

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

NORTHERN ILLINOIS GAS COMPANY)	
D/B/A NICOR GAS COMPANY)	
)	Docket No. 08-0363
)	
Proposed general increase in natural gas)	
rates.)	

**REPLY BRIEF OF
THE ENVIRONMENTAL LAW & POLICY CENTER
ADDRESSING NEW RIDER 29**

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Submitted By:

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INTRODUCTION

In Initial Briefs the entities that represent the consumer and environmental interests, the Attorney General of Illinois, Citizens Utility Board and Environmental Law & Policy Center (ELPC), all support Nicor’s proposed energy efficiency program, with ELPC arguing for some modifications. Despite the strong support from these entities, Staff opposes Nicor’s proposal.

In ELPC’s Initial Brief it addressed Staff’s opposition to the program expressed in its testimony. Thus, ELPC does not need to reargue its response to most of Staff’s concerns in its Reply Brief. Staff simply believes that if gas prices get high enough then customers will conserve energy. According to Staff, Illinois customers have already been reducing usage. Thus, Illinois does not need efficiency programs. Staff Brief at 158.

ARGUMENT

At the heart of Staff’s Brief is the assertion that the Commission should not approve Nicor’s proposal because it is not cost-effective, and will not benefit consumers due to the fact

that in the last few years they have already reduced their usage. Staff Brief at 157-158. ELPC submits that Staff does not present persuasive evidence that consumers will not benefit from these programs.

In terms of cost-effectiveness, Staff raises new arguments in its brief that should have been raised by Dr. Brightwell in testimony. However, even if the Commission decides to consider this back door analysis, it is unpersuasive. Specifically, Staff's Brief states the following:

Based upon the ELPC testimony and Figure 2 from Dr. Brightwell's testimony, it appears that an expenditure of about \$25 million per year in the Nicor Gas Service territory (the amount of spending that would be comparable to the EEPs in Iowa, Minnesota and Wisconsin) might reduce usage by an additional 0.4% percentage points, resulting in an annual savings of approximately \$8.8 million ($0.4 \times \25 million). In other words, spending about \$25 million annually could save ratepayers about \$8.8 million annually (for a net loss of \$16.2 million annually) if the results in Illinois are similar to those achieved in Iowa.

It is unclear exactly where the analysis comes from, but definitely not Dr. Brightwell's testimony. The only citation in all of this is to Figure 2 from Dr. Brightwell's testimony, which is merely a table of natural gas consumption in Illinois, Iowa, Minnesota, and Wisconsin. The table in and of itself has little value and does not lead to the conclusion that \$25 million in spending produces \$8.8 million in benefit, based on 0.4% savings.

The analysis is contrived because Staff compares apples to oranges. Staff gets its 0.4% savings figure by comparing Iowa to Illinois in a misleading manner. It states: "The most successful of these programs (Iowa) yields a 0.4 percentage point incremental reduction over what is occurring in Illinois, 3.3% versus 2.9%." Staff Brief at 158. But no meaningful comparison can be drawn from naturally occurring customer declines of 2.9% in Illinois compared to 3.3% savings in Iowa that include savings from Iowa efficiency programs. The Iowa

program yields savings compared to a baseline in Iowa. The Illinois savings should be compared to a baseline in Illinois. Illinois programs will save Illinois consumers over current Illinois usage levels. That target is a 1.0% reduction in usage, not 0.4%.

In addition to this flawed analysis, Mr. Kubert makes critical points in his testimony that Staff ignores. First, Mr. Kubert testifies as follows regarding Iowa: Annual savings in Iowa for 2006 were 0.9% with cumulative residential savings since 2000 of 11%. ELPC Ex. 1.0 at 10. Moreover, all measures adopted in Iowa must be deemed cost-effective, which contradicts the premise that people pay more for energy efficiency than they do for gas. ELPC Ex. 1.2. Thus, Staff's analysis ignores the reality of the situation in Iowa.

Staff's analysis also ignores Mr. Kubert's finding that "at current gas prices, each 1% reduction in gas consumption from residential and commercial customers represents \$22 million annually in avoided gas and interstate distribution expenses." ELPC Ex. 1.0 at 5. Needless to say, if gas prices increase the savings increase. Thus, there is a value to the hedging aspect of investing in efficiency.

Mr. Kubert also testifies that the target savings by year four should be 1.0%, noting that other states such as Minnesota have a 1.5% target. Thus, the hope is that Illinois will exceed 1.0%. This savings figure does not include the benefits to the participants who will experience individual savings on their bills.

While Iowa has in fact been doing this for a number of years and has honed its programs over time in order to reach current levels, Staff seems to assume that there is no benefit in Illinois from lessons learned in Iowa, Minnesota and Wisconsin that allow Illinois to start saving at a different pace within a short time.

The other element of Staff's argument is that Illinois consumers are reducing their consumption without efficiency programs, thus such programs are not needed. Staff Brief at 158. As ELPC emphasized in its Initial Brief, reductions made by Illinois consumers to date does not mean that programs are not needed. Staff has done no analysis to determine the cause of the reduction in consumption in Illinois. In fact, on cross-examination, Dr. Brightwell testifies he has no idea whether Nicor customers have implemented any efficiency measures at all, and acknowledges that they may simply be turning down their thermostats and living uncomfortably (perhaps dangerously so) because they cannot afford to pay for gas to warm their homes. Tr.at 577. Moreover, Dr. Brightwell admitted to being unaware that while customers reduced their usage, their bills continued to sky rocket. According to Energy Information Administration, the average Midwest customer saw their bill increase from \$750 per year to \$1003 over the last five years. Tr. at 568. Thus, regardless of any voluntary conservation efforts, consumers will benefit from programs that further ease their burdens.

CONCLUSION

Gas efficiency programs in Illinois are long overdue. The programs will save consumers money and benefit the environment. Staff's arguments that consumers are reducing consumption on their own, ignores the reality that while consumers use less, they continue to spend more. Thus, the question should be, will efficiency programs benefit consumers? The answer to this

question is yes, and ELPC urges that the Commission approve the programs as outlined in its Initial Brief.

Respectfully Submitted,

A handwritten signature in black ink that reads "Robert A. Kelter". The signature is written in a cursive style with a large initial "R" and "K".

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