they were inadvertently excluded on Exhibit 15.1. As in the 2004 Rate Case, the value of storage gas losses should properly be removed along with the value of top gas before computing the total Storage Revenue Requirements (Column F, Line 17), which now totals $67.9 million for the purpose of calculating the Storage Banking Service charge. The correction results in the amount of cost to be recovered by the SBS charge decreasing from $83.2 million to $67.9 million. (Nicor Gas Ex. 30.1, Schedule E, Line 17).

Q. IIEC witness Dr. Rosenberg questions Nicor Gas' storage gas losses in the amount of $15,230,000. (Rosenberg Dir., IIEC Ex. 1.0, 16:303-05). Is Nicor Gas' proposed cost for storage gas losses reasonable?

A. Yes. The storage gas losses, as ordered by the Commission in the 2004 rate case, are determined by multiplying the amount of gas withdrawn from Company storage fields by two percent and reflect only the Sales customers' portion of storage gas losses. In the 2004 Rate Case that amount was $11,513,000. Due to increases in the price of natural gas the amount is now $15,230,000 and, as discussed above, this amount has now been properly removed from the calculation of the Storage Banking Service charge.

Q. How is the SBS charge determined?

A. The SBS charge is determined by dividing the storage revenue requirement excluding top gas and storage gas losses ($67.9 million) by the amount of storage capacity which is operationally available (134.6 Bcf) as further described by Mr. Bartlett divided by 12 to compute the monthly cost per therm of capacity charge. (Bartlett Reb., Nicor Gas Ex. 19.0). The result of this calculation is an SBS charge of $0.0042 per therm of storage capacity as identified in the Company's proposed revision to its Rates 74, 75, 76 and 77 tariffs, Sheet Nos. 19, 21.4, 22 and 26. (*See* Nicor Gas Ex. 29.2, pages 2-5).

Q. Is Nicor Gas proposing a different method of calculating the SBS charge than was approved in the 2004 Rate Case?

A. No, the basic method of calculating the SBS charge is to divide the storage revenue requirement (dollars) by the amount of available storage capacity (Bcf); however, Nicor Gas believes it would be inappropriate to continue to use the 149.7 Bcf of capacity established in the 2004 Rate Case because, as Mr. Bartlett indicates, that amount of capacity is not operationally available. (Bartlett Reb., Nicor Gas Ex. 19.0). If Nicor Gas were to allocate storage capacity to transportation customers and develop its SBS charge knowing that 149.7 Bcf of capacity is not operationally available, then it would both establish an SBS charge which is too low and over-allocate storage capacity to Transportation customers to the detriment of Sales customers. It was this concern that prevented Nicor Gas from utilizing 149.7 Bcf in its calculations.

Q. What did the Commission say about the method that should be used to calculate the SBS charge in the Final Order in the 2004 Rate Case?

A. The Final Order in the 2004 Rate Case stated as follows:

> The calculation of the SBS charge depends largely on decisions made with respect to <u>related issues</u>. The tariffs filed by Nicor, after the conclusion of this proceeding, should include an SBS charge that reflects the Commission's decision regarding the embedded cost of service less the cost of top gas, divided by the working gas in storage, 149.74 Bcf, a portion of which is allocated to Transportation customers <u>consistent with the decision above regarding "Storage Capacity Allocation</u>". The tariffs filed by Nicor should also reflect the Commission's decisions above regarding the proper allocation of Hub revenues.

(2004 Rate Case Order, p. 138) (Emphasis added). As the Commission recognized in the 2004 Rate Case, the calculation of the SBS charge is dependent upon the related issue of Storage Capacity Allocation to Transportation customers. Therefore, before the proper SBS charge can be computed, the total amount of available storage capacity to allocate must be accurately established.

Q. How is the Storage Capacity Allocation for Transportation customers related to the SBS Charge?

A. The Storage Capacity Allocation represents the equal number of peak days of on-system storage capacity which is available to all Nicor Gas' customers. It is computed by dividing the amount of available on-system storage capacity (134.6 Bcf) by the peak day demand (4.9 Bcf). It was also referred to as the "SBS entitlement" calculation in the Final Order in the 2004 Rate Case. (2004 Rate Case Order, p. 121). The numerator of the SBS entitlement calculation is the same as the denominator in the SBS Charge calculation.

Q. Is there disagreement over the amount of storage capacity to use in the denominator of the SBS charge and in the numerator of the SBS entitlement calculation in this proceeding?

A. Yes. IIEC witness Dr. Rosenberg believes that Nicor Gas should use the maximum amount of working gas in storage of 149.7 Bcf established in the 2004 Rate Case in the denominator rather than 134.6 Bcf discussed by Mr. Bartlett. (Rosenberg Dir., IIEC Ex. 1.0, 15:288-16:319; Bartlett Dir., Nicor Gas Ex. 4.0, 6:125-35; and Bartlett Reb., Nicor Gas Ex. 19.0). Moreover, CNE witness Ms. Fabrizius also believes the SBS allocation of the number of peak days of storage should increase to 31 days by using 149.7 Bcf in the numerator of the SBS entitlement calculation. (Fabrizius Dir., CNE-Gas Ex. 1.0, 16:338-45). The operational capabilities and proper amount of storage capacity to use in these calculations is discussed in the rebuttal testimony of Mr. Bartlett. (Bartlett Reb., Nicor Gas Ex. 19.0).

Q. Is, as Mr. Sackett has suggested (Sackett Dir., Staff Ex. 11.0R, 21:439-41), Nicor Gas attempting to calculate the SBS charge based on actual cycling to recover what is essentially a capacity-based charge?

A. No. The amount of non-coincident working gas capacity is used in the denominator of the calculation (134.6 Bcf) and this amount is different than the level of storage the Company expects to cycle. (*See* Bartlett Dir., Nicor Gas Ex. 4.0).

Q. Why should the Commission reject the use of 149.7 Bcf volume of storage capacity in its SBS entitlement and SBS charge calculations?

A. If this were to occur, the Commission would effectively grant three more peak days of storage capacity to every Transportation and Customer Select customer than to Sales customers. The calculations are shown below in Table 3:

Table 3 – Storage Entitlement (MDCQ Days)

Storage Capacity Allocation (Days)

Line #	Item	Nicor	IIEC/CNE/Staff
1	Proposed Capacity (Bcf)	134.633	149.740
2	Storage Capacity (Therms)	1,346,330,000	1,497,400,000
3	Peak Day Demand (Therms)	49,000,000	49,000,000
4	SBS Entitlement (Days) (Line 7 / Line 8)	27.5	30.6
5	SBS Entitlement (Days) Rounded	28	31

Q. Why is using 149.7 Bcf of capacity a problem?

A. If 149.7 Bcf of capacity were allocated, the "SBS Entitlement" calculation would result in Transportation and Customer Select customers being entitled to 31 peak days of storage capacity. In theory, Sales customers should also receive 31 peak days of storage capacity. Transportation and Customer Select customers would automatically receive the 31 day entitlement within their tariffs as a result of this proceeding; however, since Sales customers can only receive the remaining capacity amount and since the actual operational capability of Nicor Gas' on-system storage fields is only 134.6 Bcf, Sales customers would actually receive a smaller share of the pie because too much was allocated to Transportation and Customer Select customers.

Q. How much additional storage capacity would be available to Nicor Gas' Transportation and Customer Select customers?

A. As shown below in Table 4, three additional peak days of allocated storage capacity multiplied by 16,840,000 total Transportation and Customer Select peak days (MDCQs) would result in an additional allocation of 50,520,000 therms (5.05 Bcf) of storage capacity.

Table 4 – Storage Capacity Allocation Comparison

Storage Capacity Allocation (Volume)

		Nicor	**IIEC/CNE/Staff**
1	SBS Entitlement (Days) Rounded	28	31
2	MDCQs - Transportation (Therms)	12,500,000	12,500,000
3	MDCQs - Customer Select (Therms)	4,340,000	4,340,000
4	Total MDCQ	16,840,000	16,840,000
5	Storage Capacity (Therms) (Line 1 X Line 4)	471,520,000	522,040,000
6		Less 28 day allocation	471,520,000
7	Additional Transportation and Customer Select Storage Capacity (Ln 5 - Ln 6)		50,520,000

Q. Why is Nicor Gas concerned with an over-allocation of storage capacity?

A. Sales customers would actually receive less storage capacity to cycle if Transportation customers were allocated 31 peak days of storage capacity. After allocating storage capacity to Transportation customers, Nicor Gas can only cycle the remaining storage capacity for Sales customers. Therefore, as shown below in Table 5, at a 31 day SBS entitlement allocation, Transportation and Customer Select Suppliers would receive a total of 5 Bcf of additional storage capacity while Sales customers would receive 5 Bcf less.

Table 5 – Remaining Storage Capacity Available for Sales Customers

Line #	Remaining Storage Capacity Available for Sales Customers					
1	Total Storage Capacity / Capability (Therms)		1,346,330,000		1,346,330,000	
		Days	Nicor	Days	IIEC/CNE/Staff	Increase (Decrease)
2	Transportation Allocation	28	350,000,000	31	387,500,000	37,500,000
3	Customer Select	28	121,520,000	31	134,540,000	13,020,000
4	Rate 17 / Rate 19 - Contract Rates	23	39,511,000	23	39,511,000	-
5	Subtotal		511,031,000		561,551,000	50,520,000
6	Remaining Capacity Available for Sales Customers		835,299,000		784,779,000	(50,520,000)

Q. Can you provide an example of the approximate economic value of the gas cost savings associated with 5.0 Bcf of additional storage capacity?

A. Although summer-winter commodity gas price differences change from year to year, if we were to assume an average differential of $0.10 to $0.15 per therm, including carrying costs, then the storage capacity would have approximate value of $5 million to $7.5 million dollars per year in favor of Transportation customers but to the detriment of Sales customers. The value is realized by injecting gas at typically lower summer prices and withdrawing it during the winter to avoid typically higher winter gas prices. Furthermore, because the operational capability of Nicor Gas' on-system storage fields is finite, Sales customers would lose the opportunity for $5 million to $7.5 million per year of gas costs savings.

Q. Would Transportation customers pay for their additional storage capacity?

A. No. Transportation customers would receive an additional 3.75 Bcf of storage capacity for free. As shown below in Table 6, if 149.7 Bcf is used in the SBS calculation, the SBS charge decreases from $.0042 per therm to $.0038 per therm of capacity. Consequently, as shown below in Table 7, Transportation customers (excluding Customer Select customers) would receive access to 3.75 Bcf of additional storage capacity and the SBS rate would decline, leaving Sales customers to pick up the difference.

Table 6 – SBS Charge Calculation

SBS Charge Calculation

Line#			
1	SBS Revenue Requirment	$ 67,873,000	$ 67,873,000
2	Storage Capacity Allocation (Bcf)	1,346,330,000 Therms	1,497,400,000 Therms
3	SBS Charge Per Therm Capacity	$ 0.0504	$ 0.0453
4	SBS Charge Per Month (Line 3 / 12)	$ 0.0042	0.0038

Table 7 – Transportation Customer SBS Revenues

Transportation Customer SBS Revenues

		Nicor	IIEC/CNE/Staff
1	SBS Entitlement (Days) Rounded	28	31
2	MDCQs - Transportation (Therms)	12,500,000	12,500,000
3	Transportation Storage Capacity (Ln 1 X Ln 2)	350,000,000 Therms	387,500,000 Therms
4	SBS Charge	$ 0.0042	$ 0.0038
5	Annual SBS Revenues (Ln 3 X Ln 4 X 12)	$ 17,644,671	$ 17,564,303

Q. Would Customer Select customers pay more for their additional storage capacity?

A. No. Customer Select customers would also receive this additional storage capacity for free. Since both Sales and Customer Select customers pay the same amount for storage in base rates, Customer Select Suppliers could cycle 3 more days than Sales customers but they would pay the same cost as Sales customers.

Q. In summary, what is the effect of using an artificially high storage capacity amount?

A. If the Commission were to approve the larger number, then Transportation and Customer Select customers would receive the triple benefit of (a) access to more storage capacity per customer (MDCQ days) than Sales customers, (b) economic value from cycling that additional storage capacity (e.g. $5 million to $7.5 million per year for example), and (c) 5 Bcf of incremental storage capacity for free because neither Transportation or Customer Select customers would pay more than they would otherwise for the incremental capacity. Simply put, the Commission should not allocate more storage than is operationally available to Transportation and Customer Select customers otherwise Sales customers will not receive an equal share of the "storage pie" (MDCQ days).

Q. How does the proposed reduction in the SBS charge to $0.0042, and consequently the amount of revenues to recover these costs, change other charges?

A. Assuming the same level of total revenue requirements as proposed by Nicor Gas is approved by the Commission, the reduction in SBS revenues would result in increases to other base rate distribution charges.

IX. PROPOSED TRANSPORTATION CHANGES

Q. Based on the Company's response to Staff Data Request DAS 4.04, Staff witness Mr. Sackett recommends the relocation of the second paragraph on Sheet No. 45 "Limitations on the Rendering of Gas Service", which gives the Company authority to "cap" pipelines when operationally deemed necessary, because it relates solely to Transportation customers and would more appropriately be included in the

Transportation and Storage Provisions section of the tariff. (Sackett Dir., Staff Ex. 11.0R, 11:211-15). Does the Company agree with Staff's recommendation?

A. Yes. The Company agrees with Staff and offers as pages 6 and 7 of Exhibit 29.2, revised Sheet Nos. 45 and 48 that identify the relocation of the second paragraph in "Limitations on the Rendering of Gas Service" to Sheet No. 48 and identify such language as an Operational Flow Order, more specifically stated as "OFO Cap Day," along with other necessary conforming changes.

Q. CNE witness Ms. Fabrizius suggests that Nicor Gas' proposes a different method for calculating the 0.017 factor used within the Storage Withdrawal Factor ("SWF") formula than was approved in the 2004 Rate Case. (Fabrizius Dir., CNE-Gas Ex. 1.0, 4:81-5:88). Is she correct?

A. No. A variety of different terminology has been used to describe the inputs to the "0.017 factor" calculation. As in the 2004 Rate Case, the numerator is the amount of withdrawals that can be delivered from on-system storage on a peak day or 2.5 Bcf. This amount has not changed since that case. The denominator should be equal to the total amount of Storage Banking Service allocated to Transportation customers which can be computed by taking the number of MDCQ days allocated (SBS entitlement) multiplied by the estimated peak day. A comparison of the 2004 and 2008 rate case data are shown below:

2004 Rate Case:

$$\textbf{Factor} = \frac{\textbf{2.5 Bcf peak day storage capability}}{\textbf{(28 days X 5.2580 Bcf peak day)}} = \textbf{0.017 or 1.7\%}$$

Transportation customers who filled their storage to at least 90 percent of its capacity would receive the ability to withdraw approximately 47 percent (1.7 percent X 28 days) of their needs from storage on a Critical Day and would bring in the remaining 53 percent from the pipeline.

2008 Rate Case:

$$\textbf{Factor} = \frac{\textbf{2.5 Bcf peak day storage capability}}{\textbf{(28 days X 4.9000 Bcf peak day)}} = \textbf{0.018 or 1.8\%}$$

Nicor Gas is proposing to increase Transportation customer's daily storage withdrawal right factor from 0.017 to 0.018, in a manner consistent with the last case, such that when they fill at least 90 percent of their SBS entitlement they would have the ability to withdraw approximately 50 percent (1.8 percent X 28 days) of their needs from storage on a Critical Day and would bring in the remaining 50 percent from the pipeline. This factor should be updated from 0.017 to 0.018 within the SWF formula as described in Nicor Gas Ex. 14.0, 29:645-50.

Q. With respect to determining a customer's Storage Withdrawal Factor (SWF), Dr. Rosenberg, at IIEC Exhibit 1.0; 22, 441-443, proposes that the customer's Maximum Inventory Balance be determined between the period of October 15 and November 15 as opposed to the determination exactly on November 1. Does the Company agree with Dr. Rosenberg's recommendation?

A. No. This is problematic for two reasons. First, Nicor Gas bills these customers at the end of the month and therefore, has all the information needed to calculate the SWF at October 31st but not at November 15th. Expanding the evaluation period would complicate the calculation process and result in no meaningful improvement. Secondly, Nicor Gas is required by tariff to notify daily-balanced customers, shortly after November 1st, of their new SWF factor. This is important because a Critical Day can be called on or after November 1st of each year and the customer's SWF can be utilized as early as November 1. Utilizing November 15th would move back the process of notifying customers of their SWF by another two weeks which is well past the time a Critical Day can be called. Consequently, Nicor Gas sees no need to change its current method of determining the SWF as of November 1.

X. PROPOSED CHANGES TO EXISTING RIDERS

Q. Please summarize Nicor Gas' proposed changes to its existing riders.

A. Nicor Gas proposes to modify its existing Rider 2 – Franchise Cost Adjustment to provide for annual updates to charges based upon the actual costs incurred. Further, the Company proposes to modify its existing Rider 8 – Adjustments for Municipal and State Utility Taxes to include taxes by other local governmental units. Finally, the Company proposes to update two factors within is existing Rider 5 – Storage Service Cost Recovery based on the results of the ECOSS, and no party objected to this proposal.

Q. With respect to the Company's proposed changes to Rider 2 – Franchise Cost Adjustment, does Staff witness Mr. Boggs support the Company's recommendation to annually establish charges based on the actual cost of providing reduced rate service or other monetary contribution during the previous calendar year?

A. Yes. Mr. Boggs recommended that the Company's proposed changes to Rider 2 be approved. (Boggs Dir., Staff Ex. 8.0, 4:69-77).

Q. Did Staff propose any technical modifications to Rider 2 as proposed by Nicor Gas?

A. Yes. Staff witness Ms. Hathhorn proposed that language be added to Rider 2 to include a provision requiring that supporting work papers be included along with the Company's annual Informational Sheet filing. (Hathhorn Dir., Staff Ex. 2.0, 33:821-24).

Q. Does Nicor Gas accept Ms. Hathhorn's proposed modifications to Rider 2?

A. Yes. The Company proposes that language be added to Rider 2 as identified in the attached Nicor Gas Exhibit 29.2, page 9.

Q. With respect to Rider 8, Mr. Boggs requested further clarification to understand how the Company would be reimbursed for "any payments resulting from audit adjustments" when the charge to customers is a fixed percent of revenue. (Boggs Dir., Staff Ex. 8.0, 6:101-10:201). What is the Company's response to Mr. Boggs?

A. Mr. Boggs was provided with additional explanations for the changes to Rider 8. The Company agrees that Rider 8 charges are a fixed percentage rate; however, adoption of this proposed change to Rider 8 would not alter any application of the fixed percentage rate. In the event of a tax audit adjustment, the Company would bill only the affected customers for previously untaxed service at the applicable fixed percentage rate to correct the situation.

Q. Does the Company agree with Staff witness Mr. Boggs' recommendation to reject the modified tariff language for Rider 8 relating to tax audit adjustments? (Boggs Dir., Staff Ex. 8.0, 6:101-10:201; see also Data Request CB 2.07 series).

A. No. Mr. Boggs indicated that he is willing to reconsider his initial recommendation pending his review of the Company's response to Data Request CB 2.07. The Company provided the additional information and believes that the proposed Rider 8 tariff modifications better clarify its authority to collect payments from customers resulting from tax audit adjustments.

Q. Mr. Boggs recommends that if the Company's tariff audit language is approved the word "payment" in the tariff should be changed to "amount" to account for payments either to or from the Company. (Boggs Dir., Staff Ex. 8.0, 6:101-10:201). Does the Company accept this suggested change?

A. Yes. The Company has updated tariff Sheet Nos. 64 and 64.1 to reflect this change and they are included in Nicor Gas Exhibit 29.2, pages 11 and 12.

Q. Does the Company agree with Mr. Boggs' observation that the Company incorrectly identifies the municipality of Niota as being located in Cook County on Nicor Gas' 3rd revised Sheet No. 7? (Boggs Dir., Staff Ex. 8.0, 24:473-75).

A. Yes. The Company proposes to make the correction suggested by Mr. Boggs, as shown on Nicor Gas Exhibit 29.2, page 1, to identify Niota to be located in Hancock County.

XI. PROPOSED NEW RIDERS

Q. Please summarize the new riders proposed by Nicor Gas.

A. Nicor Gas proposes five new riders in this proceeding:

- Rider 26, Uncollectible Expense Adjustment ("Rider UEA");
- Rider 27, Company Use Adjustment ("Rider CUA");
- Rider 28, Volume Balancing Adjustment ("Rider VBA");
- Rider 29, Energy Efficiency Plan ("Rider EEP"); and
- Rider 30, Qualifying Infrastructure Plant ("Rider QIP").

A. RIDER 26 – UNCOLLECTIBLE EXPENSE ADJUSTMENT

Q. What is the purpose of Rider UEA?

A. The purpose of Rider UEA is (1) to recover the amount by which the Company's actual annual Uncollectible Expense in a calendar year exceeds 105 percent of the Uncollectible Expense as determined by the Commission in the Company's most recent rate case, or (2) to refund the amount by which 95 percent of the Uncollectible Expense exceeds the Company's actual Uncollectible Expense in such calendar year. Rider UEA shall be applicable to Rates 1, 4, 5, 74 and 75 and Riders 15 and 25.

Q. If Rider UEA is adopted by the Commission, Staff witness Ms. Hathhorn recommends four changes to the rider. (Hathhorn Dir., Staff Ex. 2.0, 26:639-27:647). Does Nicor Gas agree with Ms. Hathhorn's recommendations?

A. Yes. If Rider UEA is adopted by the Commission, the Company would agree to the four recommendations Ms. Hathhorn addresses in her direct testimony. The Company offers the following revisions to the originally proposed Rider UEA (Nicor Gas Ex. 14.2, pages 128-131): (1) an annual docketed reconciliation proceeding, which includes a Factor O for Commission ordered adjustments in the tariff formula; (2) a prudency and reasonableness of costs determination in such a reconciliation proceeding; (3) an annual internal audit with specific tests; and (4) a better defined calculation of uncollectible expense under Rider UEA. (Nicor Gas Ex. 29.2, pages 19-20).

B. RIDER 27 – COMPANY USE ADJUSTMENT

Q. What is the purpose of Rider CUA?

A. The purpose of Rider CUA is to recover or refund the difference between the actual cost incurred by the Company in a calendar year to purchase a specified quantity of gas for certain operational uses ("Company Use") and the cost included in computation of the Company's base rates in its most recent rate case for the purchase of gas for those operational uses. Rider CUA will only adjust for natural gas price differences between rate case test year prices and the actual future costs (price per therm) incurred; it will not adjust for cost differences associated with changes in the volumes of natural gas consumed for Company Use. Therefore, Rider CUA only will adjust for the unpredictable and volatile cost of Company Use gas. Rider CUA would apply to all rate classifications except Rates 17, 19 and 21.

Q. If Rider CUA is adopted by the Commission, Ms. Hathhorn recommends four changes to the rider. (Hathhorn Dir., Staff Ex. 2.0, 30:733-38). Does Nicor Gas agree with Ms. Hathhorn's recommendations?

A. Yes. If Rider CUA is adopted by the Commission, the Company would agree to the four recommendations Ms. Hathhorn addresses in her direct testimony. The Company offers revisions to the originally proposed Rider CUA (Nicor Gas Ex. 14.2, pages 132-135): (1) an annual docketed reconciliation proceeding that includes a Factor O for Commission ordered adjustments in the tariff formula; (2) a prudency and reasonableness of costs determination in such a reconciliation proceeding; (3) an annual internal audit with specific tests; and (4) certain other corrections to the tariff proposed by Nicor Gas. (Nicor Gas Ex. 29.2, page 24).

Q. Does Nicor Gas propose any additional modifications to Rider CUA?

A. In response to Staff witness Mr. Brightwell's recommendation (Brightwell Dir., Staff Ex. 13.0, 26:531-37), the Company has removed the reference to the lesser of the most recent year and the test-year forecasted volumes in the definitions of the RCCUT and RCTSCT and will only use the test-year forecasted volume from the most recent rate case. Further, the tariff has been modified to correct originally proposed references to Account 824 to correctly identify Account 823. Finally, in response to Staff Data Request SK 2.03, the Company has modified its tariff, as identified in Nicor Gas Exhibit 29.2, pages 22-23, to correct the definitions of RCCUT and RCTSCT, parts (ii) to include a portion of ACUT in Accounts 823, 932, and 819.

C. RIDER 28 – VOLUME BALANCING ADJUSTMENT

Q. What is the purpose of Rider VBA?

A. The purpose of Rider VBA is to adjust the collection of volumetric base rate revenues, on a monthly basis, to match the level of volumetric base rate revenues that are approved in this proceeding. The adjustment ensures that Nicor Gas recovers no more and no less than the approved volumetric base rate revenue necessary to recover the Commission approved volumetric distribution revenues that are contained in the distribution charges for Rates 1, 4, and 74. Fundamentally, Rider VBA adjusts future revenues to match the normal rate case revenue assumptions established for the test year. The Company proposes to implement Rider VBA on a pilot basis for a four-year period.

Q. If Rider VBA is adopted by the Commission, Staff witness Ms. Jones recommends five changes to the rider. (Jones Dir., Staff Ex. 3.0, 22:401-27:545). Does Nicor Gas agree with Ms. Jones' recommendations?

A. Yes. If Rider VBA is adopted by the Commission, the Company would agree to the five recommendations Ms. Jones addresses in her direct testimony. The Company offers revisions to the originally proposed Rider VBA (Nicor Gas Ex. 14.2, pages 136-139) to: (1) correct the definition of "Previous Reconciliation Period"; (2) support modifying the computation of the RA_1 Reconciliation Adjustment to be consistent with the formula approved by the Commission in the Peoples Gas Rate Case; (3) incorporate the suggested relocation of language from Section D to Section C and the addition of language to Section C; (4) annually report the effects of Rider VBA on the Company's rate-of-return; and (5) add a tariff requirement for an annual internal audit report to be filed with the Commission. (Nicor Gas Ex. 29.2, pages 25-27).

Q. Do you agree with Ms. Jones' characterization of the Company's Rider VBA as a "partial decoupling" mechanism? (Jones Dir., Staff Ex. 3.0, 27:546-577).

A. No. The difference between a "partial decoupling" mechanism and a "full decoupling" mechanism depends upon the number of factors the mechanism adjusts for. For example, a simple weather normalization adjustment rider corrects only for differences between the rate case test-year weather assumptions and actual weather. Since it corrects for only one potential source of variability it is viewed as a "partial decoupling" mechanism. Rider VBA should properly be viewed as a "full decoupling mechanism" because it corrects for all differences between the rate case test-year revenue assumptions and actual revenues received based on the rate case numbers of customers. For example, Rider VBA will adjust for differences in weather as well as other changes in customer consumption patterns such as increased energy efficiency and conservation. The Company's proposed Rider VBA is therefore properly viewed as a "full decoupling" mechanism.

Q. Ms. Jones indicates that "because the revenue margin per customer approved in the instant proceeding is based on projected level of customers, an increase in the actual number of customers could result in the Company recovering more for fixed costs than the amount approved in the revenue requirement." (Jones Dir., Staff Ex. 3.0, 29:556-60). Is this correct?

A. No. Nicor Gas' proposed reconciliation adjustment factor (RA_1) ensures that Nicor Gas receives no more and no less than the total annual rate case margin associated with the percentage of fixed costs approved in this proceeding.

Q. Could you please describe how the RA_1 reconciliation formula would work?

A. Yes. For example, in its direct case Nicor Gas proposed to recover $138,908,000 in rate case margin through its volumetric Rate 1 distribution charges. Also, in response to Data Request BCJ 4.07, Nicor Gas has indicated that the percentage of fixed costs contained within the volumetric Rate 1 distribution charges is 80.47 percent – therefore, through Rider VBA, Nicor Gas cannot mathematically collect more than $138,980,000 X 80.47 percent or approximately $111,837,206 for rate case test year Rate 1 customers. In total, Nicor Gas can never recover more or less than the Commission-approved level of fixed costs contained within its volumetric distribution charges. The purpose of the RA_1 formula is to determine the level of adjustment necessary to reconcile actual revenues arising from the application of the monthly Effective Component to the total fixed cost proportion of the Commission-approved rate case margin.

Q. Ms. Jones does not recommend, yet provides an alternative Effective Component and RA_1 formula. (Jones Dir., Staff Ex. 3.0, 29:578-31:644). Should the Commission adopt Ms. Jones' alternatives?

A. Definitely not. Ms. Jones' alternative formulas cap Nicor Gas' future Rate 1 revenue at rate case test year levels and requires Nicor Gas to serve new customers without receiving any incremental revenues. This is a serious departure from the traditional regulatory model under which utilities have the obligation to serve new customers in between rate cases and are allowed to recover at least a portion of their incremental fixed costs required to serve new customers at current rates.

Q. Why is Nicor Gas' proposal to limit the total revenue requirement applicable to Rate 1 customers at no more than test-year levels for rate case customers more appropriate than capping Nicor Gas' total Rate 1 revenue requirement at test year levels?

A. Nicor Gas' proposal is consistent with historical regulatory processes in which utilities have the obligation to serve new customers in between rate cases and are required to serve new customers at the utility's existing rates which exclude any incremental plant investment or operating expenses which occurred since the last rate proceeding. Ms. Jones' formula would effectively force Nicor Gas to absorb costs from new customer growth without any offsetting revenues because the investment costs and revenues associated with new customers are excluded from Rider VBA. The Company's proposed Rider VBA is designed only to adjust revenues based on existing rate case customer levels, such that revenues on rate case customers are adjusted back to those approved in the test year. In addition, Nicor Gas' approach is exactly the same as used within the

the test year. In addition, Nicor Gas' approach is exactly the same as used within the Rider VBA approved by the Commission in the Peoples Gas Rate Case.

Q. Does Nicor Gas propose any additional modifications to Rider VBA?

A. Yes. In response to Staff Data Request BCJ 4.05, the Company will move the last two sentences contained with Section D to Section C. (*See* Nicor Gas Ex. 29.2, page 27). Further, in response to Staff Data Request BCJ 4.01, the Company will modify the reconciliation formula RA_1 to be consistent with the filing made by Peoples Gas on April 14, 2008. (Nicor Gas Ex. 29.2, page 26). Finally, in response to Staff Data Request BCJ 4.03, the Company will re-define the Upcoming Reconciliation Period from ten months to nine months. (Nicor Gas Ex. 29.2, page 25).

D. RIDER 29 – ENERGY EFFICIENCY PLAN

Q. What is the function of Rider EEP?

A. The function of Rider EEP is to compute, on an annual basis, a monthly charge per customer for applicable service classifications so that the Company may recover the incremental expenses for the development and implementation of the Company's Energy Efficiency Plan ("Plan"). The Company proposes to implement Rider EEP on a pilot basis for a four-year period.

Q. If Rider EEP is adopted by the Commission, Staff witness Ms. Jones recommends seven changes to the rider. (Jones Dir., Staff Ex. 3.0, 31:645-37:784). Does Nicor Gas agree with Ms. Jones' recommendations?

A. Yes. If Rider VBA is adopted by the Commission, the Company would agree to Ms. Jones' seven recommendations. The Company offers revisions to the originally proposed

Rider EEP (Nicor Gas Ex. 14.2, pages 140-143) to: (1) correct the dates associated with the filing date of the Effective Component; (2) correct the date of the first Reconciliation Period; (3) support the correction of the definition of the Carry Over Percentage; (4) incorporate the suggested revision of the Effective Component formula the first Plan Period of less than 12 calendar months; (5) enhance the description the RA2 component of the Reconciliation Adjustment formula; (6) revise the Reconciliation Adjustment formula to allow a Factor O; and (7) insert language in Rider EEP requiring the Company to add an annual internal audit report requirement, with specific tests. (Nicor Gas Ex. 29.2, pages 28-31).

Q. Does Nicor Gas propose any additional modifications to Rider EEP?

A. Yes. The Company offers to modify its annual reconciliation amount from cents to dollars, *i.e.*, from .0.01¢ to \$.01 and from .005¢ to \$.005. (Nicor Gas Ex. 29.2, page 30). In addition, in consideration of Staff Data Request BCJ 5.12, the Company proposes to add the phrase "less billed CSA revenues" to its EEP Revenues definition. (Nicor Gas Ex. 29.2, page 29).

E. RIDER 30 – QUALIFYING INFRASTRUCTURE PLANT

Q. What is the purpose of Rider QIP?

A. The Company's proposed Rider QIP will provide a mechanism to foster accelerated infrastructure replacement by allowing the Company to recover a return on, and depreciation expense related to, the Company's investment in certain qualifying future incremental cast iron main and copper service replacements. A QIP charge percentage would be included on customer bills from April 1 through December 31 under all rate classifications except Rates 17, 19 and 21.

Q. If Rider QIP is adopted by the Commission, Ms. Hathhorn recommends four changes to the rider. (Hathhorn Dir., Staff Ex. 2.0, 21:487-93). Does Nicor Gas agree with Ms. Hathhorn's recommendations?

A. Yes. If Rider QIP is adopted by the Commission, the Company would agree to Ms. Hathhorn's four recommendations. The Company offers revisions to the originally proposed Rider QIP (Nicor Gas Ex. 14.2, 144-148, Sheet No. 83-83.4), which incorporates into Rider QIP the language suggested by Ms. Hathhorn with respect to the need for: (1) an annual docketed reconciliation proceeding and to include a Factor O for Commission ordered adjustments in the tariff formula; (2) a prudency and reasonableness of costs determination in such reconciliation proceeding; (3) an annual internal audit with specific tests; and (4) a provision to exclude uncollectible expenses from the calculation of the Gross Revenue Conversion Factor if Rider UEA is approved. (Nicor Gas Ex. 29.2, pages 32-33).

XII. CUSTOMER SELECT ISSUES

Q. After the filing of the Company's direct testimony, did the Company engage in settlement discussions with certain Intervenors?

A. Yes. The Company engaged in settlement discussions regarding issues raised by Interstate Gas Supply of Illinois, Inc. and Dominion Retail, Inc. (Customer Select Gas Suppliers, "CSGS") with respect to the Company's small volume choice program, Customer Select.

Q. Did the Company reach a settlement with CSGS regarding these issues?

A. Yes. The Memorandum of Understanding ("MOU") reached between Nicor Gas and CSGS with respect to the Customer Select program is attached as Nicor Gas Ex. 29.3 and, for purposes of this proceeding, is intended as a comprehensive settlement of all issues between Nicor Gas and CSGS.

Q. Pursuant to the MOU, what does the Company propose with respect to its treatment of the revenue requirement for gas in storage?

A. Nicor Gas proposes that Customer Select customers should receive a credit for gas in storage as part of the Transportation Service Credit ("TSC"), utilizing the methodology found in Exhibit A to the MOU.

This per therm credit for gas in storage for the Company's Customer Select customers is reflected in the tariff attached to the MOU as Exhibit B ("Rider 15, Sheet 75.1"). Nicor Gas requests that the Commission approve Rider 15, Sheet 75.1 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to access to additional storage capacity during winter months for customer additions?

A. Nicor Gas proposes to calculate the Suppliers' end-of-month Storage Inventory Target Levels during the winter as a percentage of month-end storage capacity, which shall be calculated as the product of the Group's month-end MDCQ times 34 days of storage, which is the sum of 28 days plus 6 days of operational balancing capacity which shall be cycled, (as opposed to the current method which is a percentage of the preceding November 1 inventory). Nicor Gas further proposes that the current monthly percentages related to the Storage Inventory Target Levels remain in effect and that the current Storage Purchase in Place/Cash-Out provision remains in effect.

Nicor Gas' proposal is reflected in the tariff attached to the MOU as Exhibit C ("Rider 16, Sheet No. 75.6"). Nicor Gas requests that the Commission approve Rider 16, Sheet No. 75.6 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to operational balancing requirements?

A. Nicor Gas proposes to allow Customer Select Suppliers to cycle annually the additional operational balancing storage capacity of 6 times the Group's MDCQ effective as of the first May following the effective date of the tariff. Nicor Gas further proposes that the combined storage capacity of 34 times the Group's MDCQ will be the basis for calculating monthly storage inventory target levels and the daily storage injection capacity.

Nicor Gas' proposal is reflected in the tariff attached to the MOU as Exhibit D "Rider 16, Sheet No. 75.5"). Nicor Gas requests that the Commission approve Rider 16, Sheet No. 75.5 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to the Customer Select monthly Account Charge?

A. Nicor Gas proposes to include the Account Charge in the base rates of all eligible customers (Rates 1, 4 and 5), and the accompanying reallocation of costs. Nicor Gas' proposal is reflected in the tariff attached to the MOU as Exhibit E ("Rider 16, Sheet No. 75.3"). Nicor Gas requests that the Commission approve Rider 16, Sheet No. 75.3 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to the Group Additions fee?

A. Nicor Gas proposes to eliminate the $10.00 Group Addition fee as it relates to switching from one supplier to another and these costs will be recovered through base rates. Nicor Gas' proposal is reflected in the tariff attached to the MOU as Exhibit E ("Rider 16, Sheet No. 75.3"). Nicor Gas requests that the Commission approve Rider 16, Sheet No. 75.3 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to the number of days a customer has to select a new Supplier ?

A. Nicor Gas proposes to extend the number of days (from 45 to 120) a customer has to select a new Customer Select Supplier after returning to Nicor Gas from another Customer Select Supplier. Nicor Gas' proposal is reflected in the tariff attached to the MOU as Exhibit B ("Rider 15, Sheet No. 75.2"). Nicor Gas requests that the Commission approve Rider 15, Sheet No. 75.2 and place it into effect contemporaneously with the other tariffs at issue in this proceeding.

Q. Pursuant to the MOU, what does the Company propose with respect to providing mailing list?

A. Nicor Gas proposes to make available to all Customer Select Suppliers a residential customer mailing list. The list will include customer names and addresses, but not phone numbers. The list will exclude the names of customers who are on the Company's "Do Not Contact List." The Company will update the mailing list on a quarterly basis and provide it to Customer Select Suppliers at no charge.

Q. Does the MOU contemplate an ongoing dialogue with the CSGS?

A. Yes. It's fair to say the Company worked expeditiously and facilitated an open dialogue with CSGS in order to reach an accord on all its issues. Consistent with that spirit, Nicor Gas commits to meet with all interested Customer Select stakeholders and with Staff upon completion of this proceeding.

Q. Are there any remaining Customer Select issues to address?

A. Yes.

Q. Staff witness Mr. Sackett recommended that a new methodology be developed in this case to reflect a reduced allocation of Customer Select Balancing Charges ("CSBC") to Customer Select customers. (Sackett Dir., Staff Ex. 11.0R, 29:610-12). Is this appropriate?

A. No. As I indicated in my direct testimony (Nicor Gas Ex. 14.0, 25:550-552), Customer Select customers should be allocated the same pro-rata share (per therm charge) of Nicor Gas upstream capacity charges as those customers purchasing directly from the Company (Sales customers); and in fact they have been charged the same rate per therm for only the applicable upstream balancing service costs which are used for both Sales and Customer Select customers. As a matter of fairness to Sales customers, since these services are used equally for both Sales and Customer Select customers both classes of customers should pay the same rate per therm. Moreover, this is one of the issues resolved in the Company's settlement with CSGS.

Q. How is the CSBC charge defined, calculated and collected?

A. As defined in Nicor Gas' Rider 6, Gas Supply Cost (Sheet No. 58):

> Customer Select Balancing Charge – Primarily a non-commodity related, per therm, gas cost recovery mechanism applied to all deliveries or estimated deliveries of gas to the Customer's facilities under the provisions of Rider 15, Customer Select. This charge is the usage level based counterpart to the NCGC, and excludes firm transportation costs for which the Supplier is directly responsible. The charge may also include costs associated with the purchase of supplies during periods of Operational Flow Orders necessary to maintain the reliability of the system. Revenues arising through the application of this charge will be credited to the NCGC, except for revenues associated with commodity costs during periods of Operational Flow Orders, which shall be credited to the CGC.

As defined above, the CSBC properly excludes the firm transportation costs for which the Supplier is responsible. Nicor Gas estimates that its total annual firm capacity and reservation charges in 2008 will be approximately $128,797,904 and approximately $68,371,545 of these costs are excluded from the CSBC calculation. It is important to note that only Sales customers, and not Customer Select customers, are being charged for these costs within Rider 6.

As illustrated in Mr. Bartlett's rebuttal testimony (Nicor Gas Ex. 19.4), only the appropriate upstream services which are used to balance the system for both Sales and Customer Select customers are included in the calculation of the CSBC. The calculation of the CSBC involves dividing the total forecasted cost for those services (approximately $60,426,359 in Nicor Gas Ex. 19.4) by the total forecasted annual Sales and Customer

Select therm deliveries (3,062,990,833 in Nicor Gas Ex. 19.4) resulting in a single monthly rate of approximately $.0197 per therm (about $.02 per therm), which both Sales and Customer Select customers effectively pay.

Under Rider 15, Customer Select, Customer Select customers are charged the CSBC multiplied by the customer's total use. Furthermore, as defined in Rider 6, revenues collected under the CSBC are credited back to Sales customers through Rider 6. Therefore, since all of the costs associated with these services are charged to Rider 6, recovery of the CSBC charge from Customer Select customers at the exact same rate per therm incurred by Sales customers enables both Sales and Customer Select customers to pay the same rate for the same services.

Q. Is it correct, as Mr. Sackett purports, that Customer Select customers are "balanced on a monthly basis" and should therefore not bear the full cost of the assets used to balance them? (Sackett Dir., Staff Ex. 11.0R, 25:599-605).

A. No. As Mr. Bartlett indicated, Nicor Gas must balance Customer Select customers deliveries and usage on a daily basis and that Nicor Gas utilizes its supply and upstream capacity (including DSS and NSS services which are included in the CSBC) to provide this service to them. (*See* Nicor Gas Ex. 19.0). From a billing perspective, Customer Select Suppliers are not required to balance their actual usage and deliveries until month end; however, Nicor Gas must operationally balance their deliveries and usage on a daily basis. Since Nicor Gas utilizes these assets to balance both Sales and Customer Select customers usage and deliveries in the same manner both should be charged the same rate per therm for these services.

Q. Mr. Sackett indicates that that Customer Select customers may make use of the off-system (CSBC) resources as a temporary source of supply and that they do not use the assets to bring in their annual requirements. On that basis, he asserts that Customer Select customers should not bear the full cost of using those upstream assets. (Sackett Dir., Staff Ex. 11.0R, 29:599-30:618). Please respond to these assertions.

A. As noted previously, Nicor Gas utilizes the CSBC assets for both Sales and Customer Select customers on a daily basis and not on a temporary basis. However, Nicor Gas has agreed in its settlement with CSGS to allow Customer Select Suppliers to annually cycle their operational balancing storage capacity of six (6) times the Group's MDCQ which when combined with the 28 MDCQ day storage allocation results in a combined total of 34 times the Group's MDCQ of storage capacity. These changes are reflected under the Storage Capacity section of Rider 16 – Sheet No. 75.5. Therefore, the resulting increased daily storage flexibility afforded by this change reinforces the Company's position that Customer Select customers should continue to pay the same rate per therm, as currently calculated in the CSBC charge, as Sales customers.

Q. Has Nicor Gas been collecting the CSBC charge as part of Rider 6 since the inception of the Customer Select program?

A. Yes. Since the inception of the Customer Select program in May of 1998, the monthly computation of the CSBC (and previously called the ABSC) has consisted of determining the single equivalent rate per therm that both Sales and Customer Select customers should both pay for the upstream assets utilized to serve them.

Q. In your opinion, should any change be made in how the CSBC costs should be allocated between Sales and Customer Select customers?

A. No. Since both Sales and Customer Select customers equally benefit from these services, they should receive the same per therm allocation of costs.

XIII. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes.

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

Ill.C.C. No. 16 - Gas
4th Revised Sheet No. 7
(Canceling 3rd Revised Sheet No. 7, Effective November 22, 2005)

Municipalities And The Unincorporated Contiguous Territory To Which This Schedule Is Applicable

(Continued From Sheet No. 6)

Municipality	County	Municipality	County
New Milford	Winnebago	Paxton	Ford
Newark	Kendall	Payson	Adams
Niles	Cook	Pearl City	Stephenson
Niota (U)	Hancock	Pecatonica	Winnebago
Normal	McLean	Penfield (U)	Champaign
Normandy (U)	Bureau	Peotone	Will
Norridge	Cook	Phoenix	Cook
North Aurora	Kane	Pike (U)	Pike
North Barrington	Lake	Pingree Grove	Kane
North Riverside	Cook	Piper City	Ford
Northbrook	Cook	Pistakee Bay (U)	McHenry
Northfield	Cook	Pistakee Highlands (U)	McHenry
Northlake	Cook	Pittsfield	Pike
Norway (U)	LaSalle	Plainfield	Will
Norwood Park Township (U)	Cook	Plainfield Township (U)	Will
Oak Brook	Cook/DuPage	Plainville	Adams
Oak Forest	Cook	Plano	Kendall
Oak Lawn	Cook	Plato Center (U)	Kane
Oak Park	Cook	*Plattville	Kendall
Oakbrook Terrace	DuPage	Polo	Ogle
Oakwood Hills	McHenry	Pontiac	Livingston
Odell	Livingston	Pontoosuc	Hancock
Ohio	Bureau	Poplar Grove	Boone
Olympia Fields	Cook	*Port Barrington	McHenry
Onarga	Iroquois	Posen	Cook
Oquawka	Henderson	Potomac	Vermillion
Orangeville	Stephenson	Prairie Grove	McHenry
Oregon	Ogle	Prairie View (U)	Lake
Orland Hills	Cook	Prairieville (U)	Lee
Orland Park	Cook	Princeton	Bureau
Oswego	Kendall	Prophetstown	Whiteside
Ottawa	LaSalle	Prospect Heights	Cook
Palatine	Cook	Proviso Township (U)	Cook
Palatine Township (U)	Cook	Randolph Township (U)	McLean
Paloma (U)	Adams	Rankin	Vermillion
Palos Heights	Cook	Ransom	LaSalle
Palos Hills	Cook	Rantoul	Champaign
Palos Park	Cook	Raritan	Henderson
Papineau	Iroquois	Reddick	Kankakee/Livingston
Park Forest	Cook/Will	Resthaven (U)	Will
Park Ridge	Cook	Richmond	McHenry
Paw Paw	Lee	Richton Park	Cook
		Ridgefield (U)	McHenry

(U) Unincorporated

(Continued On Sheet No. 8)

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Items in which there are changes are preceded by an asterisk (*)

Effective June 13, 2008

Issued by - Gerald P. O'Connor
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Northern Illinois Gas Company
d/b/a Nicor Gas Company

Ill.C.C. No. 16 - Gas
5th Revised Sheet No. 19
(Canceling 4th Revised Sheet No. 19, Effective April 11, 2006)

Rate 74
General Transportation Service

(Continued From Sheet No. 18)

* (c) Monthly Customer Charge
The monthly Customer Charge shall be based on meter class capacity in cubic feet per hour (cfh) at low pressure delivery as follows:

	Meter Class
$ 22.05 per month	A. (less than 1,000 cfh)
$ 76.90 per month	B. (1,000-10,000 cfh)
$140.50 per month	C. (greater than 10,000 cfh)

* (d) Distribution Charge	Therms Supplied in the Month
10.75¢ per therm	for the first 150
4.28¢ per therm	for the next 4,850
3.49¢ per therm	for all over 5,000

* (e) Storage Banking Service (SBS) Charge
0.42¢ per therm per month for all therms of Storage Banking Service capacity.

Customers may annually select Storage Banking Service capacity with a minimum selection of 1 times their Maximum Daily Contract Quantity (MDCQ) subject to the provisions included in Terms and Conditions.

For each therm of Company-supplied Gas delivered under this service, the charge shall be considered Authorized Use.

(f) Firm Backup Service (FBS) Charge
The monthly charge for Firm Backup Service shall be the selected Firm Backup Service quantity (in therms) multiplied by the Demand Gas Cost (DGC) as defined in Rider 6.

For each therm of Company-supplied Gas delivered under this service, the charge shall be the Rider 6 Commodity Gas Cost (CGC).

(g) Excess Storage Charge
10¢ per therm for the maximum amount in storage in excess of the Customer's Storage Banking Service capacity on any day during the billing period. If such maximum excess amount is less than five percent of the Customer's Storage Banking Service capacity, the Excess Storage Charge shall not apply. Revenues arising through the application of the Excess Storage Charge will be credited to Rider 6, Gas Supply Cost.

(Continued On Sheet No. 20)

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

Ill.C.C. No. 16 - Gas
2nd Revised Sheet No. 21.4
(Canceling 1st Revised Sheet No. 21.4, Effective April 11, 2006)

Rate 75
Seasonal Use Transportation Service

(Continued From Sheet No. 21.3)

* **Charges shall be the sum of (a) through (l).**

(a) Administrative Charge
$23.00 per month for an individual account. Group accounts will be charged $10.00 per month per account with a minimum group charge of $33.00.

(b) Recording Device Charge
$10.00 per month per each account with a diaphragm meter; or
$17.00 per month for each account for all other meter types

(c) Monthly Customer Charge
The monthly Customer Charge shall be based on meter class capacity in cubic feet per hour (cfh) at low pressure delivery as follows:

	Meter Class
$ 25.00 per month	A. (less than 1,000 cfh)
$ 79.95 per month	B. (1,000-10,000 cfh)
$180.40 per month	C. (greater than 10,000 cfh)

(d) Distribution Charge	Therms Supplied in Months
2.06¢ per therm	December through March
1.52¢ per therm	April through November

(e) Storage Banking Service (SBS) Charge
0.42¢ per therm per month for all therms of Storage Banking Service capacity.

Customers may annually select Storage Banking Service capacity with a minimum selection of 1 times their Maximum Daily Contract Quantity (MDCQ) subject to the provisions included in Terms and Conditions.

For each therm of Company-supplied Gas delivered under this service, the charge shall be considered Authorized Use.

(f) Firm Backup Service (FBS) Charge
The monthly charge for Firm Backup Service shall be the selected Firm Backup Service quantity (in therms) multiplied by the Demand Gas Cost (DGC) as defined in Rider 6.

For each therm of Company-supplied Gas delivered under this service, the charge shall be the Rider 6 Commodity Gas Cost (CGC).

(Continued On Sheet No. 21.5)

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

Ill.C.C. No. 16 - Gas
7th Revised Sheet No. 22
(Canceling 6th Revised Sheet No. 22, Effective April 11, 2006)

Rate 76
Large General Transportation Service

Availability.
For any commercial or industrial Customer at a single location who enters into a contract with the Company hereunder, to transport Customer-owned gas from an interconnection with a pipeline supplier of the Company to the Customer's premises; and

(a) where the Customer has contracted for transportation of direct purchases from the delivery point of the seller to an existing interstate pipeline interconnection with the Company's facilities as approved by the Company, which interconnection, in the sole judgment of the Company, is capable of receiving sales and transportation Customers gas without impairment of anticipated deliveries of any gas supplies; and

(b) where the final pipeline transporter of such Customer-owned gas agrees to provide daily delivery data for such gas to the Company; and

(c) where satisfactory evidence of Customer's contracts with seller(s) and intrastate or interstate transporters are provided to the Company; and

(d) where all such arrangements have been approved by each regulatory agency having jurisdiction over such matters, to the satisfaction of the Company; and

(e) where Customer provides a telephone line to within six (6) feet of the meter, which telephone line shall be directly accessible. The telephone line must terminate with an approved demarcation box. The Customer's telephone service must conform to the specifications of the metering equipment, and the metering equipment will not be installed by the Company until the required telephone line is available.

Customers served hereunder shall have their metered usage and nominations daily balanced in accordance with any transportation and storage provisions.

* **Charges shall be the sum of (a) through (k).**

(a) Customer Charge
$1,891.00 per month.

(b) Distribution Charge
1.89¢ per therm for all therms delivered to the Customer during the billing period.

(c) Storage Banking Service (SBS) Charge
0.42¢ per therm per month for all therms of Storage Banking Service capacity.

Customers may annually select Storage Banking Service capacity with a minimum selection of 1 times their Maximum Daily Contract Quantity (MDCQ) subject to the provisions included in Terms and Conditions.

(Continued On Sheet No. 23)

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

Ill.C.C. No. 16 - Gas
5th Revised Sheet No. 26
(Canceling 4th Revised Sheet
No. 26, Effective November 22, 2005)

Rate 77
Large Volume Transportation Service

(Continued From Sheet No. 25)

* (d) Storage Banking Service (SBS) Charge
0.42¢ per therm per month for all therms of Storage Banking Service capacity.

Customers may annually select Storage Banking Service capacity with a minimum selection of 1 times their Maximum Daily Contract Quantity (MDCQ) subject to the provisions included in Terms and Conditions.

For each therm of Company-supplied Gas delivered under this service, the charge shall be considered Authorized Use.

(e) Firm Backup Service (FBS) Charge
The monthly charge for Firm Backup Service shall be the selected Firm Backup Service quantity (in therms) multiplied by the Demand Gas Cost (DGC) as defined in Rider 6.

For each therm of Company-supplied Gas delivered under this service, the charge shall be the Rider 6 Commodity Gas Cost (CGC).

(f) Excess Storage Charge
10¢ per therm for the maximum amount in storage in excess of the Customer's Storage Banking Service capacity on any day during the billing period. If such maximum excess amount is less than five percent of the Customer's Storage Banking Service capacity, the Excess Storage Charge shall not apply. Revenues arising through the application of the Excess Storage Charge will be credited to Rider 6, Gas Supply Cost.

(g) Requested Authorized Use Charge
For each therm of Requested Authorized Use, the charge shall be the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.

(h) Authorized Use Charge
For each therm of Authorized Use, the charge shall be the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.

(i) Unauthorized Use Charge
For each therm of Unauthorized Use, the charge shall be the sum of $6.00 plus the higher of: (a) the Rider 6 Gas Cost (GC); or (b) the Market Price as defined in the Terms and Conditions applicable to this rate.

Revenues arising from the application of the $6.00 per therm charge hereunder shall be credited to Rider 6, Gas Supply Cost.

(Continued On Sheet No. 27)

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Northern Illinois Gas Company
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Ill.C.C. No. 16 – Gas
2nd Revised Sheet No. 45
(Canceling 1st Revised Sheet No. 45,
Effective April 11, 1996)

Terms and Conditions

(Continued From Sheet No. 44)

* **Limitations on the Rendering of Gas Service.**
In the event of a gas shortage or an interruption in the Company's gas supply for any reason, the Company shall be entitled: (1) to curtail deliveries of gas to any commercial or industrial Customer, whenever in its judgment such curtailment shall be necessary for the maintenance of gas service to the Company's residential and small commercial Customers; and (2) to allocate available gas supply among some or all of its remaining Customers, whenever in its judgment such supply shall be inadequate to provide gas service to all of such Customers in addition to its residential and small commercial Customers. In effecting any such curtailment or allocation of deliveries, the Company shall first curtail or discontinue the supply of gas to such Customers as commonly use large quantities of gas and are not engaged in an activity essential to health or safety, and where the gas not delivered can conveniently and readily be utilized by the Company to reduce any deficiency in the gas supply to its other Customers. The Company shall not be liable for any damage whatsoever by reason of any such curtailment or discontinuance or because of any shortness of advance notice given directing such curtailment or discontinuance.

(Continued On Sheet No. 46)