

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

NORTHERN ILLINOIS GAS COMPANY)
d/b/a NICOR GAS COMPANY)
) Docket No. 09-0428
Application pursuant to Sections 9-201 and)
Section 19-145 of the Illinois Public Utilities)
Act for consent to and approval of Rider 26,)
Uncollectible Expense Adjustment, and)
Related changes to Nicor Gas Company's)
Tariffs.)

STIPULATION

Northern Illinois Gas Company d/b/a Nicor Gas Company ("Nicor Gas" or the "Company") and the Staff of the Illinois Commerce Commission ("Staff") together enter into this Stipulation in the above-captioned docket on this 13th day of January, 2010.

WHEREAS, on September 21, 2009, Nicor Gas filed a Petition for approval of an automatic adjustment clause, commonly known as "Rider 26", to recover incremental uncollectible expense amounts;

WHEREAS, Nicor Gas and Staff each have filed testimony regarding Rider 26;

WHEREAS, Nicor Gas and Staff have taken differing position with respect to certain matters relating to the terms and operation of Rider 26 and calculations under such Rider 26;

NOW, THEREFORE, Nicor Gas and Staff (each a "Party" and together "the Parties") stipulate and agree as follows:

1. The Parties agree to the terms of Rider 26 as set forth in Attachment A, attached hereto and made a part of this Stipulation. The term "Stipulation" shall mean the Stipulation and Attachment A collectively.

2. The Parties have entered into this Stipulation for the purpose of settling and resolving issues in this proceeding, without the need for further litigation, and this Stipulation resolves issues raised in this proceeding as set forth herein and in the testimony and pleadings filed in this proceeding. The Stipulation does not necessarily reflect any of the Parties' interpretation of Section 19-145 of the Public Utilities Act.

3. Each of the Parties acknowledges and agrees that the Stipulation is fair and equitable and is supported by the record in this proceeding, but that, based on the record, the Commission could have reached a different determination.

4. This Stipulation shall be Joint Exhibit 1 and shall be entered into the evidentiary record in the above-captioned proceeding.

5. The Parties will support the inclusion of the terms of this Stipulation in any Proposed Order filed in: (a) this Docket No. 09-0428; (b) future base rate proceedings; and (c) reconciliation proceedings under Rider 26. Such support is expressly limited and subject to acceptance by the Commission of the totality of the agreements reflected in this Stipulation. If the Commission does not accept, in their totality, the agreements reflected in this Stipulation, then Nicor Gas and Staff each reserves its rights to continue to advocate other positions.

6. This Stipulation contains the entire agreement between the parties, and except as stated in this Stipulation, there are no oral or written promises, agreements, warranties, obligations, assurances, or conditions precedent or otherwise affecting it.

IN WITNESS WHEREOF, each of the parties has caused this Stipulation to be executed
in duplicate by a duly authorized representative.

NORTHERN ILLINOIS GAS COMPANY
D/B/A NICOR GAS COMPANY

By: 

Name: John E. Rooney

Title: Attorney for Nicor Gas

STAFF OF THE ILLINOIS
COMMERCE COMMISSION

By: 

Name: John C. Feeler

Title: Attorney for ICC Staff

**Rider 26
Uncollectible Expense Adjustment**

Applicable to Rates 1, 4, 5, 74 and 75

Applicability.

This rider is applicable to those customers served under Rate 1 - Residential Service, and Rate 4 - General Service, Rate 5 - Seasonal Use Service, Rate 74 - General Transportation Service and Rate 75 - Seasonal Use Transportation Service, collectively referred to as the “non-residential” rate classes.

Purpose.

The purpose of this rider is to recover or refund the amount by which the Company’s actual annual uncollectible expense in a calendar year exceeds or is less than the uncollectible amount included in the Company’s delivery service rates in effect for the reporting year. Any over-or-under recoveries of the Company’s actual uncollectible expense amounts for a reporting year, as determined in accordance with this rider, shall be included in the monthly customer charge for each respective rate class. Costs subject to this rider are those costs that are classified as uncollectible expenses in Illinois Commerce Commission Account 904, Uncollectible accounts, and as reported by the Company in, Form 21, Annual Report to the Illinois Commerce Commission. Such adjustments will be the incremental difference between the amount of uncollectible expense set forth in Account 904 (“actual uncollectible expense”) and the Commission-approved uncollectible amount as stated in the Commission’s Order setting rates in a rate proceeding and included in the base rate revenue requirement at the time base delivery service charges are established. Rider 26 operates pursuant to Section 19-145 of the Public Utilities Act.

Incremental Uncollectible Adjustment Factors.

Incremental Uncollectible Adjustment Factors are determined pursuant to this Rider for Company delivery services (IDUF) and for Company gas supply service (ISUF). The incremental uncollectible adjustment factors shall be separately computed for both the incremental delivery uncollectible adjustment factor (IDUF) and, if applicable, the incremental supply uncollectible adjustment factor (ISUF), for each rate class designation as identified below:

<u>IDUF Gas Delivery Rate Designations</u>	<u>ISUF Supply Rate Designations</u>
Rate 1 Residential Delivery Service	Rate 1, Rider 6 - Gas Supply Service
Rate 4 General Delivery Services	Rate 4, Rider 6 - Gas Supply Service
Rate 5 Seasonal Use Delivery Service	Rate 5, Rider 6 - Gas Supply Service
Rate 74 General Transportation Delivery Service	
Rate 75 Seasonal Transportation Delivery Service	

The incremental Uncollectible Adjustment Factors shall be expressed in dollars per customer per month and added to the monthly customer charge for each applicable rate designation. If an adjustment computes to \$.01 or more, any fraction of \$.01 in the computed adjustment amount shall be dropped if less than \$.005 or rounded up to the next full \$.01. Customers taking both delivery and supply service from Nicor Gas who are served under Rates 1, 4 and 5 and Rider 6 shall have both an IDUF and ISUF applied to their monthly customer charges. Customers taking only delivery service under Rates 1, 4, and 5 and Riders 15 or 25 or under Rates 74 or 75 shall have only the applicable IDUF applied to their monthly customer charges.

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79)

Section A – Determination of Incremental Uncollectible Adjustment Factors.

- a) Residential Service Uncollectible Expense Adjustment Factors applicable to Rate 1 customers.

The uncollectible expense adjustment factor for residential delivery service, Factor IDUF-R, and for residential supply service, Factor ISUF-R, shall be determined for each Effective Period as follows:

$$\text{IDUF-R} = \frac{[(\text{F904} - \text{BUE}) * \text{BDRA}] * \text{DUEA} + \text{Rc} + \text{Oc}}{\text{RTC} * \text{M}}$$

and

$$\text{ISUF-R} = \frac{[(\text{F904} - \text{BUE}) * \text{BDRA}] * \text{SUEA} + \text{Rc} + \text{Oc}}{\text{RSC} * \text{M}}$$

Where:

- IDUF-R** = Incremental delivery uncollectible cost factor applicable to all residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-R effective period applicable to the recovery of 2008 reporting year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The IDUF-R Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- ISUF-R** = Incremental supply uncollectible cost factor applicable to retail sales residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The ISUF-R effective period applicable to the recovery of 2008 reporting year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The ISUF-R Effective Period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- F904** = The amount of uncollectible expense for the applicable calendar year period, in dollars, as recorded in Account 904 of the Illinois Commerce Commission (ICC) Form 21. In the reporting year in which the Company implements new base rates, the applicable F904 amount shall be calculated, as described in Section F, for the portion of the reporting year during which the previous rates were effective.
- BUE** = For the reporting year 2008, such amount shall be \$38,520,000. For the reporting year 2009, the amount shall be \$53,543,176. For the reporting year 2010 and for each full reporting year thereafter until the Company first implements new base rates pursuant to Commission order, such amount shall be \$62,951,000. In the reporting year in which the Company implements new base rates, the applicable BUE shall be calculated, as described in Section F, for the portion of the reporting year during which the previous rates were effective.

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79.1)

Where:

- BDRA** = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to residential service customers in the Company's Embedded Cost of Service Study(s) in effect during the applicable reporting year.
- DUEA** = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to delivery service in the Company's applicable general rate case and in effect during the applicable calendar year. DUEA shall equal 1-SUEA.
- SUEA** = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to supply service in the Company's applicable general rate case and in effect during the applicable calendar year.
- Rc** = The Company determined reconciliation component for each Uncollectible Adjustment Factor, calculated for the reconciliation year, in dollars. The reconciliation amount shall be the difference between the anticipated amount of uncollectible expense to be recovered from or refunded to customers and the actual amount recovered from or refunded to customers. The reconciliation component shall be collected over nine months, from September through May and shall be supported by a Commission filing made annually on or before August 31. No reconciliation component shall be included in the June through August period. The first reconciliation period shall cover the period beginning with the initial application of the Uncollectible Adjustment Factors through May 2011.

The initial reconciliation shall cover the adjustments for calendar years 2008 and 2009, with the first reconciliation "Rc" effective September 2011. Subsequent reconciliation adjustments shall be calculated annually thereafter and be effective in September. The reconciliation component for each Uncollectible Adjustment Factor shall be calculated using the following formula:

$$Rc = AntRev_{(c)} - ActRev_{(c)}$$

Where:

$AntRev_{(c)}$ = Anticipated Revenues to recover or refund for each Uncollectible Adjustment Factor (c)

and

$ActRev_{(c)}$ = Actual booked Revenues for each Uncollectible Adjustment Factor (c)

(Continued On Sheet No. 79.3)

**Northern Illinois Gas Company
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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79.2)

The initial reconciliation shall cover the adjustments for calendar years 2008 and 2009, with the first reconciliation “Rc” effective September 2011. Subsequent reconciliation adjustments shall be calculated annually thereafter and be effective in September. The reconciliation component for each Uncollectible Adjustment Factor shall be calculated using the following formula:

$$Rc = AntRev_{(c)} - ActRev_{(c)}$$

Where:

AntRev_(c) = Anticipated Revenues to recover or refund for each Uncollectible Adjustment Factor (c)

and

ActRev_(c) = Actual booked Revenues for each Uncollectible Adjustment Factor (c)

- Oc = Any Commission ordered adjustment factor, in dollars, for each Uncollectible Adjustment Factor as determined in a reconciliation proceeding. Such amount shall be adjusted for carrying cost charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e) (1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.
- RTC = The forecasted average total number of residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- RSC = The forecasted average total number of residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- M = The number of months over which the Uncollectible Adjustment Factor is to be effective.

b) Non-Residential Service Uncollectible Expense Adjustment Factors applicable to Rates 4, 5, 74 and 75.

The uncollectible expense adjustment factor for non-residential delivery service, Factor IDUF-NR and for non-residential supply service, Factor ISUF-NR, shall be determined for each effective period as follows:

$$IDUF-NR = \frac{(((F904 - BUE) * BDNRA) * DUEA) + Rc + Oc}{NRC * M}$$

and

$$ISUF-NR = \frac{(((F904 - BUE) * BDNRA) * SUEA) + Rc + Oc}{NRSC * M}$$

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**Rider 26
Uncollectible Expense Adjustment**

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Where:

- IDUF-NR = Incremental delivery uncollectible cost factor applicable to all non-residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The IDUF-NR effective period applicable to the recovery of 2008 reporting year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The IDUF-NR effective period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- ISUF-NR = Incremental delivery uncollectible cost factor applicable to retail sales non-residential customers, in dollars, rounded to the nearest one (1) cent (\$0.01). The ISUF-NR effective period applicable to the recovery of 2008 reporting year incremental costs shall begin with the month following Commission approval of this tariff and end on December 31, 2010. The ISUF-NR effective period applicable to all other periods shall begin as of June 1 of the appropriate year and extend through May 31 of the subsequent year.
- F904 = As previously defined.
- BUE = As previously defined.
- BDNRA = The percentage, in decimal format, rounded to ten-thousandths, of the ICC approved annual uncollectible expense that was allocated to non-residential service customers in the Company's Embedded Cost of Service Study(s) in effect during the applicable reporting year. The BDNRA shall equal 1- BDRA.
- DUEA = As previously defined.
- SUEA = As previously defined.
- Rc = As previously defined.
- Oc = As previously defined.
- NRC = The forecasted average total number of non-residential customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded
- NRSC = The forecasted average total number of non-residential retail sales customers during the effective period the Uncollectible Adjustment Factor is to be charged or refunded.
- M = The number of months over which the Uncollectible Adjustment Factor is to be effective.

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**Rider 26
Uncollectible Expense Adjustment**

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Section B – Information Sheet Filings

The initial information sheet filing specifying charges hereunder, shall recover or refund the appropriate amount for the calendar year 2008. Such charges shall be effective beginning with the first full month, in 2010, succeeding approval of this tariff and end on December 31, 2010. For each subsequent annual filing, the Company shall file with the Commission, on or before the 20th day of May, an information sheet specifying the charges or credits to be effective for service rendered during the period June 1 of the current year through May 31 of the succeeding year, defined as the Effective Period. Such filing shall include a statement showing the determination of such charges or credits under Section B, such determination to be accompanied by data in explanation thereof.

Section C – Annual Reconciliation.

On or before August 31, the Company shall file a petition with the Chief Clerk to initiate the annual reconciliation process. The petition shall include a reconciliation that will compare revenues collected under this Rider during the Effective Period with the anticipated amount of revenues that were to be recovered or refunded under this Rider. Supporting documentation or workpapers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing of the reconciliation. In conjunction with the reconciliation filing, a new Information Sheet may be filed adjusting the then effective charges or credits under this Rider for the amount to be reconciled.

Section D – Commission Review.

Upon review of the annual petition and reconciliation filed by the Company under Section C, the Commission may, require a hearing to receive from the Company such evidence as the Commission requires regarding any aspect of determining the charges under this rider. If the Commission finds, after hearing, that any amounts were not prudent or reasonable, or were incorrectly debited or credited to this rider during that year, the Commission may by order require that the rider be adjusted by appropriate credits or debits thereto. Any adjustments so ordered shall be reflected in the adjustment Factor Oc, over a succeeding Effective Period. Such amount shall be adjusted for carrying charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) applied from the end of the reconciliation period until the Oc amount is charged or refunded to customers.

Section E – Annual Internal Audit.

The Company shall submit an annual internal audit report to the Manager of the Commission's Accounting Department on or before August 31 of each year. The audit shall include at least the following tests: 1) test that costs recovered through Rider UEA are not recovered through other approved tariffs; 2) test customer bills that all Rider UEA Uncollectible Adjustment Factors are being properly billed to customers in the correct time periods; 3) test that Rider UEA revenues are properly stated; and 4) test that costs classified as uncollectible expenses as reported in Form 21, Annual Report to the Illinois Commerce Commission, are being identified, recorded and properly reflected in the calculation of rates and reconciliations. The above list of determinations shall not limit the scope of the audit.

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**Rider 26
Uncollectible Expense Adjustment**

(Continued From Sheet No. 79.5)

Section F – Implementation of New Base Rates

In the reporting year in which the Company implements new base rates, the amount to be recovered or refunded would be determined separately for those portions of the reporting year in which the previous rates were effective and new rates were effective. For the portion of the year under previous rates, the amount of uncollectible expense included in base rates (Factor BUE) would be determined by multiplying the amount of uncollectible expense included in applicable monthly customer charges by the number of monthly equivalent bills issued during that portion of the year. For residential customers the uncollectible expense included in applicable monthly customer charges would be \$2.24 per monthly equivalent bill, and for non-residential customers such amount would be \$3.82 per monthly equivalent bill. The amount of Account 904 uncollectible expense allocated to the portion of the reporting year under previous rates (Factor F904) would be determined by multiplying the actual year-end uncollectible accounts expense reported in Account 904 by the ratio of total revenues (i.e., total of gas supply costs and non-gas supply cost revenues) earned during that portion of the reporting year to total revenues earned during the reporting year. The incremental difference between the amount included in base rates and the amount of Account 904, as described above, shall be used to compute the applicable residential and non-residential IDUF and ISUF adjustments to future monthly customer charges. Such adjustments shall be added to those determined for the portion of the year under new rates. For the portion of the reporting year in which new rates are effective, delivery service and gas supply related uncollectible expense adjustments shall be determined under the new rider(s) as described in the following paragraph.

The Company shall file revised Uncollectible Expense Adjustment rider(s) at the time it next files to modify its existing base rates. Such new rider(s) will provide for separately determining uncollectible expense adjustments related to delivery service and uncollectible expenses related to gas supply costs. The amount of uncollectible expense related to delivery services and included in base rates would be determined by multiplying the amount of uncollectible expense approved by the Commission in the Company's next rate case and included in monthly customer charges by the number of monthly equivalent bills issued from the effective date of the new tariffs to the end of the reporting year. The term "monthly equivalent bill" refers to bills that are the equivalent of a bill for a full month of services. For example, two actual bills issued by the Company that each relate to one-half month of service would equal one monthly equivalent bill. The estimated amount of uncollectible expense related to gas supply service would be billed to customers through a new gas supply uncollectible rider based on applying estimated future uncollectible loss factor percentages to gas supply cost revenues. The remaining actual amount of Account 904 uncollectible expense allocated to delivery service would be determined by multiplying actual year-end uncollectibles accounts expense reported in Account 904 by the ratio of total revenues earned during the remaining portion of the reporting year, less gas supply cost revenues (including revenues billed under the new gas supply uncollectible rider), to total revenues earned during the reporting year. The remaining amount of uncollectible expense (for the portion of the reporting year in which new rates are effective) allocated to gas supply costs would be determined by multiplying the actual year-end uncollectible accounts expense reported in Account 904 by the ratio of the total amount of gas supply costs billed to customers (including revenues billed under the new gas supply uncollectible rider) from the effective date of the new tariffs to the end of the reporting period to the total revenues earned during the reporting year.

For the reporting year in which the Company implements new base rates, reconciliation shall be made for that portion of the year under previous rates by comparing the allocated amount of Account 904, both delivery and supply, with the amount for delivery and supply-related uncollectible expense recovered through the previous base rates. For that portion of the reporting year under the new base rates separate reconciliations will be conducted for both delivery and supply-related amounts recovered under the new base rates and gas supply uncollectible rider from the effective date of the new tariffs to the end of the reporting year. Such separate reconciliations will compare the respective delivery or supply-related uncollectible amounts recovered through the new base rates or new gas supply uncollectible rider with the remaining actual amounts of Account 904 allocated to delivery or supply related uncollectible expense for the remaining portion of the year.

Any Uncollectible Expense Adjustment rider tariff filing made by the Company pursuant to and consistent with this Section F shall not be deemed to constitute a waiver by the Company of its rights under Section 19-145 of the Public Utilities Act in the event the Commission does not approve such tariff filing.