

582 Thus, from a cost support standpoint, the unassigned cost should not be recovered  
583 from the Rider 16 monthly Account Charge.

584

585 Q. In your opinion, has Nicor provided sufficient cost support to justify a monthly  
586 Account Charge of \$1?

587 A. No. The cost support provided by Nicor indicates that a lower monthly Account  
588 charge should be used in Rider 16. The appropriate monthly cost per account that  
589 should be recovered is \$.88. This level of recovery will (a) guard against over  
590 recovery due to potential errors in estimated future Program shortfalls and will (b)  
591 avoid duplication of cost recovery from revenues collected as part of Nicor's  
592 standard tariffs.

593

594 Q. How does the Rider 16 monthly Account Charge compare to similar charges in  
595 approved electric delivery service tariffs?

596 A. As noted previously, the Commission concluded that monthly administrative fees to  
597 ARES were not appropriate. (ICC Staff Exhibit 2.2) Using the Commission's  
598 conclusion as a reference point, the proposed \$1 per customer account per month  
599 Account Charge in Rider 16 is in the category that was disallowed for purposes of  
600 electric delivery service.

601

602 Q. How should the Rider 16 monthly Account Charge be evaluated in light of the  
603 findings contained in the Commission's electric delivery service orders?

604 A. In reviewing the Commission's conclusions from the electric delivery service  
605 proceedings, it is clear that monthly administrative fees to ARES could not be cost  
606 justified. Therefore, in this proceeding, sufficient cost justification is required to  
607 demonstrate that an administrative fee such as the Rider 16 monthly Account  
608 Charge is appropriate, as discussed above. In addition, the impact of the Account  
609 Charge on competition in the gas industry should be evaluated, as discussed  
610 below.

611

612 Q. What is the impact of the Rider 16 monthly Account Charge on competition in the  
613 gas industry?

614 A. A monthly fee of \$1 per account could be considered excessive by suppliers with  
615 numerous customers in their group(s). However, unlike the Rider 16 Group Charge  
616 discussed previously, the monthly Account Charge accurately reflects the number of  
617 customers per supplier. The more customers in a supplier's group, the more  
618 revenue is generated from the monthly Account Charge. Thus, there is less concern  
619 that the charge is discriminatory. However, the Account Charge could still have a  
620 negative impact on competition in the gas industry because of financial impacts on  
621 suppliers with smaller size groups. Therefore, the Account Charge could inhibit  
622 additional (primarily smaller) suppliers from entering the market.

623

624 Q. Based on your analysis of the cost support provided by Nicor and your evaluation of  
625 the associated impact on competition, what is your conclusion regarding the Rider  
626 16 monthly Account Charge?

627 A. Based on the cost support provided by Nicor, my conclusion is that the monthly  
628 Account Charge should be changed to \$0.88. This lower charge would also  
629 enhance the competitive impact of the expanded Customer Select Program.

630

631 **VI. EVALUATION OF GROUP ADDITIONS CHARGE**

632

633 Q. Please describe the Group Additions Charge in Rider 16.

634 A. *A \$10.00 charge applies to suppliers for each customer account added to a group*  
635 *(i.e. for customers switching from one supplier to another supplier). (proposed 4<sup>th</sup>*  
636 *Revised Sheet No. 75.3) This charge does not apply to customers switching from*  
637 *sales service.*

638

639 Q. Did Nicor provide support for the Group Additions Charge?

640 A. Yes. In his direct testimony, Nicor witness Harms explains that the one-time Group  
641 Additions Charge "is the same as that provided for in other transportation rates and  
642 is intended to recover costs associated with customer calls concerning the change,  
643 dealing with disputes between Suppliers and/or customer and Supplier, and  
644 processing the change request." (Direct Testimony of Albert E. Harms, p. 15, lines  
645 17-20) In Nicor Exhibit AEH-5, Mr. Harms lists the costs associated with the Group  
646 Additions Charge as follows:

647

648	Customer Contacts	\$	7.00
649	Supplier Contacts		2.50
650	<u>Letter to Customer</u>		<u>.50</u>
651	<b>TOTAL</b>	<b>\$</b>	<b>10.00</b>

652

653 Q. Did Nicor provide additional documentation regarding the costs associated with the  
654 Group Additions Charge?

655 A. Yes. In response to Staff data requests DLS-1 and DLS-10, Nicor provided  
656 additional support for the costs associated with Group Additions Charge, based on  
657 labor costs of \$30 per hour. (see Attachments 1 and 5) The more detailed cost  
658 breakdown provided in Nicor's data request response results in a total cost of  
659 \$10.50, which is slightly higher than the \$10 included in Nicor Exhibit AEH-5.

660

661 Q. What are the results of your review of Nicor's cost support for activities associated  
662 with the Group Additions Charge?

663 A. Nicor states that the "customer contact" function takes .25 hours; "supplier contacts"  
664 takes .08 hours; and no time, but a cost of \$.50 is allocated to postage and  
665 generating a letter. (Response to Staff data request DLS-1) While the stated time  
666 for these activities appears to be minimal, a key issue, as is the case with other  
667 types of administrative fees, is whether such costs are incurred as part of Nicor's  
668 ongoing procedures related to providing gas service to all customers. If Nicor  
669 conducts these activities as part of its standard procedures for all customers, and is

670 generating revenues to cover these costs in standard rate tariffs, the costs should  
671 not be recovered twice by passing them on to participants in the Customer Select  
672 Program through the Group Additions Charge. In its Response to Staff data request  
673 DLS-10, Nicor addresses this issue. In regard to possible duplication of cost  
674 recovery, Nicor explains that the costs associated with the Group Additions Charge  
675 "are incurred due to the need to switch individual customers served under *Customer*  
676 *Select* from one Supplier to another." In addition, Nicor lists activities such as  
677 answering customers' questions, administratively making the switch, and  
678 communicating the switch to the customer, previous supplier and new supplier.  
679 Nicor further states that "The Company incurs these costs solely because it offers  
680 *Customer Select*." Nicor further attests that "Because *Customer Select* was  
681 initiated subsequent to the Company's last general rate case, and because the  
682 costs are incremental and program-specific, they are not recovered as part of  
683 overall administrative expenses." (p. 1 of 2, #a) From this information provided by  
684 Nicor, it is apparent that "switching" costs which are incurred specifically in relation  
685 to the Customer Select Program, would not be incurred in the absence of the  
686 Program. Thus, recovery of these costs in the Rider 16 Group Additions Charge  
687 does not appear to duplicate cost recovery under standard tariffs.

688

689 Q. In your opinion, has Nicor provided sufficient cost support to justify a Group  
690 Additions Charge of \$10?

691 A. Yes, on the basis of no duplication of cost recovery.

692

693 Q. How does the Rider 16 Group Additions Charge compare to similar charges in  
694 approved electric delivery service tariffs?

695 A. The electric delivery service equivalent of the Rider 16 Group Additions Charge is  
696 the direct access service request (DASR). In the delivery service dockets, electric  
697 utilities proposed DASR fees for non-residential ARES ranging from \$0 to \$73.50.  
698 (See ICC Staff Exhibit 2.3) For those utilities that proposed a fee, the Commission  
699 concluded that a maximum fee of \$5 was appropriate, except in one instance where  
700 a \$6 fee was approved. Using the Commission's conclusion as a reference point,  
701 the proposed \$10 Group Additions Charge in Rider 16 is 200% of the charge  
702 allowed for purposes of electric delivery service.

703

704 Q. Please discuss the reasoning contained in the Commission's electric delivery  
705 service orders related to DASR fees.

706 A. In the electric delivery service dockets, the Commission concluded that insufficient  
707 cost justification was provided by the utilities that proposed DASR fees in excess of  
708 \$5 (or in one case \$6). In addition, the majority of utilities proposed a fee ranging  
709 between \$5 and \$20. Based on these facts, the Commission found in all instances  
710 but one that a \$5 DASR fee was appropriate.

711

712 Q. How should the Rider 16 Group Additions Charge be evaluated in light of the  
713 findings contained in the Commission's non-residential electric delivery service  
714 orders?

715 A. In reviewing the Commission's conclusions from the non-residential electric delivery  
716 service dockets, it appears that the Rider 16 Group Additions Charge should be  
717 evaluated primarily on the basis of sufficient cost justification, as discussed above,  
718 as well as on the basis of its impact on competition in the gas industry, as  
719 discussed below.

720

721 Q. What is the impact of the Rider 16 Group Additions Charge on competition in the  
722 gas industry?

723 A. A fee of \$10 is likely to be considered excessive by suppliers serving residential  
724 and small commercial customers where profit margins can be expected to be small  
725 compared to the margins associated with other customer groups. The \$10 fee  
726 tends to negate potential profits available from adding residential and small  
727 commercial customers to the supplier's group. As a result, if suppliers are not as  
728 aggressive in marketing to these types of customers, fewer options may be  
729 available to customers for choosing suppliers. Thus, the fee could create a  
730 potentially negative impact on competition in the gas industry by a) inhibiting  
731 suppliers from participating due to low or non-existent profit margins and by b)  
732 restricting the resulting supplier options for customers.

733

734 Q. Based on your analysis of the cost support provided by Nicor and your evaluation of  
735 the associated impact on competition, what is your conclusion regarding the Rider  
736 16 Group Additions Charge?

737 A. My conclusion is that the Group Additions Charge has been adequately cost  
738 justified by Nicor, as discussed above. In this regard, it appears from Nicor's  
739 supporting information that Customer Select participants are not paying for costs  
740 already being recovered by Nicor through standard rates. However, the Group  
741 Additions Charge is not likely to enhance competition, especially in the residential  
742 and small commercial customer segment of the gas industry, because of the  
743 disincentive to suppliers caused by reducing or eliminating already slim profit  
744 margins. In fact, the Group Additions Charge may be a deterrent to competition for  
745 this very reason.

746

747 **VII. IMPACT OF RATE RECOMMENDATIONS**

748

749 Q. How will your recommendations for Rider 16 Charges impact the Customer Select  
750 Program?

751 A. Reduction or elimination of some of the Rider 16 Charges, as recommended in my  
752 testimony, will have the following impacts:

753

754 Supplier Application Charge: Reducing this charge to my recommended level  
755 should have no negative impact on the implementation of the full Customer Select  
756 Program, based on Nicor's projections which anticipate no future revenue from this

757 Charge. (Nicor Exhibit AEH-7) However, if additional suppliers do elect to  
758 participate because of the recommended lower Charge, additional revenues will  
759 accrue to offset the added expenses created by the new suppliers.

760

761 Group Charge: Adding a two-step Group Charge to reflect costs incurred for groups  
762 with a smaller number of customers, as I recommend, will result in lower revenues to  
763 Nicor. In Nicor Exhibit AEH-7, Nicor projects a level revenue stream from the Group  
764 Charge, evidently anticipating that any new Customer Select customers will be  
765 incorporated into the current number of groups under existing suppliers. Using the  
766 example presented earlier in my testimony, depending on the number of customer  
767 groups that require 2.5 hours versus 5 hours of costs to complete activities  
768 associated with the monthly Group Charge, and assuming \$100 sufficiently recovers  
769 costs associated with these smaller groups; and presuming that all but one of the  
770 groups fall under the small group definition, Nicor's annual revenues from the  
771 monthly Group Charge would decrease by approximately 46%, as follows:

772 (from Nicor Exhibit AEH-7: \$31,200 per year projected from \$200 Group Charge  
773 from 13 suppliers;  
774  $12 \times \$100 + 1 \times \$200 = \$1,400/\text{month}$   
775  $\times 12 \text{ months} = \$16,800; \$31,200 - \$16,800 = \$14,400$   
776  $\$14,400 / \$31,200 = 46.2\%$ )  
777

778 On the other hand, if reducing the Group Charge for smaller size groups results in  
779 more small group suppliers participating in the Customer Select Program, the  
780 additional revenues from the lower Group Charge would off-set some portion of this  
781 estimated revenue decrease.

782

783

Account Charge: Reducing the Account Charge in Rider 16 would decrease projected revenues associated with the Customer Select Program. As noted earlier, this Charge represents the primary source of Customer Select Program revenues. By reducing the Charge, projected revenues from the monthly Account Charge would decrease by 12% annually, as follows:

784

785

786

787

788

2001: \$284,400 (12%)

789

$(2,370,000 \times .88 = \$2,085,600; \$2,370,000 - \$2,085,600 = \$284,400)$

790

2002: \$540,360 (12%)

791

$(4,503,000 \times .88 = \$3,962,640; \$4,503,000 - \$3,962,640 = \$540,360)$

792

2003: \$687,240 (12%)

793

$(5,727,000 \times .88 = \$5,039,760; \$5,727,000 - \$5,039,760 = \$687,240)$

794

2004 and 2005: \$754,560 (12%)

795

$(6,288,000 \times .88 = \$5,533,440; \$6,288,000 - \$5,533,440 = \$754,560)$

796

797

Group Additions Charge: The primary focus of my testimony is to evaluate the cost support for selected Rider 16 charges. From this perspective, I believe that the Group Additions Charge is cost justified, but also may inhibit competition. If competitive concerns are deemed important enough to reduce or eliminate the Group Additions Charge during this proceeding, examples of possible revenue impacts are as follows:

798

799

800

801

802

803

Charge reduced to \$5: annual revenues decrease from \$262,000 in years 2004 and 2005 to \$131,000

804

805 Charge eliminated: annual revenues decrease by \$262,000 in years 2004  
806 and 2005  
807

808 **VIII. CONCLUSION**

809  
810 Q. Please summarize your recommendations.

811 A. I recommend reducing the Supplier Application Charge to \$1,385. I recommend  
812 adding a separate Group Charge level of \$100, applicable to smaller size groups;  
813 and making the current \$200 Group Charge applicable to larger size groups. I also  
814 recommend that the \$1 Account Charge be reduced to \$0.88. The \$10 Group  
815 Additions Charge should be eliminated or reduced only if it is deemed appropriate  
816 in this proceeding based on competitive concerns.

817

818 Q. Is that the end of your testimony?

819 A. Yes.

One Time ARES Registration Fees Proposed/Approved  
in Non-Residential Electric Delivery Service Orders

<u>DOCKET</u>	<u>UTILITY</u>	<u>PROPOSED</u>	<u>APPROVED</u>
99-0117	ComEd	\$ 0	\$ 0
99-0120/0134	Illinois Power	650	20
99-0121	CIPS/UE	5,000	20
99-0119/0131	CILCO	0	0
99-0122/0130	MidAmerican	0	0
99-0124/0125	South Beloit	180	20
99-0132/0133	Interstate	160.88	20

Monthly ARES Administrative Fees Proposed/Approved  
in Non-Residential Electric Delivery Service Orders

<u>DOCKET</u>	<u>UTILITY</u>	<u>PROPOSED</u>	<u>APPROVED</u>
99-0117	ComEd	\$ 0	\$ 0
99-0120/0134	Illinois Power	185/year	0
99-0121	CIPS/UE	1,000	0
99-0119/0131	CILCO	0	0
99-0122/0130	MidAmerican	0	0
99-0124/0125	South Beloit	0	0
99-0132/0133	Interstate	0	0

Electronic DASR Fees Proposed/Approved  
in Non-Residential Electric Delivery Service Orders

<u>DOCKET</u>	<u>UTILITY</u>	<u>PROPOSED</u>	<u>APPROVED</u>
99-0117	ComEd	\$ 0	\$ 0
99-0120/0134	Illinois Power	6	6
99-0121	CIPS/UE	15	5
99-0119/0131	CILCO	5	5
99-0122/0130	MidAmerican	5	5
99-0124/0125	South Beloit	73.50	5
99-0132/0133	Interstate	60.01	5

Attachment I

**Northern Illinois Gas Company  
D/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
Ill.C.C. Docket Nos. 00-0620 and 00-0621 Consolidated  
First Data Request**

- DLS-1
- Q. In regard to Nicor Gas Exhibit AEH-5, please provide detailed information documenting how each of the estimated costs was derived. That is, for costs associated with each of the charges, provide itemized supporting information related to labor and other costs that illustrate how each cost is calculated (i.e. meetings, materials, visits per supplier basis, training, etc.).
- A. Exhibit AEH-5 shows the Company's proposed charges for Supplier application, monthly group administration and group additions. The attached exhibit shows the man-hours and other expenses included in Exhibit AEH-5. Duties performed by 5 or 6 level management employees are priced at \$40 per hour and those by 4 level or below employees are priced at \$30 per hour. The man-hours and other costs were developed based on discussions with employees involved with various aspects of the program and the amount of time required to perform the necessary duties.

Company Witness: Albert E. Harms

Nicor Gas	Response to DLS-1
<b>Determination of Rider 16, Supplier Aggregation Service Charges Support Data for Exhibit AEH-5</b>	
	<u>Estimated Cost</u>
<b>Supplier Application Charge: \$2,000</b>	
Contract review and credit check, 1.5 hrs @ \$40/hr	\$ 60
Dun and Bradstreet Report	35
Program training	
Development and production of workshop manual	100
Visit with Supplier, 3 people @8 hrs @\$40	960
Costs for publishing participating Suppliers, material and supplies	500
Initialization of electronic data transfer procedures (training and testing of procedures, 10 hrs @ \$40/hr)	400
Set up Supplier for billing procedures (1 hr @ \$40/hr)	40
<b>Total</b>	<u>\$ 2,095</u>
<b>Group Charge: \$200 per group per month</b>	
Group billing administration (issue and rebilling, responding to questions, 2.5 hrs @ \$40/hr)	\$ 100
Daily nominations information per Supplier (daily, monthly and annual determinations and mailings, 2.5 hrs @\$40/hr)	100
<b>Total</b>	<u>\$ 200</u>
<b>Group Additions: \$10 per each Customer added</b>	
Customer contacts (questions, calls, service, 0.25 hrs @ \$30/hr)	\$ 7.50
Supplier contacts (questions, calls, service, 0.08 hrs @ \$30/hr)	2.50
Letter to customer (postage and generating letter)	0.50
<b>Total</b>	<u>\$ 10.50</u>

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
Ill. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Second Data Request**

- DLS-8
- Q. In regard to Nicor's response to Staff data request DLS-1, under Supplier Application Charge:
- a) Under contract review, please describe the type of Dun and Bradstreet report listed. Is the \$35 cost a flat fee? What activities and costs comprise the \$35?
  - b) under program training, how much staff time is involved with the development and production of a workshop manual? Is this a one-time activity or is this activity performed for each new supplier? Please provide detailed hourly staff cost and material cost information used to arrive at the \$100 cost for this activity.
  - c) Also under program training, why does it take 3 staff days for a visit with a supplier? Can this activity be completed in 2 staff days? In 1 staff day? Why or why not? What activities are conducted in conjunction with such visits that require 8 hours of staff time?
  - d) Under costs for publishing, what staff time, materials and other costs are require to complete this activity? Is this a one-time activity or is the activity performed more than once? If performed more than once, please describe how the activity would be performed a second time.
  - e) Under initialization procedures, what activities are involved in this function? Please describe how these activities add up to 10 hours of staff time. Has Nicor reduced the time for this activity since the inception of the Customer Select Program?
- A. a) Nicor Gas generally requests a Business Information Report from Dun and Bradstreet. A description of this product and a sample report from the Dun and Bradstreet web site are attached. The cost to Nicor Gas for this

report ranges from \$35 to \$48 per report depending on the number requested in a month.

- b) It takes a *Customer Select* representative approximately 3 weeks to develop and produce the Supplier workshop manual. This activity was performed each year of the *Customer Select* pilot program. In the proposed program, this would be a one-time activity at the beginning of the program; however, the manual would be updated on an as-needed basis. During the third year of the program, costs included \$4,800 of staff time and \$2,000 of materials for a total cost of \$6,800. The Company produced approximately 200 Supplier manuals at an estimated cost of \$34 each. Each Supplier received 3 manuals on average for the third year of the pilot program at a cost of \$102. The Company used this cost as an estimate to produce the manual for the proposed program.
- c) These costs reflect a one day visit to the Supplier by two *Customer Select* representatives and an information technology person. This would include travel time and meetings with various employees of the Supplier. The purpose of the meetings is a one-on-one education of the Supplier's employees on the operations and procedures of *Customer Select*.
- d) The estimate for publishing the Supplier list was based on experience during the first 3 years of the pilot program. Costs included:

Staff time - 3 days each year for a total of \$2,880  
Paper and printing - \$12,450  
Total - \$15,330

As 26 Suppliers enrolled in the program, each Supplier's portion would have been about \$590.

After the one-time mailing to kickoff the start of the proposed program available to all customers, the Supplier list will be updated when a new Supplier registers. The Company will print a limited number of copies as the list will only be mailed to new customers or upon customer request. The \$500 cost included in the Supplier Application Charge is similar to costs experienced by

Attachment 2

Suppliers during the pilot program and would permit printing of over 30,000 copies.

- e) The initialization procedures include but are not limited to the following:
- set up directories and passwords for Web server
  - explain security software and assist in implementation
  - assist with file transfer protocol issues
  - explain file constructs, different transaction types, how they work in our system and what the Supplier can expect as a result of their various files
  - testing the interaction of the systems
  - answering post-implementation questions.

The 10 hours is an estimated average time to do the total procedure depending on the capabilities of the Supplier and cannot be allocated to each specific item.

Nicor Gas has not reduced the amount of time spent on the procedures because the time element is heavily dependent on the Supplier and its demands and capabilities.

Company Witness: Albert E. Harms

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
Ill. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Second Data Request**

- DLS-9      Q.      Also in regard to Nicor's responses to Staff data request DLS-1:
- a)      Please explain how the activities listed under Group Charge are directly linked to the Customer Select Program and why the costs associated with these activities are not being recovered as part of overall administrative expenses.
  - b)      What specific activities of billing, responding to questions, and determinations are unique to the Customer Select Program?
  - c)      If the Group Charge was not imposed on Customer Select Program suppliers, how would Nicor revenues be impacted?
  - d)      Please explain why the Group Charge is not discriminatory for suppliers with few customers versus suppliers with numerous customers.
- A.      a)      The costs listed under Group Charge are incurred due to the need to aggregate individual customers and customer information to present to the Supplier for its billing system. Also, the Company must prepare and issue bills to Suppliers for charges incurred under *Customer Select*. Additionally, the Company needs to prepare and communicate the daily, monthly and annual nominations for each Supplier's group of customers. The Company incurs these costs solely because it offers *Customer Select*.
- These costs are recovered under the Group Charge as they are directly related to expenses caused by the formation of a group. Because *Customer Select* was initiated subsequent to the Company's last general rate case, and because the costs are incremental and program-specific, they are not recovered as part of overall administrative expenses.

Attachment 3

- b) Bills must be grouped to match individual customer information with their particular Supplier. Suppliers have questions concerning this aggregation, certain customer information and Supplier's bills, which must be answered. Calculation and posting of daily nominations are only needed for *Customer Select* Suppliers.
- c) If the Group Charge was eliminated, the Company would need to consider seeking recovery of these costs in another manner. The amount of the revenue reduction is shown on Exhibit AEH-7, under the heading Monthly Administrative Fee. However, recovery of these costs through the Group Charge is preferable, as it matches recovery of costs from those who cause the cost.
- d) The Group Charge is based on costs associated with activities related to the group which are independent of the number of customers within the group. The number of customers within a group is determined by the Supplier. A Supplier with 100 customers could place them in one group, 10 groups or any number of groups up to 100. The costs imposed on the Company vary with the number of groups, not the number of customers within a group. This charge is not discriminatory as it is charged uniformly to every group.

Company Witness: Albert E. Harms

Attachment 3A

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
III. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Third Data Request**

- DLS 15      Q.      Please provide a list of all suppliers currently participating in the Customer Select Program. In addition, please provide a breakdown by supplier, of the number, percentage, and type of customers being served by each supplier.
- A.      Please see the CONFIDENTIAL response Nicor Gas provided in response to AG 1.09 which lists all Suppliers currently serving customers under the program.

Company Witness:    Albert E. Harms

Revised  
December 5, 2000

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Attorney General's Office  
III. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
First Data Request**

- AG 1.09      Q.    What percentage of commercial, industrial and residential market has each Supplier captured?
- A.    See the attached CONFIDENTIAL sheet.

Company Witness:    Albert E. Harms

Attachment 3A

Docket Nos. 00-0620/00-0621  
Consolidated  
ICC Staff Exhibit 2.0  
Page 3 of 3

**CONFIDENTIAL**

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
Ill. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Second Data Request**

- DLS-11      Q.      Please provide the cost basis for the \$1 per Account Charge, using detailed per hour labor costs, activities, and staff time. Why has the Account Charge been reduced to \$1 per account over the life of the *Customer Select Program*?
- A.      The \$1.00 per Account Charge is not based on specific costs for labor, activities and Staff time. The Account Charge is a residual charge used to recover the costs of the program not recovered by other charges. The amount per account has been reduced over time because the increased number of *Customer Select* participants has enabled the Company to spread the recovery of costs over more billing units.

Company Witness:    Albert E. Harms

(revised 12/12/00 p.m.)

**Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
III. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Second Data Request**

Company's Supplemental Response

- DLS-11      Q.      Please provide the cost basis for the \$1 per Account Charge, using detailed per hour labor costs, activities, and staff time. Why has the Account Charge been reduced to \$1 per account over the life of the Customer Select Program?
- A.      The attached exhibit, listing ongoing costs as shown in Exhibit AEH-6, more extensively responds to data requests, DLS-9, 10 and 11. The exhibit specifies where the costs are incurred by department. As shown, the Group Charge costs are \$31,000, which compares to the annual revenue shown on Exhibit AEH-7 of \$31,200. The Group Additions costs of \$201,000 compares to a 5-year (2001-2005) average of annual revenue of \$191,000. The annual ongoing costs related to the accounts participating in *Customer Select* are estimated at \$2,303,000. In addition, the capital costs of \$8,771,000 are related to accounts which would be reflected by the 5-year average of carrying costs of \$2,111,400, as shown on Exhibit AEH-7. The total ongoing account costs are estimated to be \$4,414,400 over the 5-year period of 2001 to 2005. This dollar amount divided by the average number of annual bills issued for the same time period (5,035,000), equates to an account charge of \$0.88 per month. Including unrecovered and unassigned costs in the account charge would raise the account charge to \$1.06 per month.

Company Witness:    Albert E. Harms

ATTACHMENT 4A

Nicor Gas

Response to DLS-11

Department/Activity	Customer Select On-going Program Costs (\$000)				
	Group Charge	Group Additions	Account Charge	Unassigned	Total
<b>Communications/Marketing</b>					
Radio, Print and Outdoor Adv.	\$ -	\$ -	\$ -	\$ -	\$ -
Direct Mail	-	-	44	44	88
PR Agency Fees	-	-	-	-	-
Creative Development	-	-	50	50	100
Energy Spotlight Issues (2)	-	-	-	-	-
Fact Sheet Reprints	-	-	-	-	-
Web Sight Design	-	-	-	30	30
Other Services	-	-	-	-	-
<b>Total Communications/Marketing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 94</b>	<b>\$ 124</b>	<b>\$ 218</b>
<b>Customer Inquiry Center</b>					
Telephone Calls	\$ -	\$ 143	\$ 563	\$ -	\$ 706
Correspondence	-	10	6	-	16
Training	-	-	-	-	-
Administration	-	-	80	-	80
<b>Total CIC</b>	<b>\$ -</b>	<b>\$ 153</b>	<b>\$ 649</b>	<b>\$ -</b>	<b>\$ 802</b>
<b>Gas Transportation</b>					
Billing Services	\$ 22	\$ 48	\$ 210	\$ -	\$ 280
Additional Billings (2 per Yr.)	-	-	262	-	262
Transportation Call Center	-	-	20	-	20
Postage-Acceptance Letters	-	-	60	-	60
<b>Total Gas Transportation</b>	<b>\$ 22</b>	<b>\$ 48</b>	<b>\$ 552</b>	<b>\$ -</b>	<b>\$ 622</b>
<b>Community Relations</b>					
	\$ -	\$ -	\$ -	\$ 40	\$ 40
<b>Government Relations</b>					
	\$ -	\$ -	\$ -	\$ 10	\$ 10
<b>Information Services (GCISP)</b>					
Development Costs	\$ -	\$ -	\$ -	\$ -	\$ -
Project Management & Admin.	-	-	-	-	-
Hardware and Software	-	-	-	-	-
QA & Application Architects	-	-	-	-	-
Workload Admin.	-	-	-	-	-
System Testing Group	-	-	-	-	-
Capital Contingency	-	-	-	-	-
Yearly Maintenance	-	-	658	-	658
<b>Total Information Services</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 658</b>	<b>\$ -</b>	<b>\$ 658</b>
<b>Implementation Team</b>					
	\$ 9	\$ -	\$ 50	\$ 141	\$ 200
<b>Legal Fees</b>					
Investigation	\$ -	\$ -	\$ 300	\$ -	\$ 300
<b>Total Legal Fees</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300</b>	<b>\$ -</b>	<b>\$ 300</b>
<b>Auditing</b>					
	\$ -	\$ -	\$ -	\$ 80	\$ 80
<b>Finance</b>					
	\$ -	\$ -	\$ -	\$ 40	\$ 40
<b>Total Program Costs</b>	<b>\$ 31</b>	<b>\$ 201</b>	<b>\$ 2,303</b>	<b>\$ 435</b>	<b>\$ 2,970</b>
<b>Excluding Carrying Costs</b>					

Attachment 5

Northern Illinois Gas Company  
d/b/a Nicor Gas Company  
Response to:  
Illinois Commerce Commission  
Ill. C. C. Docket Nos. 00-0620 and 00-0621 Consolidated  
Second Data Request

- DLS-10 Q. Also in regard to Nicor's response to Staff data request DLS-1:
- a) Please explain how the activities listed under Group Additions Charge are directly linked to the Customer Select Program and why the costs associated with these activities are not being recovered as part of overall administrative expenses.
  - b) What specific activities of questions, calls and service are unique to the Customer Select Program.
  - c) If the Group Additions Charge was not imposed on Customer Select Program suppliers, how would Nicor revenues be impacted?
- A. a) The costs listed under Group Additions Charge are incurred due to the need to switch individual customers served under *Customer Select* from one Supplier to another. Suppliers and customers generally have questions about the switch that must be individually addressed. Additionally, the Company needs to administratively make the switch and then communicate the switch to the three parties involved. The Company incurs these costs solely because it offers *Customer Select*.
- These costs are recovered under the Group Additions Charge as they are directly related to expenses caused by a customer changing Suppliers. Because *Customer Select* was initiated subsequent to the Company's last general rate case, and because the costs are incremental and program-specific, they are not recovered as part of overall administrative expenses.
- b) To date, the Company's experience has been that customers have called to discuss changing Suppliers. The Company describes the process and encourages the

Attachment 5

customer to talk to the current Supplier. On some occasions, the customer has switched Suppliers and then were billed an exit fee. The customer again calls to see if they can be transferred back to the initial Supplier. Suppliers call to confirm the switch and confirm certain customer information. In addition, the Company sends confirmation of the switch to the customer.

- c) If the Group Additions Charge was eliminated, the Company would need to consider seeking recovery of these costs in another manner. The amount of revenue reduction is shown on Exhibit AEH-7, under the heading Customer Switching. However, recovery of these costs through the Group Additions Charge is preferable, as it matches recovery of costs from those who cause the cost.

Company Witness: Albert E. Harms