133	(466,395)	-\$0.07	\$34,047
30	(682,000)	(174,262)	84,077	(258,339)	\$0.19	(\$47,793)
31	(682,000)	(174,262)	(90,459)	(83,803)	-\$0.19	\$15,503
Total	<u>(21,032,000)</u>	<u>(5,374,005)</u>	<u>568,406</u>	<u>(5,942,411)</u>		<u>(\$296,639)</u>

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
(B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
(C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
(F) - (D) x (E)

All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

September
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer Allocated Storage: 26%	On-System Storage Estimated Activity	Storage Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(746,000)	(190,615)	(309,537)	118,922	-\$0.19	(\$22,357)
2	(746,000)	(190,615)	(323,547)	132,932	-\$0.19	(\$24,991)
3	(746,000)	(190,615)	(290,156)	99,541	-\$0.19	(\$18,714)
4	(746,000)	(190,615)	(69,008)	(121,607)	-\$0.19	\$22,862
5	(746,000)	(190,615)	57,828	(248,443)	-\$0.27	\$66,831
6	(746,000)	(190,615)	88,197	(278,812)	\$0.00	\$0
7	(746,000)	(190,615)	94,282	(284,897)	\$0.31	(\$88,318)
8	(746,000)	(190,615)	(38,225)	(152,390)	-\$0.09	\$13,867
9	(746,000)	(190,615)	(97,549)	(93,066)	-\$0.09	\$8,469
10	(746,000)	(190,615)	(13,587)	(177,028)	-\$0.09	\$16,110
11	(746,000)	(190,615)	115,057	(305,672)	-\$0.35	\$107,291
12	(746,000)	(190,615)	(14,249)	(176,366)	\$0.01	(\$1,940)
13	(746,000)	(190,615)	(39,146)	(151,469)	-\$0.39	\$59,527
14	(746,000)	(190,615)	(130,875)	(59,740)	\$0.10	(\$5,735)
15	(746,000)	(190,615)	(165,868)	(24,747)	-\$0.27	\$6,657
16	(746,000)	(190,615)	(182,971)	(7,644)	-\$0.27	\$2,056
17	(746,000)	(190,615)	(157,136)	(33,479)	-\$0.27	\$9,006
18	(746,000)	(190,615)	(140,074)	(50,541)	-\$0.45	\$22,642
19	(746,000)	(190,615)	(105,116)	(85,499)	-\$0.50	\$42,578
20	(746,000)	(190,615)	(4,725)	(185,890)	-\$0.38	\$69,709
21	(746,000)	(190,615)	70,598	(261,213)	-\$0.25	\$66,087
22	(746,000)	(190,615)	(118,401)	(72,214)	-\$0.32	\$22,747
23	(746,000)	(190,615)	(105,537)	(85,078)	-\$0.32	\$26,799
24	(746,000)	(190,615)	4,845	(195,460)	-\$0.32	\$61,570
25	(746,000)	(190,615)	119,819	(310,434)	-\$0.32	\$99,339
26	(746,000)	(190,615)	44,190	(234,805)	\$0.15	(\$34,047)
27	(746,000)	(190,615)	(41,661)	(148,954)	-\$0.08	\$11,618
28	(746,000)	(190,615)	(213,068)	22,453	-\$0.81	(\$18,165)
29	(746,000)	(190,615)	(255,915)	65,300	-\$0.76	(\$49,628)
30	(746,000)	(190,615)	(248,833)	58,218	-\$0.76	(\$44,246)
31		0		0		\$0
Total	(22,380,000)	(5,718,440)	(2,470,368)	(3,248,072)		\$427,624

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
 - (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
 - (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
 - (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
 - (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
 - (F) - (D) x (E)
- All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

October
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer Allocated Storage: 26%	On-System Storage Estimated Activity	On-System Storage Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(748,000)	(191,126)	(155,180)	(35,946)	-\$0.99	\$35,407
2	(748,000)	(191,126)	(124,425)	(66,701)	-\$0.97	\$64,366
3	(748,000)	(191,126)	(99,338)	(91,788)	-\$0.83	\$76,367
4	(748,000)	(191,126)	(125,593)	(65,533)	-\$0.31	\$20,446
5	(748,000)	(191,126)	(91,642)	(99,484)	-\$0.66	\$65,858
6	(748,000)	(191,126)	(162,233)	(28,893)	-\$0.48	\$13,811
7	(748,000)	(191,126)	(135,142)	(55,984)	-\$0.48	\$26,760
8	(748,000)	(191,126)	90,078	(281,204)	-\$0.48	\$134,415
9	(748,000)	(191,126)	(9,636)	(181,490)	-\$0.06	\$10,163
10	(748,000)	(191,126)	(72,409)	(118,717)	-\$0.02	\$2,730
11	(698,000)	(178,350)	(38,002)	(140,348)	-\$0.13	\$18,245
12	(698,000)	(178,350)	(128,721)	(49,629)	\$0.00	(\$199)
13	(698,000)	(178,350)	(272,361)	94,011	-\$0.57	(\$53,962)
14	(698,000)	(178,350)	(249,437)	71,087	-\$0.57	(\$40,804)
15	(698,000)	(178,350)	(209,199)	30,849	-\$0.57	(\$17,707)
16	(698,000)	(178,350)	(149,672)	(28,678)	-\$0.42	\$12,045
17	(698,000)	(178,350)	(67,531)	(110,819)	-\$0.23	\$25,156
18	(698,000)	(178,350)	(62,001)	(116,349)	-\$0.49	\$56,778
19	(698,000)	(178,350)	(113,605)	(64,745)	-\$0.28	\$18,064
20	(684,000)	(174,773)	(219,606)	44,833	-\$0.30	(\$13,271)
21	(684,000)	(174,773)	(190,776)	16,003	-\$0.30	(\$4,737)
22	(684,000)	(174,773)	(27,422)	(147,351)	-\$0.30	\$43,616
23	(684,000)	(174,773)	(99,541)	(75,232)	-\$0.21	\$15,498
24	(684,000)	(174,773)	(22,922)	(151,851)	-\$0.45	\$67,725
25	(684,000)	(174,773)	(68,815)	(105,958)	-\$0.72	\$76,501
26	(693,000)	(177,072)	(110,626)	(66,446)	-\$0.50	\$33,423
27	(693,000)	(177,072)	(148,485)	(28,587)	-\$0.63	\$18,096
28	(693,000)	(177,072)	(105,081)	(71,991)	-\$0.63	\$45,571
29	(693,000)	(177,072)	(51,527)	(125,545)	-\$0.63	\$79,470
30	(693,000)	(177,072)	(76,644)	(100,428)	-\$0.48	\$48,105
31	(693,000)	(177,072)	14,115	(191,187)	-\$0.85	\$162,700
Total	<u>(22,024,000)</u>	<u>(5,627,477)</u>	<u>(3,283,379)</u>	<u>(2,344,098)</u>		<u>\$1,040,638</u>

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
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(D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
(E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
(F) - (D) x (E)
All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

November
2007

	(A)	(B)	(C)	(D)	(E)	(F)
	On-System Storage Plan	Transportation Customer On-System Storage Allocated Storage: 26%	Estimated On-System Stg Activity	Estimate vs. Allocated Long / (Short)	Potential Impact on Sales Customers Daily Price Exposure: GDD vs Nymex	Daily Gain / (Cost)
1	(428,000)	(109,361)	(222,814)	113,453	-\$1.11	\$125,366
2	(427,000)	(109,105)	(340,681)	231,576	-\$1.59	\$367,511
3	(426,000)	(108,850)	(309,376)	200,526	-\$1.92	\$385,612
4	(426,000)	(108,850)	(296,548)	187,698	-\$1.92	\$360,944
5	(425,000)	(108,594)	(144,147)	35,553	-\$1.92	\$68,368
6	(224,000)	(57,236)	77,297	(134,533)	-\$1.18	(\$158,614)
7	(224,000)	(57,236)	193,522	(250,758)	-\$0.65	(\$162,491)
8	48,000	12,265	79,262	66,997	-\$0.57	\$38,121
9	109,000	27,851	36,889	9,038	-\$1.29	\$11,686
10	110,000	28,107	(183,246)	(211,353)	-\$1.97	(\$416,788)
11	435,000	111,149	(215,515)	(326,664)	-\$1.97	(\$644,182)
12	436,000	111,405	(150,232)	(261,637)	-\$1.97	(\$515,948)
13	502,000	128,269	(17,428)	(145,697)	-\$1.87	(\$271,870)
14	502,000	128,269	77,806	(50,463)	-\$1.75	(\$88,260)
15	590,000	150,754	250,803	100,049	-\$1.41	\$141,069
16	610,000	155,865	246,472	90,607	-\$0.79	\$71,580
17	680,000	173,751	62,036	(111,715)	-\$1.18	(\$131,376)
18	680,000	173,751	64,250	(109,501)	-\$1.18	(\$128,773)
19	680,000	173,751	24,567	(149,184)	-\$1.18	(\$175,440)
20	735,000	187,804	(65,321)	(253,125)	-\$1.06	(\$267,553)
21	785,000	200,580	146,775	(53,805)	-\$1.05	(\$56,603)
22	785,000	200,580	249,872	49,292	-\$1.11	\$54,714
23	785,000	200,580	210,117	9,537	-\$1.11	\$10,586
24	785,000	200,580	181,657	(18,923)	-\$1.26	(\$23,843)
25	785,000	200,580	193,572	(7,008)	-\$1.26	(\$8,830)
26	785,000	200,580	244,874	44,294	-\$1.26	\$55,811
27	785,000	200,580	369,901	169,321	-\$0.06	\$9,821
28	785,000	200,580	384,908	184,328	\$0.09	(\$16,221)
29	785,000	200,580	389,929	189,349	\$0.56	(\$105,468)
30	785,000	200,580	300,272	99,692	\$0.17	(\$17,247)
31		0		0		\$0
Total	<u>11,387,000</u>	<u>2,909,557</u>	<u>1,839,473</u>	<u>(1,070,084)</u>		<u>(\$1,488,316)</u>

- (A) - daily planned operational storage activity for annual cycling plans identified on DAS 2.05 Exhibit 2, revised for an updated April 07 EOM balance estimate.
 (B) - storage allocation percentage (SBS capacity (per CNE 2.20 Exhibit 2) divided by targeted operational inventory level (per CNE 2.20 Exhibit 1)) applied daily to planned storage in column (A).
 (C) - daily estimated storage activity identified in DAS 2.04 Exhibit 1.
 (D) - estimated Transportation customer storage activity vs their proportionate share of planned operational storage activity.
 (E) - Chicago GDD prices less Nymex settle for the prompt month, as identified in DAS 2.04 Exhibit 1.
 (F) - (D) x (E)
 All volumes shown as MMBtu; injections shown as a negative volume, withdrawals shown as a positive volume.

STATE OF ILLINOIS

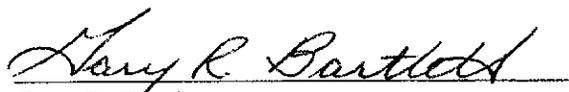
ILLINOIS COMMERCE COMMISSION

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

AFFIDAVIT

I, Gary R. Bartlett, under oath, hereby swear to the following:

1. I am the Vice President of Supply Operations for Nicor Gas Company;
2. I prepared prefiled Rebuttal Testimony on behalf of Northern Illinois Gas Company, d/b/a Nicor Gas Company, submitted as Nicor Gas Ex. 19.0, including Exhibits 19.1 through 19.4, and filed on September 25, 2008;
3. The answers set forth in my Rebuttal Testimony are to the best of my knowledge, true and correct; and
4. If asked those same questions today, my answers would be the same.



Gary R. Bartlett

Subscribed and sworn to before me
this 25th day of September, 2008.



Notary Public

