

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

North Shore Gas Company)	
)	Docket No. 09-0166
Proposed General Increase in Natural Gas Rates)	
(tariffs filed February 25, 2009))	
)	Consol.
The Peoples Gas Light and Coke Company)	
)	Docket No. 09-0167
Proposed General Increase in Natural Gas Rates)	
(tariffs filed February 25, 2009))	

Rebuttal Testimony of

LISA A. ROZUMIALSKI

On Behalf of
CONSTELLATION NEWENERGY – GAS DIVISION, LLC

August 4, 2009

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company)	
)	Docket No. 09-0166
Proposed General Increase in Natural Gas Rates)	
(tariffs filed February 25, 2009))	
)	Consol.
The Peoples Gas Light and Coke Company)	
)	Docket No. 09-0167
Proposed General Increase in Natural Gas Rates)	
(tariffs filed February 25, 2009))	

Rebuttal Testimony of Lisa A. Rozumialski

1 I. **INTRODUCTION**

2 Q. PLEASE STATE YOUR NAME.

3 A. My name is Lisa A. Rozumialski.

4

5 Q. ARE YOU THE SAME LISA A. ROZUMIALSKI WHO SUBMITTED
6 PRE-FILED DIRECT TESTIMONY IN THIS PROCEEDING?

7 A. Yes, I am appearing on behalf of Constellation NewEnergy – Gas Division, LLC
8 (“CNE-Gas”).

9

10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS
11 PROCEEDING?

12 A. The purpose of my Rebuttal Testimony is to respond to the Rebuttal Testimony of
13 witnesses Richard Dobson and John McKendry on behalf of North Shore Gas

14 Company (“NS”) and The Peoples Gas Light and Coke Company (“PGL”, or
15 collectively, the “Company”).

16

17 **Q. WHAT IS THE SUBJECT MATTER OF YOUR REBUTTAL**
18 **TESTIMONY?**

19 A. My Rebuttal Testimony specifically addresses:

- 20 ▪ The Company counterproposal to CNE-Gas’ proposal to accept all four
21 intraday nomination cycles. This issue is discussed by Mr. Dobson on pages
22 20-25 of NS-PGL Ex. RD-1.0 Rev. and by Mr. McKendry on pages 6-12 of
23 NS-PGL Ex. JM-1.0;
- 24 ▪ CNE-Gas’ proposal for super pooling for critical and supply surplus day.
25 This issue is discussed by Mr. McKendry on pages 12-14 of NS-PGL Ex. JM-
26 1.0; and
- 27 ▪ The Company response to the storage unbundling proposal of Mr. David
28 Sackett of the Illinois Commerce Commission (“ICC” or “Commission”).
29 Mr. Sackett’s proposal is presented in ICC Staff Exhibit 12.0R, lines 25-42.
30 The Company rebuttal of Mr. Sackett’s storage unbundling proposal is found
31 in the testimony of Mr. Dobson on pages 2-17 of NS-PGL Ex. RD-1.0 Rev.,
32 Mr. McKendry on pages 5-6 of NS-PGL Ex. JM-1.0 and Ms. Grace on pages
33 57-58 of NS-PGL Ex. VG-2.0.

34 **Q. DO YOU HAVE ANY EXHIBITS THAT YOU PLAN TO SUBMIT IN**
35 **SUPPORT OF YOUR TESTIMONY?**

36 **A.** Yes. In support of my Rebuttal Testimony, I offer the following exhibits:

- 37 • CNE-Gas Exhibit 2.1 Nicor Gas Company Tariff Sheet No. 72

38

39

II.

40

THE COMMISSION SHOULD TAKE THIS

41

OPPORTUNITY TO EXTEND NAESB INTRADAY

42

NOMINATION CYCLES FOR TRANSPORTATION CUSTOMERS.

43

44 **Q. DOES THE COMPANY AGREE WITH YOUR RECOMMENDATION TO**
45 **OFFER ALL FOUR NAESB NOMINATION CYCLES TO**
46 **TRANSPORTATION CUSTOMERS?**

47 **A.** No. In their testimony, both Mr. Dobson and Mr. McKendry state they do not
48 agree with my recommendation to offer all four intraday nomination cycles. (NS-
49 PGL Ex. RD-1.0 Rev., line 436; NS-PGL Ex. JM-1.0, line 126.) However, in the
50 Rebuttal Testimony of Mr. Dobson, the Company discusses an additional late
51 nomination cycle as an alternative that it is willing to implement at this time.

52

53 **Q. DO YOU STILL BELIEVE THAT IT IS APPROPRIATE FOR PGL AND**
54 **NS TO OFFER ALL FOUR NAESB NOMINATION CYCLES TO**
55 **TRANSPORTATION CUSTOMERS?**

56 **A.** Yes. Mr. McKendry describes the reallocation of nominations as an alternative
57 for customers or suppliers to make changes to their nominations during the
58 Evening and Intraday cycles. (NS-PGL Ex. JM-1.0, lines 128-147.) However,

59 this process is not the same as intraday nominations wherein the total volume of
60 gas may increase or decreases. Reallocations only permit redistribution of
61 previously-nominated gas between groups; it prohibits any change in the quantity
62 of gas originally nominated. Thus, while reallocations of nominations are helpful,
63 they are not as beneficial as intraday nominations, nor are they a replacement for
64 them.

65

66 Mr. McKendry further describes a variety of challenges that the Company would
67 face were it to expand its acceptance of intraday nominations cycles. While
68 undoubtedly the addition of three nomination cycles adds complexity, I disagree
69 that it presents insurmountable obstacles for the Company. Nevertheless, in the
70 interests of compromise and to narrow the contested issues in this proceeding,
71 CNE-Gas is willing to accept the alternative described by Mr. Dobson. While Mr.
72 Dobson's alternative is not as flexible as the alternative I presented in my Direct
73 Testimony, it does offer the opportunity to make some limited evening intraday
74 nomination changes in a manner the Company believes it can control and manage.
75 This is a step in the right direction.

76

77 **Q. DOES YOUR SUPPORT OF THE COMPANY'S LIMITED EVENING**
78 **CYCLE ALTERNATIVE COME WITH ANY QUALIFICATION?**

79 **A.** Yes. Currently both PGL and NS typically permit a late nomination in response
80 to an upstream supplier cut. My support for the limited evening nomination cycle
81 described by Mr. Dobson is based upon an understanding that this current

82 practice, while not specified in Company tariffs, will not be abolished. Ideally I
83 would like language incorporated into Company tariffs that clarifies this practice
84 that occurs when the upstream supplier cuts a transportation customer's gas.
85 However, at minimum, I do not support any change that eliminates the current
86 practice whereby the Company permits a late nomination in response to an
87 upstream supplier cut.

88

89

III.

90

**THE COMMISSION SHOULD REQUIRE PGL AND NS TO IMPLEMENT
91 SUPER POOLING FOR MEASURING CRITICAL DAY THRESHOLDS.**

92

93

Q. DO PGL AND NS AGREE TO YOUR SUPER POOLING PROPOSAL?

94

A. No. In his Rebuttal Testimony, Mr. McKendry states that he disagrees with my
95 proposal to super pool for measuring critical and supply surplus day thresholds.
96 His reasons are the same as those of the last rate case, specifically the
97 administrative burden and difficulty of automating the process. (NS-PGL Ex.
98 JM-1.0, lines 264-272.)

99

100

**Q. IS YOUR SUPER POOLING PROPOSAL THE SAME AS WHAT WAS
101 PROPOSED IN THE LAST RATE CASE?**

102

A. No. Mr. McKendry raises the same objections to CNE-Gas' super pooling
103 proposal that the Company had in the prior PGL and NS rate case. (NS-PGL Ex.
104 JM-1.0, lines 268-272.) He completely ignores the specific proposal offered in
105 this proceeding, one that is different from that last rate case and includes

106 modifications designed to address the Company concerns voiced in the prior rate
107 case. (CNE-Gas Ex. 1.0, lines 472-485 and 551-570.)

108

109 **Q. WHAT IS YOUR SPECIFIC PROPOSAL IN THIS PROCEEDING?**

110 **A.** I again propose that the Commission allow super pooling to occur across all of a
111 third party supplier's individual groups or pools. For instance, if a third party
112 supplier meets all delivery requirements in five of its six pools – i.e., it over-
113 delivers for those five groups – but under-delivers for the sixth pool, then
114 penalties should only be imposed if the under-delivery in that sixth pool is greater
115 than the aggregate over-delivered volumes of the remaining five pools. However,
116 I do not propose that the Company calculate and apply super pooling as in the
117 prior rate case. In this proceeding, CNE-Gas is proposing to permit third party
118 suppliers to apply for a credit of penalty charges when, in aggregate, their other
119 pools have excess deliveries of sufficient quantity to alleviate all, or a portion of,
120 any incremental charges and penalties incurred. Neither PGL nor NS would be
121 responsible for determining or applying super pooling on critical and supply
122 surplus days. In the current proposal, the responsibility for super pooling
123 determination on critical and supply surplus days rests with the third party
124 supplier. There is no need to automate any process, as the Company is not
125 responsible for programmatically determining and apply super pooling to supplier
126 pools. Thus, major modifications to the Company billing system are unnecessary
127 and this objection is resolved. (NS-PGL Ex. JM-1.0, lines 289-293.)

128 **Q. MR. MCKENDRY ALSO CLAIMS SUPER POOLING IS**
129 **ADMINISTRATIVELY BURDENSOME FOR THE COMPANY. IS THIS**
130 **CORRECT?**

131 **A.** No. Under the current super pooling proposal, the determination and application
132 of super pooling reside with the supplier. It is only after the supplier has
133 demonstrated that super pooling is applicable, that the Company must then review
134 the documentation provided by the supplier and, if correctly applied, waive the
135 incremental and penalty charges. The Company may elect to do this via a bill
136 credit or issuance of a refund. The administrative burden is on the supplier, not
137 the Company. In its 2008 rate case, Nicor Gas Company had similar concerns
138 regarding its billing system and administrative burden. Through collaborative
139 efforts between the utility and CNE-Gas in that proceeding, parties were able to
140 agree upon a process in that proceeding that resolved Nicor's concerns. In the
141 PGL and NS rate case, we simply ask that a similar process be employed.

142
143 **Q. WHAT IS THE SUPER POOLING PROCESS APPLIED BY NICOR?**

144 **A.** The current Nicor tariff for super pooling on Critical Days is attached as CNE-
145 Gas Ex. 2.1. In general, the methodology employed permits a third party supplier
146 to "apply for a waiver of the penalty portion of the Unauthorized Use Charge on a
147 Critical Day" for its groups, when the third party supplier is able to substantiate
148 that their other "groups have excess deliveries of sufficient quantity to alleviate
149 all, or a portion of, the unauthorized gas condition." This method alleviates the
150 \$60 per dekatherm Nicor penalty only when the third party supplier has delivered

151 quantities of gas to meet the needs of its customers. (*See* Northern Illinois Gas
152 Company d/b/d Nicor Gas Company, Docket No. 08-0363, Order at 126 (Mar. 25,
153 2009).)

154

155 **Q. WHY IS SUPER POOLING FOR CRITICAL AND SUPPLY SURPLUS**
156 **DAYS IMPORTANT TO A SUPPLIER?**

157 **A.** It is not just or reasonable to impose a penalty on a supplier when, in fact, that
158 supplier *has delivered* in the aggregate enough gas to serve all of its pools under
159 common management. That is, the supplier has not under delivered to deserve a
160 penalty, nor should that supplier be required to purchase additional gas at a
161 relatively high rate.¹ The supplier delivered adequate volumes to cover its
162 customers' needs. It is only when you isolate individual pools that under delivery
163 may have occurred and penalty charges apply. A third party supplier should not
164 have unauthorized use of gas penalties imposed if, in total, it has delivered
165 sufficient gas to the Company's system, regardless of how the gas is allocated
166 between its individual groups, or pools. Similarly, a third party supplier should
167 not be forced to purchase additional gas from a utility at a premium rate, when it
168 has delivered sufficient volumes to meet the requirements of its customers. Since
169 a supplier has delivered total volumes required for its customers in aggregate to
170 the Company's system, no harm accrues to the utility if such super pooling is
171 permitted.

¹ Unauthorized use is subject to a \$6.00 per therm penalty as found in Rider 9. In addition, gas must be purchased at the Unauthorized Use rate as found in Rider 2. The Unauthorized Use rate is the sum of the Commodity Gas Charge and the Non-Commodity Gas Charge.

IV.

ICC STAFF'S STORAGE UNBUNDLING PROPOSAL

BENEFITS TRANSPORTATION CUSTOMERS SERVED BY PGL AND NS.

172
173
174
175
176
177
178
179
180
181
182
183
184
185
186
187
188
189
190
191
192
193
194
195
196

Q. DO YOU SUPPORT MR. SACKETT'S PROPOSAL TO UNBUNDLE STORAGE FOR TRANSPORTATION SERVICE?

A. CNE-Gas supports of the concept of unbundling. It is preferable to be able to purchase the service you require, without having it bundled with other products or services that you may not necessarily desire. Unbundling increases flexibility and options for customers. Thus, CNE-Gas supports the idea of unbundling storage service from other utility service, such as standby service. Therefore, my Rebuttal Testimony will primarily address the Company's objections to Mr. Sackett's unbundling proposal.

Q. MS. GRACE AND MR. MCKENDRY SUGGEST THERE IS NO LARGE VOLUME CUSTOMER INTEREST IN UNBUNDLED STORAGE. (NS-PGL EX. VG-2.0, LINES 1268-1273, NS-PGL EX. JM-1.0, LINES 118-121.) DO YOU AGREE?

A. No. Let me assure you that the fact that there was little to no interest in Rider TB was not in any way due to a lack of interest in unbundled storage, but rather a reflection of other unattractive elements of the tariff. CNE-Gas avoided Rider TB, not because CNE-Gas does not want unbundled storage, but because of other negative attributes of Rider TB. Rider TB, which necessitated a zero backup election, required that customers be daily balanced within tight tolerances in order to avoid costly fees. Due to the structure of the Rider, it was, at best, appropriate

197 for customers with very steady, flat loads that experienced very minimal daily
198 changes. In order to effectively use Rider TB, a supplier would have to secure
199 enough of this type of customer to achieve the critical mass necessary to combine
200 them into a pool in order to both minimize balancing costs and the amount time to
201 manage them daily. So even though Rider TB included unbundled storage, the
202 structure of the Rider was such that it was very difficult to manage and required
203 more internal resources to administer than other pools, unreasonably driving up
204 the cost to use it and making it an almost completely uncompetitive option.

205

206 **Q. MR. MCKENDRY SPECIFICALLY CLAIMS NO ONE HAS EXPRESSED**
207 **TO HIM AN INTEREST IN UNBUNDLED STORAGE. (NS-PGL EX. JM-**
208 **1.0, LINES 118-121.) PLEASE COMMENT.**

209 **A.** While perhaps no one has specifically requested unbundled storage from Mr.
210 McKendry, I simply direct the Commission to the record in the prior rate case.
211 As Mr. Sackett mentions in his Direct Testimony, in the previous rate case several
212 intervenors proposed to provide an unbundled storage bank. (ICC Staff Ex.
213 12.0R, lines 647-651.) CNE-Gas was one of those intervenors. I know CNE-Gas
214 would have not expended the substantial time and expense to advocate for an
215 unbundled storage service in that rate case if CNE-Gas was not interested in
216 unbundled storage. The very fact that several intervenors jointly hired an expert
217 witness to present an unbundled storage proposal in that proceeding should be
218 sufficient indication to the Company that there is interest in such a service.
219 Further, if intervention in a rate case was not such a costly endeavor, proposals

220 such as storage unbundling would likely more often be brought forth by
221 intervenors like CNE-Gas than is currently done.

222

223 **Q. MR. DOBSON RAISES MANY OBJECTIONS TO MR. SACKETT'S**
224 **STORAGE UNBUNDLING PROPOSAL. (NS-PGL EX. RD-1.0 REV.,**
225 **LINES 60-378.) ARE THEY VALID CONCERNS?**

226 **A.** I do not dispute that Mr. Dobson has concerns; however, these concerns focus on
227 unresolved issues which, given proper attention, could be resolved in order to
228 move forward with the unbundling of storage. I do not perceive them as obstacles
229 to unbundling, but rather matters that must be resolved in order to achieve a
230 feasible unbundled storage service. After all, other Illinois utilities such as Nicor
231 Gas currently, and effectively, offer unbundled storage service. (ICC Staff Ex.
232 12.0R, lines 735-738.) In fact, many of the unanswered questions Mr. Dobson
233 presents may simply require a review of Nicor's existing practices in order to
234 appropriately resolve them. Other unanswered details may simply need some
235 further discussion between Mr. Sackett and the Company, with perhaps even
236 input from suppliers or customers. I fully expect that in his Rebuttal Testimony
237 Mr. Sackett will already address many of the concerns voiced by Mr. Dobson in
238 his Rebuttal Testimony.

239

240 There is great difference between a proposal that is simply unworkable and a
241 valid idea that simply does not have all the details yet worked out.
242 Fundamentally, unbundling is a solid concept that is proved effective in the

243 current Illinois marketplace; perhaps all the details with respect to PGL and NG
244 have not yet been ironed out, but assuredly those specifics can be addressed.
245 Nicor has done so and I have no doubt that PGL and NS could do likewise.

246

247 **Q. DO YOU HAVE ANY SPECIFIC EXAMPLES OF WHAT YOU MEAN?**

248 **A.** Yes. Mr. Dobson argues that it is unclear to which customers this would apply.
249 That is not a reason to reject the proposal; it simply means that this aspect must be
250 defined, which takes nothing more than good communications between the
251 Companies, Staff and participants. It is not a reason to reject the proposal.

252

253 Mr. Dobson also argues that the proposal is problematic because it does not
254 provide details on how and when storage elections would occur. (NS-PGL Ex.
255 RD-1.0 Rev.; lines 125-140.) However, the process simply must be defined
256 before unbundling can be implemented. Again, I refer to Nicor. They have a
257 workable process. There is no reason to believe that PGL and NS are not
258 similarly competent.

259

260 Another objection of Mr. Dobson's is that it is unclear how a customer would
261 balance on a daily basis. (NS-PGL Ex. RD-1.0 Rev., lines 158-170.) Relatively
262 minor unanswered questions about operational aspects of daily balancing merely
263 show that some details of the unbundling must be worked out as they apparently
264 were with Nicor. Even by the wording of his questions in his testimony Mr.

265 Dobson presupposes that daily balancing can occur; it is simply a question of
266 what are the specific mechanics for doing so.

267

268 **Q. MR. DOBSON SPECULATES THAT MR. SACKETT'S STORAGE**
269 **UNBUNDLING PROPOSAL COULD RESULT IN STRANDED STORAGE**
270 **AND TRANSPORTATION CAPACITY. (NS-PGL EX. RD-1.0 REV.,**
271 **LINES 341-349.) PLEASE COMMENT.**

272 **A.** If the Company does not adapt its portfolio to a dynamic environment, adverse
273 results can occur. However, Mr. Dobson's speculation of stranded storage
274 capacity is only speculation. There are many dynamic forces at play in this
275 equation; however, there is nothing invariably linked to storage unbundling that
276 unequivocally results in stranded capacity. I am confident that Mr. Sackett and
277 the Company, perhaps even with input from others, can design an unbundled
278 storage service that avoids such a scenario.

279

280 **Q. MR. DOBSON FURTHER SPECULATES THERE WILL BE ADVERSE**
281 **OUTCOMES AS A RESULT OF DIFFERENT TIMELINES FOR**
282 **CUSTOMER DECISIONS AND THE COMPANY'S OWN**
283 **CONTRACTUAL OBLIGATIONS. (NS-PGL EX. RD-1.0 REV., LINES**
284 **350-366.) DO YOU AGREE?**

285 **A.** No. There already exist differences between the terms of utility contracts and
286 those of transportation customers. Further, Mr. Dobson makes it sound as if the
287 transportation customer elections would be dynamic, subject to change as the

288 market price of gas changes. I do not expect that the Company will do away with
289 tariff elements such as notice provisions, terms, service switching rules and
290 election deadlines if it offers an unbundled storage service. Again, I draw upon
291 the experiences of Nicor where storage is unbundled; evidently tariff parameters
292 have been implemented that address the service volatility that Mr. Dobson fears.

293

294 **Q. HAS MR. DOBSON PRESENTED ANY OBJECTIONS TO MR.**
295 **SACKETT'S STORAGE PROPOSAL THAT SHOULD CAUSE THE**
296 **COMMISSION TO REJECT STORAGE UNBUNDLING?**

297 **A.** I do not believe so. While questions need to be answered and details worked out,
298 conceptually the unbundling of storage service is both valid and feasible. In fact,
299 the service is already in place in the Nicor territory. If it would be useful, CNE-
300 Gas is willing to collaboratively work with staff, the Company and other
301 intervenors towards resolution of those questions and details in order to
302 implement an unbundled storage service for PGL and NS transportation
303 customers.

304

305

306

307

V.
SUMMARY OF RECOMMENDATIONS

308 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS?**

309 **A.** Consistent with my Direct Testimony, CNE-Gas respectfully requests that:
310 1. The Commission authorize PGL and NS to implement a limited Evening
311 nomination nominations cycle for transportation customers, while still

312 preserving the current practice of permitting a late nomination in direct
313 response to an upstream supplier cut by adding tariff language sanctioning it;

314 2. The Commission require PGL and NS implement a process whereby suppliers
315 can apply for waiver, in part or total, of any penalty and incremental gas costs
316 associated with critical and supply surplus days unauthorized use when super
317 pooling results in adequate volumes of gas having been delivered in aggregate
318 for that supplier; and

319 3. The Commission require that PGL and NS unbundle their storage service for
320 transportation customers.

321

322 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

323 **A. Yes.**