

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

NORTH SHORE GAS COMPANY	:	
	:	
Proposed General Increase In Rates For Gas Service.	:	Nos. 09-0166, 09-0167 Cons.
	:	
THE PEOPLES GAS LIGHT AND COKE COMPANY	:	
	:	
Proposed General Increase In Rates For Gas Service.	:	
	:	

Rebuttal Testimony of

JOHN MCKENDRY

Integrys Business Support, LLC

On Behalf of
North Shore Gas Company and
The Peoples Gas Light and Coke Company

July 8, 2009

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1 **INTRODUCTION AND BACKGROUND**

2 **A. Identification of Witness**

3 Q. Please state your name and business address.

4 A. My name is John McKendry. My business address is 130 E. Randolph Drive, Chicago,
5 Illinois 60601.

6 Q. By whom are you employed and in what capacity?

7 A. I am employed by Integrys Business Support, LLC. I am Senior Leader of Gas
8 Transportation Services for The Peoples Gas Light and Coke Company (“Peoples Gas”)
9 and North Shore Gas Company (“North Shore”) (together, the “Utilities”).

10 **B. Purpose of Testimony**

11 Q. What is the purpose of your testimony?

12 A. The purpose of my testimony is to respond, in part, to the direct testimonies of Illinois
13 Commerce Commission (“Commission”) Staff (“Staff”) witness David Sackett; Retail
14 Gas Suppliers (“RGS”) witness James L. Crist; and Constellation NewEnergy - Gas
15 Division, LLC (“CNE-Gas”) witness Lisa A. Rozumialski. In their respective rebuttal
16 testimonies, the Utilities’ witnesses Richard Dobson and Valerie Grace will also address
17 these witnesses’ testimony.

18 **C. Summary of Conclusions**

19 Q. Please summarize your conclusions.

20 A. In brief, the conclusions of my rebuttal testimony are as follows:

21 (1). The Utilities did not propose any changes to the two transportation programs
22 available to their customers because, in their last rate cases, they implemented several
23 significant changes, some of which have not been in place for a full year.

24 (2). The Utilities agree to offer, on a trial basis, an additional nominating cycle
25 although they disagree with the proposal to offer all transportation customers the full
26 NAESB late and intra-day nomination rights.

27 (3). The Utilities do not agree to implement super pooling for purposes of determining
28 Critical Day imbalance charges because (a) suppliers have a range of tools that, if used
29 properly, can greatly minimize, if not avoid, imbalance charges, and (b) the proposal
30 burdens the Utilities with unnecessary, costly and complex system and process changes
31 for events that are likely to occur only a few times a year.

32 (4). The Utilities accept one of the proposals related to their Choices For Yousm
33 (“CFY”) program but the other proposals are unfounded and the Utilities do not accept
34 them:

35 (a) The Utilities disagree with the proposal to allow suppliers to single bill
36 CFY customers, under Rider SBO, when the customers have accumulated
37 arrearages. Transferring no receivables risk to the supplier is appropriate since
38 suppliers are not obligated to perform any collection functions on behalf of the
39 Utilities, and the Utilities have a legitimate reason to control all aspects of the
40 collection process.

41 (b) The Utilities disagree with the proposal to automate the transfer of credit
42 balances from CFY customer accounts directly to the third party supplier. The
43 Utilities have serious concerns about possible disputes with customers over

44 whether the supplier has a right to receive credit balances without explicit
45 approval and the customer and supplier already have means to transfer the credit
46 between themselves.

47 (c) The Utilities disagree with the proposal to reduce the wait period before
48 effectuating a supplier change from the current 19 calendar days to 10 days. The
49 Utilities implemented the 19-day period to comply with amendments to the
50 Alternative Gas Supplier Law and other statutory changes (Senate Bill 171) that
51 went into effect in April 2009.

52 (d) The Utilities disagree with the proposal to eliminate the requirement that a
53 customer take sales service from the Utilities before switching to an alternative
54 gas supplier. This request is inconsistent with a provision of Senate Bill 171
55 which allows customers 10 business days to rescind without penalties their
56 contract with an alternative gas supplier.

57 (e) The Utilities disagree with the proposal to modify their billing system and
58 bills because storage inventory is not stated on the monthly bill. Suppliers have
59 access to this information through reports via PEGASys™ which they can access
60 at any time.

61 (f) The Utilities agree to modify the Maximum Daily Quantity (“MDQ”)
62 calculation process although the RGS explanation of this issue is somewhat
63 misleading.

64 **D. Background and Experience**

65 Q. Please summarize your educational background and experience.

66 A. I have a Bachelor's Degree in Marketing from Loras College in Iowa. I have been
67 employed by Peoples Gas since 1990 in positions related to Marketing and Gas
68 Transportation Services. I supervise staff involved in billing of transportation customers,
69 scheduling of gas deliveries, contract administration, and customer support. I transferred
70 to Integrys Business Support in January 2008 when that service company became
71 operational.

72 **II. LARGE VOLUME TRANSPORTATION PROGRAMS**

73 Q. In these proceedings, which were filed with the Commission on February 25, 2009, did
74 the Utilities propose any substantive changes to their large volume transportation
75 programs in this proceeding?

76 A. No.

77 Q. Why were no substantive changes proposed?

78 A. On August 1, 2008, the Utilities had just implemented the transportation programs
79 resulting from their last rate cases, Docket Nos. 07-0241/0242 (cons.).

80 Q. What are some of the key changes that the Utilities implemented in connection with their
81 last rate cases?

82 A. The Utilities implemented a number of changes and enhancements, some of which were
83 suggested by participating suppliers during collaborative meetings held prior to the rate
84 cases. For example, the Rider P (Pooling Service) pool size was increased from 150 to
85 300 accounts, allowing suppliers to consolidate pools and simplify management of gas
86 deliveries and Allowable Bank ("AB") inventories. Imbalance trade rules were also
87 relaxed and now customers and suppliers have the ability to trade portions of the AB not

88 only to avoid penalties but to realign inventory levels among contracts and pools. This
89 enhancement can be used to meet the November minimum AB requirement which was
90 also implemented on August 1, 2008. In addition, suppliers can now aggregate in Rider P
91 pools customers (contracts) with different standby levels. For example, a Rider SST
92 (Selected Standby Transportation Service) pool can now have Rider SST customers with
93 20% selected standby and customers with 0% selected standby. Suppliers can also
94 aggregate, with some limitations, Service Classification (“S.C.”) No. 2 and S.C. No. 4
95 (Peoples Gas) or, for North Shore, S.C. No. 3 customers in the same Rider P pool.

96 Another change that was implemented is the ability to reallocate nominated
97 volumes during the late nomination cycle as well as the two intra-day nomination cycles.
98 Suppliers requested this change to correct nomination errors or to reallocate nominated
99 volumes among Riders FST (Full Standby Transportation Service) and SST contracts and
100 pools, for any reason, including to respond to changes in consumption or weather or to
101 correct errors. The Utilities also implemented super pooling for the purpose of
102 determining compliance with the new minimum AB requirement for the end of the
103 injection season.

104 **A. Allowable Bank**

105 Q. What is Mr. Sackett’s proposal that the Utilities unbundle their AB from standby service
106 (ICC Staff Ex. 12.0, pp. 25-42)?

107 A. I understand Mr. Sackett to be proposing to allow a large volume transportation customer
108 to purchase AB without also purchasing standby service.

109 Q. What do you mean by “large volume transportation customer”?

110 A. By “large volume transportation customer,” I mean the customers taking service under
111 Rider FST or Rider SST. Many of these customers take service from alternative
112 suppliers who “pool” the customers under Rider P. The Utilities also offer a small
113 volume service called Choices For Yousm. Mr. Sackett’s proposal does not appear to
114 apply to those customers.

115 Q. As part of your responsibilities, do you communicate with large volume transportation
116 customers and their alternative suppliers?

117 A. Yes.

118 Q. Have you received comments or requests from large volume transportation customers or
119 their suppliers that the Utilities offer a storage service that may be purchased as an
120 independent service?

121 A. No, nobody has expressed such an interest.

122 **B. Intra-day Nomination Rights**

123 Q. Do you agree with CNE-Gas witness Ms. Rozumialski’s recommendation, on page 4 of
124 her direct testimony, that the Commission require the Utilities to offer all four NAESB
125 intra-day nomination cycles?

126 A. No. Mr. Dobson describes an alternative that the Utilities propose to implement on a trial
127 basis.

128 Q. Ms. Rozumialski stated, on page 5 of her direct testimony, that, currently, customers must
129 nominate their deliveries by 11:30 a.m. the work day prior to the gas day when the gas
130 will flow. Is it correct that transportation customers may not make any changes to their
131 nominations subsequent to 11:30 a.m.?

132 A. No, customers or suppliers may make changes to their nominations during the Evening
133 through the Intra-day 2 cycles. For example, a supplier who has Rider FST Pools and
134 Rider SST Pools nominates, on the timely cycle, 500 therms to its Rider SST Pools
135 account and 300 therms to its Rider FST Pools; the supplier can reallocate nominated
136 volumes during the Evening nomination cycle through the Intra-day 2 nomination cycle,
137 that is, until 4:00 p.m. on the day of gas flow. Table 1 illustrates this right.

138 Table 1

139	Timely:		Intra-day 2:	
140	SST Pools	500	SST Pools	700
141	FST Pools	300	FST Pools	100

142 The total nomination remains at 800 therms, but the allocation between the pools may
143 change. This is a simplified example. A supplier may have multiple pools and may also
144 have a number of stand alone customers (that is, customers who are not in a pool). The
145 supplier may reallocate its nominations among all the pools and to and from the stand
146 alone customer. The only restriction is that the total quantity remain constant at each
147 receipt point.

148 Q. For how long have customers/suppliers been able to reallocate deliveries?

149 A. Since August 1, 2008.

150 Q. Why did the Utilities implement reallocation of nominations?

151 A. Prior to the 2007 rate case filing, the Utilities held collaborative meetings with suppliers.
152 Suppliers requested this service to help manage nominations by having flexibility to
153 reallocate gas among their Rider FST and Rider SST customer contracts and pools. The
154 Utilities were able and agreed to accommodate this request.

155 Q. Why would suppliers want to reallocate nominations among their end users?

156 A. Suppliers wanted the flexibility to be able to (1) correct nomination errors or (2)
157 reallocate gas from some end-users to other end-users which can help minimize potential
158 penalties. For example, a supplier who serves Riders SST and FST customers may have
159 nominated 800 therms to its Rider SST customers and 200 therms to its Rider FST
160 customers. The supplier later becomes aware of a nomination error or a change in
161 consumption for one or more Rider SST customers and is concerned about incurring
162 daily imbalance charges – perhaps because the AB for this customer is nearly full. The
163 supplier may reallocate a portion of the nominated volumes from its Rider SST customers
164 to its Rider FST customers at any time during the Evening or two Intra-day cycles. Rider
165 FST customers, who are not required to be daily metered, do not incur daily imbalances
166 that may be subject to a charge.

167 Q. Is it correct that the Utilities accept nominations only on business days?

168 A. No, the Utilities accept nominations every day, including weekends and holidays. The
169 common practice is for suppliers to submit nominations on Friday for Saturday, Sunday
170 and Monday since most suppliers do not have staff available on weekends or holidays to
171 submit nominations or to resolve discrepancies or errors that are commonly found during
172 the scheduling process. The Utilities, however, do not require this nomination practice.

173 Q. What issues would your department face in administering three additional nomination
174 cycles?

175 A. My department is staffed based on all nominations being submitted on the timely
176 nomination cycle and minimal activity occurring during the two intra-day cycles. We do
177 not routinely staff employees after normal business hours, although, as stated above, we

178 are able to handle timely nominations on non-business days. If the Utilities were to
179 provide one additional day-ahead cycle (Evening cycle) and two intra-day nomination
180 cycles (Intra-day 1 and Intra-day 2) for all transportation customers, they would need to
181 factor in one-time costs to upgrade PEGASys™ (the Utilities' proprietary Internet-based
182 system that is used for many administrative purposes and interactions with suppliers) and
183 other systems that interface with it as well as incremental annual labor costs since
184 additional staff will be needed to administer the additional nomination cycles.

185 Although Ms. Rozumialski asserts that the number of intra-day nominations that
186 would occur outside normal business day hours would be minimal (page 19, lines 414-
187 415 of her direct testimony), she presents no facts to support this assertion. Without any
188 evidence or rules that limit the use of intra-day nominations, our assumptions for staffing
189 must take into consideration the possibility of intra-day activity to be comparable to what
190 we experience during the timely cycle.

191 Q. What other departments do you need to work with in connection with transportation
192 customer nominations?

193 A. Gas Transportation Services works with Gas Supply and Gas Control. Those two
194 departments will also be affected by the proposed changes and will need to evaluate
195 staffing needs to adequately respond to changes in nominated transportation volumes.
196 Additionally, in his rebuttal testimony, the Utilities' witness Mr. Dobson addresses
197 operational concerns associated with introducing late and intra-day nomination rights for
198 all transportation customers.

199 Q. Would additional nomination cycles add complexity to interacting with other departments
200 or interacting with transportation customers or their suppliers?

201 A. Yes, let me explain. The time it takes for my staff to process the timely nomination cycle
202 can be up to four hours. When suppliers enter nominations, they must indicate all
203 upstream sources and volumes as well as downstream recipients and volumes. If the
204 downstream recipients are end-use customers, suppliers must also break down (allocate)
205 downstream deliveries among end-user contracts and pools. Suppliers generally enter
206 nominations between 8:30 am and 11:30 am central time. Nominations entered by
207 multiple suppliers often form supply chains that may contain multiple upstream sources
208 with gas deliveries coming from different interstate pipelines. Our processing cannot
209 start until after the timely nomination cycle closes at 11:30 am and all nominating parties
210 have entered their nominations. When discrepancies, which are common, among
211 nominated parties arise, it is necessary to identify errors and contact the nominating
212 parties. Locating supplier staff to resolve discrepancies has its own challenges since this
213 part of the process is not automated. It is not uncommon for supplier staff to be
214 unavailable because of meetings, or they are out for lunch or other reasons. Once all
215 affected parties have been contacted, they need time to determine the error and decide
216 which upstream sources and/or downstream recipients will need to be adjusted. This
217 adds to the time needed to process nominations. In the rare event that nominating parties
218 cannot resolve discrepancies themselves, the Utilities will confirm the “lesser of
219 volumes” with the pipelines. (The term “lesser of volumes” is a description of the
220 protocol used by interstate pipelines to resolve nomination and scheduling discrepancies;
221 if the parties to the transaction cannot resolve the problem, the pipeline, and the Utilities,
222 confirm the lesser of the nominated or confirmed quantities.) As the nominating parties
223 correct discrepancies or nomination errors, the corrections they make to resulting

224 nominated volumes must be reflected down to individual end user customers (contracts)
225 or supplier pools. My staff must then reconcile all volumes across all pipelines by 3:30
226 pm.

227 Furthermore, by adding more nominating cycles, it will be necessary to add
228 additional staff so we can repeat the process stated above three more times. Gas Supply's
229 and Gas Control's processes are dependent on our nomination process, so this adds
230 complexity to their processes. They need to know the revised transportation volumes. So
231 until we are done, they cannot complete their processes.

232 Q. You stated that transportation customers and suppliers may make a late nomination for
233 purposes of reallocating deliveries among pools and contracts. Would allowing a change
234 in the nominated quantity at that time create administrative issues that do not exist for the
235 current late nomination process?

236 A. Yes, as I described earlier in my testimony, changes to nominated volumes must be
237 reflected across all supply chains and reconciled down to individual end users if
238 necessary. All volumes must match across all pipelines. In addition, Gas Control and
239 Gas Supply must wait until our processing is done before they can begin addressing the
240 changes in transportation volumes. Reallocations do not have this effect because the total
241 quantity remains the same and the quantity at each receipt point remains the same.

242 Q. Have these concerns about offering additional nomination cycles changed or been
243 alleviated since the last rate case?

244 A. No, they have not.

245 Q. Does this mean the Utilities do not agree to Ms. Rozumialski's alternative proposal to
246 offer one additional nomination cycle?

247 A. No. While I disagree with the assumptions about the impact that accepting an added
248 cycle may have on processes, the Utilities agree to an additional cycle, at least on a trial
249 basis. For a description of the Utilities' proposal, see Mr. Dobson's rebuttal testimony.

250 Q. Ms. Rozumialski, on page 16 of her direct testimony, stated that the Utilities allow intra-
251 day nominations for a small number of customers. How many customers have intra-day
252 nomination rights?

253 A. Three customers have intra-day rights.

254 Q. Why do these customers have this right?

255 A. These customers take service under Service Classification ("S.C.") No. 7, a negotiated
256 contract service, and as Mr. Dobson explains in Section II.C of his rebuttal testimony,
257 they receive transportation and balancing services that are more restrictive than generally
258 applicable tariff requirements.

259 Q. How are the Utilities able to accommodate this right for these customers but not for all
260 customers?

261 A. Accommodating this for only three customers is administratively much easier compared
262 to doing it for all customers.

263 **C. Super Pooling**

264 Q. Do you agree with Ms. Rozumialski's recommendation at pages 21-28 of her direct
265 testimony, that the Utilities implement what she called "super pooling" for "measuring
266 critical and supply surplus day thresholds"?

267 A. No.

268 Q. Ms. Rozumialski stated, on page 22 of her direct testimony, that the Commission rejected
269 this proposal in the Utilities' last rate case. Have the concerns raised by the Utilities in
270 that proceeding changed or been alleviated since the last rate case?

271 A. No, they have not. Those concerns centered on the substantial administrative burden
272 associated with managing super pooling and the difficulty of automating the process.

273 Q. Have the Utilities implemented super pooling for the cycling target, as required by the
274 Commission in its Order in the Utilities' last rate case?

275 A. Yes, the Utilities implemented the system and process changes in August 2008.

276 Q. Why are the Utilities able to administer super pooling for this purpose but not for critical
277 day purposes, as proposed by Ms. Rozumialski?

278 A. Administering super pooling for the purposes of determining compliance with the
279 November minimum AB requirement was accomplished with relatively minor changes to
280 the billing system. Determining the AB balance for individual suppliers at a point in time
281 once all variables are known is a less complex process since all that is needed is a
282 determination of Allowable Bank balances on November 30th. This process does not
283 take into consideration the daily or monthly withdrawal or injection limits which vary
284 with the customer's Service Classification and transportation service (Rider FST or SST).

285 The Utilities have no way to predict if and when a Critical Day may be declared.
286 Daily imbalances, if any, are not known until well after the gas day has ended. The
287 billing system is only capable of determining daily imbalances once all delivery
288 (nomination) and daily consumption data for individual customers is known.

289 Furthermore, the billing system can only determine daily imbalances programmatically
290 for individual customer contracts or individual supplier pools. The Utilities determined
291 that major modifications would be necessary for the billing system to programmatically
292 determine if, in aggregate, a supplier's pool and customer contracts have incurred daily
293 imbalances.

294 In addition to billing system issues, the administration of super pooling for
295 Critical Days would also require that the Utilities communicate with suppliers to ensure
296 that only the correct pools and stand alone customers are correctly accounted for in the
297 super pool. Based on our recent experience with administering super pooling for
298 determining compliance with the new minimum AB requirement, it was necessary to
299 allow suppliers almost two weeks to inform the Utilities which pools and stand alone
300 customers were to be considered part of the super pool. This step was necessary before
301 the billing system had all needed information to make an accurate determination. For
302 these reasons, the Utilities oppose Ms. Rozumialski's super pooling proposal.

303 **CHOICES FOR YOUSM TRANSPORTATION PROGRAM**

304 Q. What is the Choices For You ("CFY") program?

305 A. Choices For You is the customer choice program through which small residential (S.C.
306 No. 1) and business (S.C. No. 2) customers select a third party gas supplier. Rider CFY
307 describes the terms and conditions of service for these customers. Rider AGG describes
308 the terms and conditions under which suppliers are able to aggregate CFY customers.
309 Rider SBO describes the terms and conditions through which a supplier may choose to
310 issue a single bill which includes utility charges.

311 Q. Is CFY a different program than the large volume customer program that you discussed
312 above?

313 A. Yes.

314 Q. Like the large volume transportation program, did the Utilities make changes to CFY in
315 their last rate cases?

316 A. Yes.

317 Q. When did the Utilities implement those changes?

318 A. Some changes were implemented in February 2008 and others were implemented later in
319 the year.

320 Q. Did the Utilities propose any substantive changes to CFY in this proceeding?

321 A. No.

322 Q. RGS witness Mr. Crist, on page 24 of his direct testimony, cites a customer's removal
323 from the budget payment plan as affecting the suppliers' ability to single bill customers
324 under Rider SBO. Can you address the issue?

325 A. Yes. Mr. Crist points out that an alternative supplier may not single bill its customers
326 when the customer is removed or withdraws from the Utilities budget payment plan and
327 has an amount due. However Mr. Crist fails to mention that the alternative supplier is
328 requesting, as an agent for the customer, that the Utilities remove the customer from the
329 budget payment plan. Furthermore, Mr. Crist fails to mention that the Utilities do not
330 require that the customer be removed from the budget payment plan as a prerequisite for
331 participation in the CFY program or for the alternative gas supplier to bill the customer

332 under Rider SBO. The alternative supplier is making this choice for the customer. It is
333 not a requirement of the Utilities.

334 Q. Mr. Crist proposed, on page 25 of his direct testimony, that the Utilities remove from
335 Rider SBO the requirement that a CFY customer with arrearages be removed from
336 receiving billing under Rider SBO. Why did the Commission approve this restriction in
337 Docket Nos. 01-0469 and 01-0470, the proceedings to adopt CFY?

338 A. In Docket Nos. 01-0469 and 01-0470, suppliers raised issues over collecting utility
339 arrearages which in their opinion would create customer confusion and would have a
340 negative impact on competition. The suppliers also argued that the Utilities needed to
341 address receivables risk under Rider SBO. The Utilities did so by including terms and
342 conditions in Rider SBO that insulated suppliers from receivables risk. The Commission
343 agreed with the Utilities' proposal.

344 Q. Do you agree to Mr. Crist's proposal?

345 A. No. I continue to believe that transferring no receivables risk to suppliers and allowing
346 only customers with no arrears to receive Rider SBO billing is less complicated. Mr.
347 Crist, states that the Utilities "can still follow the same collections protocol they have in
348 place even if the customer is on Rider SBO". His statement isn't accurate. The Utilities'
349 bill is an integral part of its collection process. By not controlling billing of its
350 customers, the Utilities are losing a valuable tool which they use to communicate with
351 customers to prevent arrears problems from escalating. For example, through targeted
352 bill messages or bill inserts, the Utilities may reach out to customers and encourage them
353 to enroll in a budget payment plan or to establish a short term payment plan. Alternative
354 suppliers are not obligated, under Rider SBO, to accept or print bill messages.

355 Mr. Crist also states that the alternative supplier will be performing “collections
356 activity”. The Utilities are unclear as to what “collection activities” the alternative
357 supplier performs since nothing (other than issuance of a bill and proper allocation of
358 customer payments) is required of the alternative supplier under Rider SBO. The
359 “collections activity,” if not coordinated with the Utilities, may cause the very confusion
360 and frustration that the alternative suppliers are presumably trying to avoid.

361 Q. Do you agree with Mr. Crist’s recommendation on page 26 of his direct testimony that,
362 under Rider SBO, the Utilities transfer to the CFY Supplier credit balances that the
363 customer has with the Utilities to pay amounts owed to the CFY Supplier?

364 A. No.

365 Q. What concerns do you have about Mr. Crist’s proposal?

366 A. Mr. Crist states, on page 26 of his direct testimony, that customers have agreed to the
367 transfer in the agreement with the alternative supplier. The Utilities have no ready way to
368 verify if a supplier agreement includes provisions permitting such a transfer. In general,
369 my understanding is that the terms and conditions in suppliers’ agreements may differ
370 from supplier to supplier and that the same supplier may have different contract forms.
371 The Utilities do not review each customer’s agreement to figure out what rights a supplier
372 may have to manage a customer’s account. Furthermore, the customer may have
373 legitimate reasons to have the Utilities refund that credit and not transfer it to the
374 supplier. The Utilities are concerned about disputes over automated transfers without the
375 customer’s explicit approval. For example, some customers may be unaware that credit
376 balances existed prior to the transfers.

377 Consideration for automating any process is given when evidence exists that the
378 process is labor intensive and the number of transactions is large enough to justify the
379 system development costs as well as changes to processes and controls. Mr. Crist does
380 not present any evidence that demonstrates that this situation occurs frequently and in
381 large numbers.

382 The current process of refunding the credit balance to the customer is reasonable
383 and does not create confusion or harm the relationship between customers and their
384 alternative suppliers. The Utilities and suppliers have the same goal of maintaining a
385 good relationship with their mutual customer.

386 Q. Mr. Crist stated, on page 28 of his direct testimony, that the Utilities delay activation of
387 moves from sales service to CFY for too long. Please explain the Utilities' process.

388 A. The customer activation process (enrollment in the CFY program) starts when the
389 supplier electronically submits an enrollment request. The next business day the Utilities
390 notify the supplier electronically of the status of the request (accepted or rejected). If the
391 request is accepted, the Utilities also send a letter to the customer informing them of the
392 supplier switch, the bill method selected by their supplier and the estimated effective date
393 (the date when the customer's account is to be activated in the supplier's pool and the
394 supplier begins supplying gas). Until April 2009, the effective date was the next bill date
395 after an 8 calendar day wait period. Let me explain what this means with an example. If
396 a customer is scheduled to be billed on July 15 and the supplier submits an enrollment
397 request on July 1 (which is 14 calendar days away from the next bill date) the estimated
398 effective date will be July 15. However, if the supplier submits the enrollment request on
399 July 10 (only 5 days away) the effective date will be August 15 (the next scheduled bill

400 date).

401 This timing takes into account the fact that participating suppliers were required
402 to provide customers “the opportunity to rescind its agreement without penalty within
403 three business days of initial acceptance of the agreement.” (Rider AGG – Section J –
404 Standards of Conduct).

405 Q. Did this process change because of what Mr. Crist referred to as Senate Bill 171?

406 A. Yes, it did. Prior to Senate Bill 171, the Utilities did not effectuate a supplier switch if
407 the enrollment request was not at least 8 calendar days in advance of the next bill date, as
408 described earlier. The new law requires that gas utilities not switch service until 10
409 business days after the date on the utility’s notice to the customer. The new law also
410 requires utilities to notify customers in writing “within 2 business days after electronic
411 receipt of a customer switch from the alternative gas supplier and confirmation of
412 eligibility.” The Utilities extended the 8 calendar day window to 19 calendar days to
413 comply with Senate Bill 171.

414 Q. Please explain how the Utilities arrived at the 19 calendar days.

415 A. Let me illustrate with an example. Assume a supplier submits an electronic enrollment
416 request to the Utilities on Wednesday, November 25, 2009. On Monday, November 30,
417 the Utilities will notify the supplier electronically and send the customer the required
418 notice of supplier switch. This assumes the notice is sent within the two business day
419 period after receipt of the enrollment request. November 26 is a state holiday. By the
420 time the Utilities send notice to the customer, 5 calendar days have elapsed. The
421 customer has 10 business days from the date on the utility letter to rescind the contract
422 with its supplier and therefore cancel enrollment in the CFY program. In this example,

423 the customer has until Monday, December 14, to contact the Utilities or the supplier to
424 cancel enrollment. This adds 14 calendar days to the 5 calendar days elapsed since the
425 enrollment request was submitted. The Utilities extended the 8 calendar day window to
426 19 calendar days to make sure that the customer had ample opportunity to contact the
427 Utilities or the supplier. In the event that the customer waited until day 10 to contact
428 either party, both parties need time to make sure that the enrollment is cancelled before
429 the customer becomes active in the supplier pool. As participating suppliers know, once
430 a customer is active in their pool, they start delivering gas on behalf of the customer.
431 Undoing the activation will certainly confuse the customer and is likely to result in
432 further complaints against one or both parties.

433 Q. Mr. Crist proposed, on pages 29-30, of his direct testimony, that the Utilities eliminate
434 the one-month requirement that a customer take sales service before moving to CFY.
435 Please describe the Utilities' process.

436 A. Customers who request gas service from the Utilities do not start receiving service until
437 the gas is turned-on or, if the gas service is left on by the previous customer, until the
438 Utilities obtain a meter reading. This requires scheduling a field service order for a date
439 convenient to the customer. At the time of the service request, the Utilities establish an
440 account number. The account is considered "pending" until after the gas has been
441 turned-on. The account becomes "active" once the service order is complete and gas is
442 turned-on or a meter reading has been taken. It is only at this point that customers have
443 established gas service and the Utilities are providing gas service to customers.

444 Q. Do you agree with Mr. Crist's proposal?

445 A. No, for two reasons. First, the Utilities do not accept enrollment requests submitted by
446 suppliers when customers' accounts are in this "pending" status for practical reasons. A
447 number of things can change between the time customers request gas service and when
448 service orders are scheduled. For example, customers cancel the request for gas service
449 before the scheduled turn-on date or they may re-schedule the turn-on date when
450 customers schedule changes.

451 Acceptance of an enrollment request requires the Utilities to know with some
452 certainty when the customer will become active in the supplier's pool. Suppliers want
453 and need to know when to expect to begin serving the customer. This is only possible
454 once utility service has been established. If the Utilities were to accept enrollments for
455 customers who have not officially started receiving service from the Utilities, they will be
456 introducing an administrative burden that both sides must be prepared to address.

457 The second and more important reason is related to Senate Bill 171. Activating
458 customers' accounts immediately in supplier's pools is inconsistent with allowing
459 customers a minimum of 10 business days from the Utilities' notice to rescind contracts
460 with their suppliers.

461 Q. How do you respond to Mr. Crist's statement, on pages 30-31 of his direct testimony, that
462 the Utilities do not state inventory volume or storage volume on the monthly bill, and the
463 Utilities should provide this information?

464 A. The Utilities provide that information through reports available to suppliers via
465 PEGASys™ at any time. The reports have been developed over the years as new
466 processes are introduced or as reasonable requests are made by most suppliers. It is not
467 unusual for new suppliers (or new staff of existing suppliers) to take some time to

468 understand how to retrieve and use the reports. We are always available to help new
469 suppliers through their learning process.

470 Q. Mr. Crist stated, on page 31 of his direct testimony, that the Utilities do not properly
471 reflect the MDQ of small customers. What is the “MDQ”?

472 A. MDQ is the Maximum Daily Quantity and is a term that applies to customers taking
473 transportation service under Riders CFY, FST and SST. For customers with daily
474 metering, it is determined by the highest daily usage measurement in the months of
475 December, January and February. For monthly metered customers, the Utilities calculate
476 the MDQ by first determining the consumption during these three months, adjusting it to
477 a 30 day equivalent and dividing it by 21. The maximum result of the three monthly
478 calculations is rounded to the nearest dekatherm (10 therms) and becomes the customer’s
479 MDQ. Let me explain with a couple of examples.

480 Let’s assume a supplier has a pool with two monthly metered customers. For
481 customer A the highest “daily” usage occurs in January (105 therms are used during this
482 period) and the customer was billed for 31 days of service. The MDQ for this customer
483 is calculated as follows: 105 therms are divided by 31 days in the bill period and the
484 result is multiplied by 30 (to adjust to a 30 day equivalent). Next, the result is divided by
485 21 and the result rounded to the nearest dekatherm. Before rounding, the final result of
486 the calculation is 4.84 therms (0.484 dekatherms). Through normal rounding the MDQ is
487 set to zero for this customer.

488 For customer B, the highest “daily” usage occurs in December (110 therms) and
489 the customer was also billed for 31 days of service. The MDQ for this customer is
490 calculated in the same manner as customer A. Before rounding, the final result of the

491 calculation is 5.07 therms. Through normal rounding the MDQ is set to 10 therms (1
492 dekatherm). The pool MDQ is the sum of the MDQs of individual customers. In this
493 example it is 10 therms (1 dekatherm).

494 Q. Please address Mr. Crist's concern about the calculation of the MDQ for small customers.

495 A. Mr. Crist points out only instances in which the calculation – through normal rounding –
496 results in an MDQ of zero for an individual customer. Mr. Crist's example is misleading.
497 Under the CFY program, there are no stand alone customers and all customers are in
498 pools. Mr. Crist does not mention that MDQs for other customers in the pool almost
499 certainly have a higher MDQ because of the same normal rounding.

500 Q. Do you have a proposal for addressing Mr. Crist's concerns?

501 A. Yes. The Utilities propose to eliminate the normal rounding to the nearest dekatherm that
502 is currently part of the MDQ calculation. The resulting MDQ will be instead rounded to
503 the nearest therm. With this revised MDQ calculation, the MDQ for customer A will be
504 rounded up to 5 therms and the MDQ for customer B will be rounded down to 5 therms.
505 The Pool MDQ will be 10 therms.

506 Q. Does this conclude your rebuttal testimony?

507 A. Yes.