STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

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

Surrebuttal Testimony of

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Integrys Business Support, LLC

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

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NS-PGL Ex. JM-2.0

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INTRODUCTION AND BACKGROUND

A. Identification of Witness

Q. Please state your name.

A. My name is John McKendry.

Q. Are you the same John McKendry who submitted pre-filed Rebuttal Testimony on behalf of The Peoples Gas Light and Coke Company ("Peoples Gas") and North Shore Gas Company ("North Shore") (together, "the Utilities") in this consolidated Docket?

A. Yes.

B. Purpose of Testimony

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to respond, in part, to the rebuttal testimonies of Retail Gas Suppliers ("RGS") witness James L. Crist; and Constellation NewEnergy - Gas Division, LLC ("CNE-Gas") witness Lisa A. Rozumialski. In their respective surrebuttal testimonies, the Utilities' witnesses Richard Dobson and Valerie Grace will also address these witnesses' testimony.

C. Summary of Conclusions

Q. Please summarize your conclusions.

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

(1) The Utilities plan to continue their current practice for handling upstream cuts. There is no need to explain this practice with added tariff language. The practice is performed in the later cycles to correct originally nominated volumes entered during the timely cycle. It is not considered a "late nomination."

(2) The Utilities find the proposal of having the third party supplier responsible for determining super pooling effects insufficient. The Utilities ultimately are responsible for making and implementing those determinations. Because of the existing demand on staff and the need to maintain the billing schedule (timeliness of billing), the Utilities would need to consider automating this process, which would be a very extensive undertaking.

(3) The Utilities disagree with the notion that we do not allow accounts that come off the Utilities' budget billing plan to be billed under Rider SBO. Accounts with budget billing can participate under Rider SBO and suppliers who want a customer off budget billing can simply coordinate with customers to plan for payment of their remaining balance to remain on Rider SBO.

(4) Terms and conditions for Rider SBO do not address collection activity for the Utilities' arrearages.

(5) The Utilities do not have anything in place to allow for credit transfers from customer accounts to suppliers. Before considering system changes to allow this, we need to consider what effect this change would have on customers and the potential confusion it can create.

(6) The Utilities' current 19 day rescind process is in the interest of the customer and changing it to a customer-specific calculation that includes the two business days plus the 10 business days period provided by law results in a difference that is too insignificant to demand system changes. The current process does not drive supply choices toward system supply and away from alternative suppliers.

(7) The Utilities have established PEGASys as the main tool for suppliers to manage their accounts in Choices For You[sm] ("CFY"). It is a very user-friendly system that suppliers are familiar with and information, including the information RGS seeks, can be retrieved simply and quickly.

(8) There are logical reasons behind requiring a customer account to be established with the utility before allowing the account to enroll in CFY. It allows the enrollment and billing processes to run smoothly, avoiding related issues surrounding "brand new" accounts that both the supplier and Utilities would need to resolve if this process were changed.

II. LARGE VOLUME TRANSPORTATION PROGRAMS

A. Intra-Day Nomination Rights

Q. CNE-Gas witness Ms. Rozumialski testified that the Utilities currently permit a late nomination in response to an upstream supplier cut (CNE-Gas Ex. 2.0, p. 4). Please describe the situation that Ms. Rozumialski is referencing.

A. The Utilities' response to an upstream supplier cut is merely to make a correction to match the supplier's nomination with the pipeline's flowed volume. This should not be confused with allowing late nominations. For example, Supplier A submits its nomination for 100 dekatherms ("dth"). The pipeline confirms with the utility at only 75 dth. In order to correct this upstream supplier cut, the utility must edit the nomination to match the pipeline's volume of 75 dth.

Q. Do the Utilities plan to continue this practice?

A. Yes, upstream supplier cuts will continue to be handled this way.

Q. Do the Utilities accept Ms. Rozumialski's request that this practice be described in the tariff?

A. No, this process for correcting the upstream supplier cut should not be considered a "late nomination." Instead, it is actually a cut to the original volume that that was nominated on the Timely cycle.

B. <u>Super Pooling</u>

Q. Do you agree that, under Ms. Rozumialski's proposal in this proceeding and unlike her proposal in the Utilities' last rate case, the Utilities need not calculate and apply super pooling and, therefore, need not automate any process (CNE-Gas Ex. 2.0, p. 7)?

A. No, I disagree. Ms. Rozumialski suggests the Utilities do not have to "calculate and apply super pooling as in the prior rate case. … In the current proposal, the responsibility for super pooling determination on critical and supply surplus days rests with the third party supplier." (CNE-Gas Ex, 2.0, p. 6) The Utilities ultimately have the responsibility to review, adjust balancing and bill accordingly. Because of the effect on labor and our billing schedule (timeliness of billing), automating the process (which would be a very extensive undertaking) would have to be strongly considered.

Q. Do you agree with Ms. Rozumialski that the administrative burden is on the supplier and not the Utilities?

A. No, the burden is largely on the Utilities. The suppliers would submit a request for a credit and, presumably, provide support for the request. We, however, must then review the accuracy of the request and, if it conforms to the applicable super pooling requirements, balance the contracts and bill based on the outcome of that day's balancing.

Regardless of what is provided, calculated or created by the third party we are still ultimately responsible for completing such a process. The third party would be just a participant in the process. The Utilities would have to perform this aggregated final review, perform adjustments and prepare for billing.

Q. Do you have any concerns about implementing super pooling, as it is described on the Nicor Gas tariff sheet that Ms. Rozumialski included with her rebuttal testimony (CNE-Gas Ex. 2.1)?

A. Yes. Ms. Rozumialski has not specified or given an example of what the third party would submit and how it would work. We could receive from 30 or so suppliers their own interpretation of super pooling and related calculations and supporting material. Again this leaves it up to the Utilities to review and verify if super pooling warrants a waiver of penalties.

III. CHOICES FOR YOU^{sm} TRANSPORTATION PROGRAM

Q. RGS witness Mr. Crist argues that the Commission should direct the Utilities to remove the restriction on customers with arrearages receiving bills under Rider SBO. One concern he raises is the supplier's removal of a customer from utility budget billing (RGS Ex. 2.0, pp. 16-19). Does Rider SBO prevent a customer from having budget billing?

A. No, a customer who is participating in the Utilities' budget billing plan is allowed to participate on Rider SBO.

Q. Does removal from budget billing mean that a customer cannot receive Rider SBO billing?

A. No, not necessarily. If removed from budget billing the customer would immediately owe the remaining budget balance, if any. If paid, the customer continues to participate on Rider SBO billing. If the remaining balance is not paid prior to the rendering of the customer's next bill, the billing option changes from Rider SBO to dual billing immediately after the rendering of that next bill. Suppliers, knowing this, can simply coordinate with their customer to have the remaining budget balance paid off to avoid removal from Rider SBO billing. Also, this situation arises only of a customer owes the Utilities a balance upon leaving the budget program.

Q. Do you agree with Mr. Crist's reasoning that Rider SBO includes terms and conditions that address concerns you raised about collections (RGS Ex. 2.0, pp. 18-19)?

A. No, Mr. Crist cites Page 3, Section D, paragraph 4 of Rider SBO where it states "other information provided by the Company." Mr. Crist is making an unsupported assumption pointing at that term and condition as a requirement for collection. This section of the rider does not specifically address collection activity requirements.

Q. Mr. Crist testified that the Utilities should follow the customer's explicit instructions concerning credit transfers to a gas supplier (RGS Ex. 2.0, pp. 19-21). If a customer requested the Utilities to transfer a credit balance to a supplier, would the Utilities implement that request?

A. No, currently our system does not allow credit balances to transfer from our systems to suppliers. Providing for this would require significant programming changes to both our customer billing system and PEGASys.

Q. If a supplier makes the request on the customer's behalf, why do the Utilities have concerns about implementing that request?

A. The Utilities are concerned with the confusion it can create over time with customers. This practice may increase customer complaints. Customers may not even realize a credit existed on the Utilities' side. The costs involved to make the system programming changes need to be considered. The Utilities estimate more than 500 hours would be needed to implement system programming changes. It is not the costs alone that should be considered, but the risks involved as I stated with potential customer confusion. The Utilities and the suppliers should consider such changes based on the interest of the customer. Moreover, the Utilities have no reasonable way to determine if a customer's contract provides for express consent for the transfer.

Q. Mr. Crist stated that your example supporting a 19-day period before switching the customer is based on a "solitary and unique" example (RGS Ex. 2.0, p. 21). Did your example result in an unnecessarily long waiting period?

A. No, in fact look at any example for any month in the year and the differences in waiting periods are zero or very insignificant. Many months include a holiday. Many switch requests will likely occur in the middle or end of the week. Any 12-business day period (the two business days the utility has to send notice to the customer and the 10 business days the customer has to rescind the switch) necessarily includes two weekends. The Utilities calculate the range of days will decrease by 1–3 days at most. Again, this is another example where changing a process results in a differing result that is insignificant for both suppliers and customers.

Q. Mr. Crist testified that the Utilities are refusing to make certain storage information available in a "user-friendly" manner (RGS Ex. 2.0, p. 23). Please describe how the Utilities make the requested information available to suppliers.

A. The Utilities provide various data and reports for suppliers who participate in the CFY program. PEGASys provides the Storage Balance and Storage Adjustment Cumulative in two separate reports that can be printed, saved or exported as needed. The billing invoice is related to the charges for a particular month and includes the Deposit Balance and Carry Forward. Suppliers manage their program having the ability to retrieve data via PEGASys. It is a very user-friendly system and retrieving such reports for this data is simple and quick. Suppliers are familiar with PEGASys and know where the pertinent data can be retrieved.

Q. Do you feel your reasoning regarding the need for new customers to establish service with the Utilities is an "excuse" (RGS Ex. 2.0, p. 22)?

A. No, this was not an excuse. The purpose of the Utilities' practice has logic behind it. Requiring a customer's account to be active prior to enrolling that customer on CFY makes sense. As I explained in my rebuttal testimony, this practice of establishing the customer account from pending status to active is in the best interest of all parties and prevents administrative and billing problems from arising when an account does not move to active for various reasons. The existing practice does not drive supply choices toward system supply and away from alternative suppliers. Also, the requirements of Senate Bill 171 establish a utility notice and waiting period that the Utilities must honor.

Q. Does this conclude your surrebuttal testimony?

A. Yes.