

1 **I. INTRODUCTION**

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

3 A. Nancy J. Huston, 1844 Ferry Road, Naperville, Illinois 60563-9600.

4 **Q. By whom are you employed?**

5 A. Tall Oak Associates, Inc. I was previously employed by Northern Illinois Gas Company
6 d/b/a Nicor Gas Company (“Nicor Gas” or “Company”).

7 **Q. How long were you employed by Nicor Gas?**

8 A. Thirty-three years.

9 **Q. Please summarize your educational background and work experience.**

10 A. I hold a Bachelor of Science in Civil Engineering degree from Valparaiso University and
11 a Master of Business Administration degree from Northern Illinois University. I began
12 my employment with Nicor Gas in 1975 as an engineer in the Engineering Department.
13 Since then, I have held positions in the Pressure, Sales, Purchasing,
14 Construction/Maintenance, Engineering, Environmental Services and Environmental
15 Health and Safety departments. In 2008, I retired from Nicor Gas and began my
16 employment with Tall Oak Associates, Inc.

17 **Q. What is the purpose of your direct testimony?**

18 A. The purpose of my direct testimony is to:

- 19 • present an overview of Nicor Gas’ manufactured gas plant (“MGP”) program,
20 • describe the activities undertaken during the 2008 reconciliation period and how
21 such activities have supported the objectives of the MGP program,
22 • discuss how costs are forecast for the MGP program, and
23 • describe the methods used to select outside contractors and consultants to assist
24 Nicor Gas in support of the MGP program.

25 **II. DESCRIPTION OF NICOR GAS' MGP PROGRAM**

26 **Q. Please generally describe Nicor Gas' MGP program.**

27 A. Several years ago, Nicor Gas undertook a program to identify former MGP sites for
28 which it may have some responsibility. The overall objective of the MGP program is to
29 identify and mitigate unacceptable risks to human health and the environment. The list of
30 potential MGP sites was submitted to the Illinois Environmental Protection Agency
31 ("Illinois EPA") in May 1991, and the Company began an evaluation process to
32 determine how to best manage sites for which it may have some responsibility. In 1993,
33 because some of Nicor Gas' sites were previously owned by Commonwealth Edison
34 Company ("ComEd") or its corporate predecessors, Nicor Gas and ComEd entered into
35 an Interim Cooperative Agreement ("Agreement") to jointly manage certain common
36 MGP sites. The Agreement was approved by the Commission in Docket No. 93-0431.
37 On June 20, 1996, the Agreement was amended to include an additional four sites for the
38 utilities to jointly manage. The Agreement was amended to add ten additional sites on
39 March 6, 2000. This Agreement allows both of the utilities to share knowledge about
40 these sites, reduces duplication of effort and cost for site management and remediation,
41 and facilitates efficient performance of any necessary investigation and remediation
42 activities. At other sites, Nicor Gas is the sole utility involved in site management.

43 **Q. How does the Interim Cooperative Agreement ensure that Nicor Gas' ratepayers**
44 **will contribute no more than their appropriate share of remediation costs at MGP**
45 **sites that were once owned by ComEd or its corporate predecessors?**

46 A. The Agreement between Nicor Gas and ComEd provides that the remediation costs at
47 certain MGP sites are to be shared 50/50 on an interim basis and that, ultimately, the
48 parties will negotiate or arbitrate the final allocation. The overall objective of the

49 Agreement is to avoid, or at least minimize, duplication of site management, consulting,
50 remediation and litigation costs. On April 17, 2006, in accordance with the terms of the
51 Agreement, the Company, through its counsel Bartlit Beck, initiated arbitration
52 proceedings to determine final remediation cost allocations for all of the MGP sites
53 identified in the Agreement and amendments thereto.

54 **Q. What were the other steps taken by the Company in managing its MGP program?**

55 A. To further identify conditions at various sites, Nicor Gas retained an environmental
56 consultant with experience in MGP site evaluation, remediation and management to assist
57 in the initial evaluation of selected sites. Initially, 15 locations which Nicor Gas currently
58 owns, in whole or part, and has access to the property in question were selected for
59 evaluation.

60 These 15 MGP sites were evaluated by non-invasive methods through site visits,
61 visual inspection, historical records review and a review of available information on local
62 and regional geology, soils and water resources. A report was prepared by Nicor Gas'
63 environmental consultant that presented a general description of each of the sites,
64 summarized the evaluation of each site, presented recommendations for specific sites and
65 ranked the sites for further action relative to one another.

66 The report, entitled *Site Investigation/Prioritization Plan*, was submitted to the
67 Illinois EPA at a meeting in October, 1992. The Illinois EPA has not disputed the
68 rankings established in the report. The plan concluded, among other things, that the
69 Bloomington site on West Washington Street should be subject to further evaluation, and
70 Nicor Gas retained an environmental consultant to complete a *Preliminary Report and*
71 *Remedial Investigation Work Plan and Field Sampling Plan* for that site.

72 Subsequent to the initial assessment of the 15 sites in 1992, an additional 21 sites
73 were evaluated. Because Nicor Gas does not own these possible MGP sites, access was
74 not always available and, therefore, the evaluation process was slightly modified. The
75 report on these 21 sites, entitled *Preliminary Assessment Report of Twenty-One Suspected*
76 *Manufactured Gas Plant Sites*, was submitted to the Illinois EPA in October, 1995. The
77 Illinois EPA has not disputed the rankings of these 21 sites.

78 Of course, as part of the ongoing process of investigation and management, new
79 information and any changes in conditions at a site are periodically identified, monitored
80 and evaluated. Consequently, sites can potentially move higher or lower on the
81 remediation priority list because of changes in site usage or conditions or acquisition of
82 additional information.

83 Nicor Gas and ComEd jointly decided to begin periodic reviews and evaluations
84 of all sites where investigation and/or remediation were not currently occurring. The
85 purpose of the evaluation was to identify the next group of sites for investigations to
86 begin.

87 In the fall of 1997, Nicor Gas and ComEd evaluated 30 MGP sites where
88 investigation and/or remediation were not currently occurring. In December, 1997, Nicor
89 Gas and ComEd met with the Illinois EPA to discuss the overall MGP program and our
90 plans to manage the MGPs. The results of the evaluation are contained in the *1998 Site*
91 *Activation Report for Manufactured Gas Plant Sites* dated April 20, 1998. In the fall of
92 1998, Nicor Gas and ComEd re-evaluated 25 MGP sites where investigations and/or
93 remediation were not currently occurring. As part of the evaluation process, limited field
94 activities occurred at several of the sites to gather additional information on them. The

95 results of the re-evaluation are contained in the *1999 Site Activation Report for*
96 *Manufactured Gas Plant Sites* dated December 21, 1998. In the fall of 1999, Nicor Gas
97 and ComEd re-evaluated 22 MGP sites where investigations and/or remediation were not
98 currently occurring. The results of the re-evaluation are contained in the *2000 Site*
99 *Activation Report for Manufactured Gas Plant Sites* dated March 2, 2000. The *2001 Site*
100 *Activation Report for Manufactured Gas Plant Sites* was prepared on May 1, 2001.
101 Subsequently the *2002 – 2003 Site Activation Report for Manufactured Gas Plant Sites*
102 was prepared in October 2002. The *2004 - 2005 Site Activation Report for Manufactured*
103 *Gas Plant Sites* dated March 28, 2005 contains the current re-evaluation of sites that have
104 not been activated yet. A semi-annual site reconnaissance and evaluation of sites is on-
105 going to identify any changes and assist in activation decisions.

106 **Q. Please describe the Company’s MGP site management process.**

107 A. In order to show how Nicor Gas’ 2008 activities support the objectives of its MGP
108 program, a summary of the overall MGP site management process is provided below.
109 The first step in the Company’s process of managing MGP sites is the Phase I evaluation.
110 Phase I entails the previously discussed *Site Investigation/Prioritization Plan*, the
111 *Preliminary Assessment Report of Twenty-One Suspected Manufactured Gas Plant Sites*,
112 the *1998 Site Activation Report for Manufactured Gas Plant Sites*, the *1999 Site*
113 *Activation Report for Manufactured Gas Plant Sites*, the *2000 Site Activation Report for*
114 *Manufactured Gas Plant Sites*, the *2001 Site Activation Report for Manufactured Gas*
115 *Plant Sites*, the *2002 - 2003 Site Activation Report for Manufactured Gas Plant Sites* and
116 the *2004 - 2005 Site Activation Report for Manufactured Gas Plant Sites*. The next step,
117 Phase II, is to conduct an invasive subsurface investigation of the site through a Site

118 Investigation. Phase II investigations can include, but are not necessarily limited to:
119 subsurface boring and sampling, groundwater well installation and sampling, surface soil
120 sampling, geophysics, air monitoring and sampling, and surface water and sediment
121 sampling. The focus of Phase II is to characterize the conditions at the site through
122 analytical methods. The results of the Phase II investigation are typically presented in a
123 *Site Investigation Report* which describes the geology and hydrogeology of the site and
124 the nature and extent of any contaminants present at the site. Observable source
125 materials, such as tars, are also identified in the report. Data generated from Phase II
126 investigations are used to evaluate the site using the Illinois EPA's Site Remediation
127 Program's ("SRP") *Tiered Approach to Corrective Action Objectives* ("TACO")
128 guidelines. An integral part of Nicor Gas' MGP site management is the active
129 involvement of the local community through a Community Relations Plan. The purpose
130 of the Community Relations Plan is to fully inform the community prior to
131 implementation of various activities. The local community includes the site owner,
132 municipal officials, site neighbors, the media and other interested parties.

133 **Q. How has Nicor Gas ensured that the requirements of all relevant state and/or**
134 **federal authorities are met?**

135 A. Nicor Gas works closely with the Illinois EPA to ensure that the requirements of all
136 relevant state and/or federal authorities are met. Nicor Gas closely followed and
137 participated in the development of the Illinois EPA's *TACO* regulations and continues to
138 be involved and monitor regulatory changes. The Illinois EPA is kept informed of each
139 phase of the Company's MGP activities; and the Illinois EPA's input and comments are
140 sought. In addition, Nicor Gas has only hired consultants and contractors that are

141 familiar with the applicable state and/or federal requirements to assist in implementing
142 the MGP program.

143 **III. SITE ENVIRONMENTAL ACTIVITIES**

144 **Q. Please describe the environmental activities undertaken by the Company in 2008.**

145 A. Environmental activities were divided into three general categories: activities for the
146 overall MGP program, site-specific activities and insurance recovery.

147 **Q. Please describe the Company's environmental activities for the overall MGP
148 program.**

149 A. 2008 activities for the overall MGP program included project management, property
150 management and legal services. As part of the overall MGP program, the Company, in
151 conjunction with ComEd, has hired a property manager to assist with appraisals and
152 property management.

153 **Q. Were the expenditures associated with the MGP program environmental activities
154 paid to outside consultants, contractors and suppliers?**

155 A. Yes. The expenditures included in the Company's Rider 12, Environmental Cost
156 Recovery ("ECR"), for MGP environmental activities were paid to outside consultants,
157 contractors and suppliers with the exception of gas utility bills paid to Nicor Gas for the
158 Ciba-Geigy property. The utility bills, including the one for gas service that is paid to
159 Nicor Gas, are incremental costs associated with the Ciba-Geigy property. The property
160 was purchased solely for the purpose of remediation. Rental income from property
161 purchased under Rider 12 for remediation purposes was used to offset expenditures at the
162 Morrison site.

163 **Q. Please describe the Company's site-specific environmental activities that were
164 undertaken in 2008.**

165 A. In 2008, various sites underwent further investigative and/or remedial activities including
166 Aurora, Belvidere, Bloomington, Chicago Heights, Dixon II, Freeport, Lockport
167 Township, Morrison, Oak Park, Rockford and Skokie. Site specific activities are
168 summarized below:

- 169 • At the Aurora MGP site, supplemental site investigation activities were performed
170 including an investigation of the bedrock beneath the Fox River. In order to
171 investigate beneath the Fox River, the river was temporarily diverted with a coffer
172 dam.
- 173 • The Belvidere MGP site is across the street from the Kishwaukee River that
174 courses through Belvidere Park. Coal tar residuals present in the park caused a
175 release of coal tar-like material into the Kishwaukee River. In 2005, the coal tar
176 impacted soils next to the river were removed and park restoration was initiated.
177 During 2006, park restoration continued. A computer model of the groundwater
178 flow was developed in order to define the limits of any impacts in the
179 groundwater. Restoration activities at Belvidere Park were completed in 2007. In
180 2008, reports on the various phases of activities were prepared for the site and off-
181 site properties.
- 182 • At the Bloomington MGP site, the enhanced offsite Dense Non-Aqueous Phase
183 Liquid (“DNAPL”) recovery system was constructed around the former Ciba-
184 Geigy facility in 2005. During 2006, construction of the system was completed
185 and soil heating began on April 7, 2006. Maintenance and operation of the
186 system continued throughout 2006, 2007 and 2008. In addition, plans were
187 developed to remediate the off-site Bloomington Housing Authority property.
- 188 • Site investigation activities were begun and completed at the Chicago Heights site
189 in 2008.
- 190 • An off-site property was investigated at the Dixon II site.
- 191 • For the Freeport site, 2008, reports on the various phases of activities were
192 prepared for the site.
- 193 • Remedial activities for the Lockport Twp. site were completed after negotiations
194 between the Utilities, the site manager, the site owner and Illinois EPA. In
195 addition, investigation of potential off-site MGP residuals was conducted.
- 196 • Remedial activities were completed for the Morrison site in 2008 with the
197 expectation of a NFR letter in 2009.
- 198 • The site investigation was initiated at the Oak Park site in 1998. An initial
199 screening of subsurface conditions led to the conclusion that additional

200 investigation and remediation were necessary. The site is owned by the Park
201 District of Oak Park. Negotiations with the Park District of Oak Park and the
202 Village of Oak Park resulted in the signing of remedial objectives agreements
203 with both the Park District and the Village. During 2002, remediation that began
204 in July 2001 continued until March 2002. At that time, the remediation was
205 halted in order to re-evaluate the remediation execution plan. Revised documents
206 were submitted to the Illinois EPA and remediation resumed in the winter of 2002
207 – 2003. Remediation was completed in the park and streets in December 2003.
208 Park and street restoration were completed in 2005 and a NFR letter was issued.
209 Sampling and remediation of residential property continued in 2005. In 2006,
210 2007 and 2008, NFR letters continued to be issued for residential properties after
211 they were remediated. Litigation support continued.

212 • Remedial action planning was conducted for the Rockford site including
213 collection of pre-confirmation samples. The Remedial Action Plan was prepared
214 and submitted to the site owner.

215 • At the Skokie MGP site, access to the site was obtained from the Water
216 Reclamation District of Greater Chicago and the site investigation was begun in
217 2007. Site investigation activities continued in 2008 and were completed.

218 **Q. Were other site-specific activities undertaken during 2008?**

219 A. Yes. On-going activities occurred at the Blue Island, Dixon III, Morris, Ottawa II,
220 Pontiac and Streator sites.

221 • The Site Investigation Report, the Remediation Objectives Report and the
222 Remedial Action Plan for the Blue Island site were completed in preparation for
223 upcoming remediation.

224 • At the Dixon III site, the draft Site Investigation Report, the Remediation
225 Objectives Report and the Remedial Action Plan were completed.

226 • At the Morris site, additional groundwater and soil samples were collected and
227 evaluated

228 • The Remedial Action Completion Report was prepared for the Ottawa II site.

229 • Project close-out was completed for the Pontiac site and the property was sold to
230 the City of Pontiac in late 2008.

231 • At the Streator site, monthly compliance samples were collected from the
232 groundwater treatment system, monthly data reports were submitted to the City of
233 Streator in accordance with a sewer use agreement.

234 **Q. Were the Company's environmental activities undertaken with the Illinois EPA's**
235 **oversight?**

236 A. Yes. All of the MGP sites that had activity have been entered into Illinois EPA's SRP,
237 with the exception of the Skokie site. Approval of each step of the management process
238 is not a SRP requirement, but the Illinois EPA has been involved in the oversight of all
239 MGP activities. As part of the SRP, the Company may use Review and Evaluation
240 Licensed Professional Engineers ("RELPEs") to assist the Illinois EPA in its review of
241 documents.

242 **Q. Please describe the activities undertaken with respect to insurance recovery during**
243 **2008.**

244 A. The Company is pursuing the recovery of some or all of the investigation and
245 remediation costs from insurance policies. In December 1995, the Company filed suit in
246 the Circuit Court of Cook County seeking recovery of the costs of investigation and
247 remediation associated with former manufactured gas plants. The Court granted the
248 defendants' motions for summary judgment in 2000, resulting in the dismissal of the
249 Company's suit. The Company appealed that decision. In September 2002, the First
250 District Appellate Court affirmed the trial court's summary judgment ruling. The
251 Company filed a petition for leave to appeal before the Illinois Supreme Court. In
252 December 2002, the Supreme Court denied the Company's petition. To the extent that
253 the Company is named in new claims or suits which may result in further investigation
254 and remediation costs, the Company continues to provide notice to its insurers and to
255 request indemnification for such costs under its insurance policies. The Company's
256 answer should not be construed as a waiver of any claim(s) the Company may have

257 against any named or unnamed insurance company, or any other third party, that has yet
258 to be asserted.

259 **IV. FORECAST COSTS**

260 **Q. Please describe the process used by the Company to forecast expenditures for the**
261 **MGP program.**

262 A. Calendar year costs are forecast for the MGP program based on anticipated site-by-site
263 activities and for general activities for the overall MGP program. Costs are forecast prior
264 to the year of the actual expenditures and are based on the activities that we anticipate
265 will occur. Some of these activities are forecast before the sites are fully characterized.
266 After the remedial investigation is completed and when actual site conditions are better
267 known, engineering estimates can be more precise based on a revised scope of work,
268 actual bids from contractors and schedule changes.

269 **Q. Please explain the difference between the forecast and actual expenditures in 2008.**

270 A. Forecast costs of \$14,170,000 were originally used in the ECR calculation for 2008. In
271 September 2008, forecast costs were revised to \$14,744,000. Actual expenditures were
272 \$13,557,472.76. The primary reasons for the difference between forecast and actual
273 expenditures are due to lower remediation costs at Bloomington and Lockport Twp.
274 offset by higher than estimated Environmental Activity costs at Aurora, Oak Park and
275 Skokie.

276 **Q. How are MGP expenditures accounted for?**

277 A. All costs are associated with a specific site when possible. Each site has been assigned a
278 unique activity number and expenditures are accounted for on a site-specific basis.
279 Expenditures that apply to the overall MGP program are allocated to a general program

280 activity. Expenditures associated with insurance recovery, including payments received
281 from insurance companies, are accumulated in a separate activity account.

282 **Q. What are the cumulative totals of the incremental costs and recoveries by site?**

283 A. The cumulative totals are itemized in the attached exhibit, Nicor Gas Ex. 2.1.

284 **V. CONTRACTOR AND CONSULTANT SELECTION AND USAGE**

285 **Q. How have outside consultants and contractors been used in Nicor Gas' MGP
286 remediation program?**

287 A. Environmental consultants prepared the *Site Investigation/Prioritization Plan, the*
288 *Preliminary Assessment Report of Twenty-One Suspected Manufactured Gas Plant Sites,*
289 *the 1998 Site Activation Report for Manufactured Gas Plant Sites, the 1999 Site*
290 *Activation Report for Manufactured Gas Plant Sites, the 2000 Site Activation Report for*
291 *Manufactured Gas Plant Sites, the 2001 Site Activation Report for Manufactured Gas*
292 *Plant Sites, the 2002 - 2003 Site Activation Report for Manufactured Gas Plant Sites, the*
293 *2004 - 2005 Site Activation Report for Manufactured Gas Plant Sites, the site*
294 *investigation work plans, remedial objectives reports, remedial action plans and*
295 *associated documents for the active sites at Nicor Gas' direction. Additional consultants*
296 *and contractors are used to provide services including, but not limited to: drilling,*
297 *analytical services, community relations, property management, remedial activities, waste*
298 *handling, transportation and disposal.*

299 **Q. How does Nicor Gas minimize environmental activity costs for the benefit of
300 ratepayers, consistent with safety, reliability and quality assurance?**

301 A. Nicor Gas uses only qualified consultants and contractors in order to ensure efficiency,
302 safety, reliability and quality assurance. Services are solicited, whenever possible,
303 through Requests for Proposal from qualified vendors. The Company believes that the

304 bidding process itself serves to encourage cost-efficiency. In addition, Nicor Gas
305 carefully evaluates all aspects of the proposals submitted to determine the best overall
306 proposal.

307 **Q. How has Nicor Gas ensured that reasonable and appropriate business standards are**
308 **followed in its MGP program?**

309 A. The Company uses only qualified, reputable and experienced consultants and contractors
310 who adhere to reasonable and appropriate standards. In 1991, when Nicor Gas began the
311 initial assessment and ranking of the former MGP sites, a Request for Proposal was sent
312 to qualified environmental consultants. Interviews were conducted with each consultant
313 that submitted a proposal to Nicor Gas. Black & Veatch Waste Science, Inc. was
314 selected to complete the *Site Investigation/Prioritization Plan* based on a number of
315 criteria that included experience, technical expertise and estimated costs. In 1996 and
316 1999, additional environmental consultants were evaluated and selected to assist Nicor
317 Gas in managing its MGP sites. In 2005, the Company began the process to evaluate all
318 of its environmental consultants, including those involved in its MGP activities. A
319 Request for Information was sent to a large number of consulting firms and a select group
320 was asked to submit proposals. The evaluation of the proposals continued into 2006,
321 when consultants were selected for MGP work and contracts were negotiated.
322 Contractors for various other services have been selected through a similar competitive
323 bidding process, when feasible. However, when a specific expertise is needed and there
324 are a limited number of service providers available, Nicor Gas has selected a local
325 contractor.

326 **Q. What consultants and contractors have been used on the MGP program?**

327 A. In addition to Black & Veatch, Inc. (formerly Black & Veatch Waste Science, Inc.) noted
328 above, Nicor Gas has used the consulting firms Burns & McDonnell, Monti Appraisals,
329 Monti Communications, Huff & Huff, Inc. and Tall Oak Associates.

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

331 A. Yes.