

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 09-0301**  
**DAS Third Set of Data Requests**

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DAS 3.13 Q. What is the cost basis for the third party billing service charge of \$.25 per bill? Please provide the currently effective cost study.

DAS 3.13 A. The cost basis for the optional third party billing service charge was established on rehearing in ICC Docket Nos. 00-0620 and 00-0621 (consolidated). In that instance, the Commission concluded that only the revenue requirement associated with incremental costs, excluding any allocated portion of fully distributed costs, should be used as the basis to establish the \$.25 per bill charge. Attached as DAS 3.13 Exhibit 1 is the cost study which was used in that proceeding (Nicor Exhibit AEH-12 On Rehearing) as the basis for the charge.

*Witness:* Gerald P. O'Connor

Nicor Gas

Exhibit AEH-12  
 (On Rehearing)

**Customer Select Bill Study**

<b>Assumptions:</b>		IT Capital Expenditures	
Inflation	3%	1998	\$ 326,000
Allowed Return on Rate Base	9.67%	1999	\$ -
Combined Statutory Income Tax Rate	39.667%	2000	\$ -
Estimated Annual Revenue Per Customer	\$ 200	2001	\$ -
Incremental Borrowing Rate	4%	2002	\$ 100,000

  

<b>Abbreviations:</b>	
FDC	= fully distributed cost
CS	= Customer Select

	2002	2003	2004	2005
A Forecasted average # customers	197,500	375,250	477,250	524,000
B Forecasted # bills/year (per exhibit AEH-7)	2,370,000	4,503,000	5,727,000	6,288,000
C Company bills for 50% of bills	1,185,000	2,251,500	2,863,500	3,144,000
D FDC per bill				
(10 bills/year issued, 50.45 cents/bill cost for 2000)	0.535	0.551	0.568	0.585
E 50% of FDC	0.268	0.278	0.284	0.292

<b>Operating Expenses:</b>		2002	2003	2004	2005
F Annual programming maintenance costs	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	
G Personnel to respond to specific supplier questions	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	
H Lost bill insert revenue of 1.5 cents (CS bills require 2 pages leaving less room for bill inserts)	\$ 17,775	\$ 33,773	\$ 42,953	\$ 47,160	
I Incremental interest expense (CS bills delayed 3 days as utility awaits bill info from broker) 50% A * annual revenue * 3365 * borrowing rate	\$ 6,493	\$ 12,337	\$ 15,690	\$ 17,227	
J Incremental call center costs (Supplier charges on the utility bill generate incremental phone calls from customers @ 5% of C*\$3.41)	\$ 202,043	\$ 383,881	\$ 486,227	\$ 536,052	
K Total Operating & Expenses	\$ 351,311	\$ 554,991	\$ 671,870	\$ 725,439	

<b>Capital Costs:</b>		2002	2003	2004	2005
Depreciation (5-year life, 1/2 year convention):					
1998 capital	\$ 65,200	\$ 32,600	\$ -	\$ -	
2001 capital	\$ 10,000	\$ 20,000	\$ 20,000	\$ 20,000	
L Total	\$ 75,200	\$ 52,600	\$ 20,000	\$ 20,000	
Net Rate Base - Beginning of Year					
1998 capital	\$ 97,800	\$ 32,600	\$ -	\$ -	
2001 capital	\$ 90,000	\$ 70,000	\$ 50,000	\$ 30,000	
M Total	\$ 187,800	\$ 102,600	\$ 50,000	\$ 30,000	
N Return on rate base (M*allowed return)	\$ 18,160	\$ 9,921	\$ 4,835	\$ 2,901	
O Income taxes ((N / (1 - combined tax rate)) - N)	\$ 11,940	\$ 6,523	\$ 3,179	\$ 1,907	
P Return and taxes	\$ 30,100	\$ 16,444	\$ 8,014	\$ 4,808	

<b>Summary:</b>		2002	2003	2004	2005
Operating expenses (K)	\$ 351,311	\$ 554,991	\$ 671,870	\$ 725,439	
Depreciation (L)	\$ 75,200	\$ 52,600	\$ 20,000	\$ 20,000	
Return and income taxes (P)	\$ 30,100	\$ 16,444	\$ 8,014	\$ 4,808	
Q Revenue requirement	\$ 456,611	\$ 624,035	\$ 699,884	\$ 750,247	
Requirement needed per CS bill (Q/C)	\$ 0.39	\$ 0.28	\$ 0.24	\$ 0.24	
Allocated FDC (E)	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.29	
Total	\$ 0.65	\$ 0.55	\$ 0.53	\$ 0.53	

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 09-0301**  
**DAS Seventh Set of Data Requests**

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DAS 7.08    Q.    With regard to DAS 3.13,

- a. Please provide the Excel file that supports Exhibit 1 analysis along with any workpapers.
- b. Why did Nicor Gas not propose to update this cost study in either the 2004 or 2008 rate cases?
- c. Why did Nicor Gas not propose to update the third party billing service (“TPBS”) charge to include fully distributed costs (“FDC”) in either the 2004 or 2008 rate cases?
- d. Using the method shown in Exhibit 1 along with the current level of equivalent costs, calculate the rates for TPBS for 2008-2010.
- e. Using the method shown in Exhibit 1 along with the current level of equivalent costs, calculate the rates for Nicor Services billing services for 2008-2010.

Please provide the requested information in an Excel spreadsheet with formulas intact. Please also provide the units for any prices or volumes provided.

DAS 7.08    A.    Objection. This data request is not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving this objection, see the following responses.

- a. Attached as Exhibit 1 is the Excel file for DAS 3.13 Exhibit 1. Also attached as Exhibit 2 are the supporting workpapers from Nicor Exhibit AEH-12 On Rehearing in ICC Docket Nos. 00-0620 and 00-0621.
- b. In order to limit the scope of issues in the 2004 and 2008 rate cases, Nicor Gas did not propose to change the Commission approved charge of \$0.25 per bill for third party billing established in Docket Nos. 00-0620 and 00-0621.
- c. See response to (b) above.
- d. Please see attached Exhibit 3. However, Nicor Gas is not proposing that this is the appropriate methodology for use today.
- e. The method shown in Exhibit 1 is not a fully distributed cost calculation as provided under the Operating Agreement. Therefore, it would not represent an appropriate billing services charge for Nicor Services.

*Witness:*      Gerald P. O’Connor

Nicor Gas

Exhibit AEH-12  
 (On Rehearing)

**Customer Select Bill Study**

<b>Assumptions:</b>		IT Capital Expenditures	
Inflation	3%	1998	\$ 326,000
Allowed Return on Rate Base	9.67%	1999	\$ -
Combined Statutory Income Tax Rate	39.667%	2000	\$ -
Estimated Annual Revenue Per Customer	\$ 200	2001	\$ -
Incremental Borrowing Rate	4%	2002	\$ 100,000

  

<b>Abbreviations:</b>	
FDC	= fully distributed cost
CS	= Customer Select

	2002	2003	2004	2005
A Forecasted average # customers	197,500	375,250	477,250	524,000
B Forecasted # bills/year (per exhibit AEH-7)	2,370,000	4,503,000	5,727,000	6,288,000
C Company bills for 50% of bills	1,185,000	2,251,500	2,863,500	3,144,000
D FDC per bill (10 bills/year issued, 50.45 cents/bill cost for 2000)	0.535	0.551	0.568	0.585
E 50% of FDC	0.268	0.276	0.284	0.292

<b>Operating Expenses:</b>		2002	2003	2004	2005
F Annual programing maintenance costs	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	
G Personnel to respond to specific supplier questions	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	
H Lost bill insert revenue of 1.5 cents (CS bills require 2 pages leaving less room for bill inserts)	\$ 17,775	\$ 33,773	\$ 42,953	\$ 47,160	
I Incremental interest expense (CS bills delayed 3 days as utility awaits bill info from broker) 50% A * annual revenue * 3/365 * borrowing rate	\$ 6,493	\$ 12,337	\$ 15,690	\$ 17,227	
J Incremental call center costs (Supplier charges on the utility bill generate incremental phone calls from customers @ 5% of C*\$3.41)	\$ 202,043	\$ 383,881	\$ 488,227	\$ 536,052	
K Total Operating & Expenses	\$ 351,311	\$ 554,991	\$ 671,870	\$ 725,439	

<b>Capital Costs:</b>		2002	2003	2004	2005
Depreciation (5-year life, 1/2 year convention):					
	1998 capital	\$ 65,200	\$ 32,600	\$ -	\$ -
	2002 capital	\$ 10,000	\$ 20,000	\$ 20,000	\$ 20,000
L Total		\$ 75,200	\$ 52,600	\$ 20,000	\$ 20,000
Net Rate Base - Beginning of Year					
	1998 capital	\$ 97,800	\$ 32,600	\$ -	\$ -
	2002 capital	\$ 90,000	\$ 70,000	\$ 50,000	\$ 30,000
M Total		\$ 187,800	\$ 102,600	\$ 50,000	\$ 30,000
N Return on rate base (M*allowed return)	\$ 18,160	\$ 9,921	\$ 4,835	\$ 2,901	
O Income taxes [(N / (1 - combined tax rate)) - N]	11,940	6,523	3,179	1,907	
P Return and taxes	\$ 30,100	\$ 16,444	\$ 8,014	\$ 4,808	

<b>Summary:</b>		2002	2003	2004	2005
Q Operating expenses (K)	\$ 351,311	\$ 554,991	\$ 671,870	\$ 725,439	
	Depreciation (L)	\$ 75,200	\$ 52,600	\$ 20,000	\$ 20,000
	Return and income taxes (P)	\$ 30,100	\$ 16,444	\$ 8,014	\$ 4,808
Q Revenue requirement	\$ 456,611	\$ 624,035	\$ 699,884	\$ 750,247	
Requirement needed per CS bill (Q/C)	\$ 0.39	\$ 0.28	\$ 0.24	\$ 0.24	
Allocated FDC (E)	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.29	
Total	\$ 0.65	\$ 0.55	\$ 0.53	\$ 0.53	

**Billing and Treasury costs (Twelve months ended 12/31/00)\***

	Activity	Payroll	Additive**	Other	Total	Average Cost Per Utility Cust.(a)
Customer Records and Collection Expenses						
Gas Trans Center / Billing Services	91143	766,696	368,014	32,689	1,167,399	0.59
Computer Services Apportioned to Customer Records	97233	130,324	62,556	178,456	371,336	0.19
Customer Records Special Services	91191	166,692	80,012	584,892	831,596	0.42
Forms and Microfiche for Customer Records	91169	0	0	69,722	69,722	0.04
Postage - Customer Records Special Service	91188	0	0	4,900,324	4,900,324	2.50
Treasury Activities	91385	983,556	472,107	631,364	2,087,027	1.06
Computer Services Apportioned to Customer Information System	97237	88,556	42,507	341,056	472,119	0.24
		<u>2,135,824</u>	<u>1,025,196</u>	<u>6,738,503</u>	<u>9,899,523</u>	5.05
Fully Distributed Cost Per Bill (10bills/year)						0.50450

\* Using actual costs incurred for 2000

\*\* Payroll additive is 48% for 2000

(a) Average number of customers for period of 1,962,235

Nicor Gas

**Customer Select Bill Study**

<b>Assumptions:</b>			IT Capital Expenditures	
Inflation	3%		2004	\$ 394,000
Allowed Return on Rate Base	8.09%		2005	\$ 504,000
Combined Statutory Income Tax Rate	39.745%		2006	\$ 100,000
Estimated Annual Revenue Per Customer	\$ 278		2007	\$ -
Incremental Borrowing Rate	0.24%		2008	\$ -
			2009	\$ -

**Abbreviations:**  
 FDC = fully distributed cost  
 CS = Customer Select

	2008	2009	2010
A Forecasted average # customers	n/a	n/a	n/a
B # bills/year	n/a	n/a	n/a
C Actual/forecasted bills issued per year (actual for 2008 & 2009; forecasted for 2010)	2,629,884	2,678,621	2,253,600
D FDC per bill (from Bill Message Cost Study (Modified for TPBS) DAS 7.09 Exhibit 1)	1.406	1.304	1.355
Adjusted FDC (a)	0.722	0.707	0.792
E 50% of FDC	0.361	0.354	0.396

<b>Operating Expenses:</b>				
F Annual programing costs	\$ 99,700	\$ 123,700	\$ 42,900	
G Personnel to respond to specific supplier questions	\$ 146,000	\$ 155,000	\$ 166,000	
H Lost bill insert revenue of 1.5 cents (CS bills required 2 pgs leaving less room for inserts prior to 9/08; after 9/08 only 1% are 2 pags)	\$ 26,430	\$ 402	\$ 338	
I Incremental interest expense (CS bills delayed 3 days as utility awaits bill info from broker) C * annual revenue per customer bill * 3/365 * borrowing rate	\$ 1,202	\$ 1,224	\$ 1,030	
J Incremental call center costs (Supplier charges on the utility bill generate incremental phone calls from customers @ 5% of C*\$4.09 for '08, \$4.33 for '09 and \$4.62 for '10)	\$ 537,811	\$ 579,921	\$ 520,582	
K Total Operating & Expenses	\$ 811,143	\$ 860,247	\$ 730,850	

<b>Capital Costs:</b>				
Depreciation (5-year life, 1/2 year convention):				
2004 capital	\$ 78,000	\$ 39,400	\$ -	
2005 capital	\$ 100,800	\$ 100,800	\$ 50,400	
2006 capital	\$ 20,000	\$ 20,000	\$ 20,000	
L Total	\$ 198,800	\$ 160,200	\$ 70,400	
Net Rate Base - Beginning of Year				
2004 capital	\$ 117,400	\$ 39,400	\$ -	
2005 capital	\$ 252,000	\$ 151,200	\$ 50,400	
2006 capital	\$ 70,000	\$ 50,000	\$ 30,000	
M Total	\$ 439,400	\$ 240,600	\$ 80,400	
N Return on rate base (M*allowed return)	\$ 35,547	\$ 19,465	\$ 6,504	
O Income taxes [(N / (1 - combined tax rate)) - N]	23,448	12,839	4,290	
P Return and taxes	\$ 58,995	\$ 32,304	\$ 10,795	

<b>Summary:</b>				
Operating expenses (K)	\$ 811,143	\$ 860,247	\$ 730,850	
Depreciation (L)	\$ 198,800	\$ 160,200	\$ 70,400	
Return and income taxes (P)	\$ 58,995	\$ 32,304	\$ 10,795	
Q Revenue requirement	\$ 1,068,938	\$ 1,052,751	\$ 750,247	
Requirement needed per CS bill (Q/C)	\$ 0.41	\$ 0.39	\$ 0.33	
Allocated FDC (E)	\$ 0.36	\$ 0.35	\$ 0.40	
Total	\$ 0.77	\$ 0.75	\$ 0.73	

(a) The FDC was adjusted to remove operating expenses and capital costs from line (D) that are considered on the lines below. This adjustment was made to keep the Customer Select Bill Study consistent with the original format from Docket Nos. 00-0620 and 00-0621.

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 09-0301**  
**DAS Seventh Set of Data Requests**

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- DAS 7.09 Q. With regard to DLH 1.05 Exhibit 24,
- a. Why did Nicor Gas adopt a cost methodology based on the percentage of billable space in Nicor Gas bills as shown in the exhibit?
  - b. When did Nicor Gas adopt a cost methodology based on the percentage of billable space in Nicor Gas bills as shown in the exhibit?
  - c. Why did Nicor Gas not propose to update the TPBS charge to reflect this method in either the 2004 or 2008 rate cases?
  - d. Using the method shown in Exhibit 24 along with the proportional level of space devoted to TPBS bill information (six lines of text), calculate the rates for TPBS for 2008-2010.
- Please provide the requested information in an Excel spreadsheet with formulas intact. Please also provide the units for any prices or volumes provided.

- DAS 7.09 A.
- a. Nicor Gas adopted a cost allocation methodology based on the percentage of billable space because the space on the utility bill was believed to be a reasonable overall cost causative measure.
  - b. Nicor Gas adopted the cost methodology based on the percentage of billable space in Nicor Gas bills beginning in 2001.
  - c. See the DAS 7.08 (b) response.
  - d. See Exhibit 1 for the hypothetical TPBS billing rates calculated using the method as shown in DLH 1.05 Exhibit 24 with the proportional level of space devoted to TPBS bill information for the following years:
    - 2008 – Page 1                      \$0.229
    - 2009 – Page 2                      \$0.341
    - 2010 – Page 3                      \$0.331

*Witness:*        Gerald P. O'Connor

Nicor Gas Company  
 Nicor Services' Bill Message Cost Study (MODIFIED FOR TPBS)  
 Twelve Months Ended June 30, 2007  
**BILLING RATE EFFECTIVE JANUARY 1, 2008**

	Activity	Payroll	Additive (a)	Other	Total	Average Cost Per Utility Cust.(b)
IT Hardware and Software Operations & Maintenance:						
	91160	\$ 217,448	\$ 167,435	\$ 5,599	\$ 390,482	\$0.182
	91156	690,304	531,534	307,288	1,529,126	0.714
	91005/91107			1,314,433	1,314,433	0.614
N'able Software & Hardware Depreciation & ROR Costs: (e)						
		0	0	2,421,668	2,421,668	1.131
		0	0	3,951,025	3,951,025	1.846
				1,152,263	1,152,263	0.538
				370,962	370,962	0.173
Call Center - billing inquiries only: (f)						
	91055	261,266	201,175	659	463,100	0.216
	91108	0	0	330,638	330,638	0.154
	91180	0	0	540,902	540,902	0.253
	91202	2,286,265	1,760,424	128,012	4,174,702	1.950
	91210	487,114	375,078	-	862,192	0.403
				83,358	83,358	0.039
				117,117	117,117	0.055
				47,600	47,600	0.022
	91190/91178	201,429	155,100	3,060	359,588	0.168
	91143	954,176	734,715	143,778	1,832,669	0.856
	91161	94,005	72,384	433,472	599,862	0.280
Customer Records and Collection Expenses:						
	91385	734,228	565,356	778,659	2,078,244	0.971
	91188	0	0	6,635,074	6,635,074	3.100
				185,992	185,992	0.087
				60,206	60,206	0.028
	91191	186,882	143,899	715,565	1,046,347	0.489
	91169	0	0	12,957	12,957	0.006
		<u>6,113,118</u>	<u>4,707,101</u>	<u>19,740,287</u>	<u>30,560,506</u>	<u>\$14.277</u>
Total number of utility bills issued					21,730,548	
Fully distributed cost per issued bill					\$1.406	
= fully distributed cost per available line on a one-page bill (50 lines in body of bill message area)					\$0.028	
<b>= the cost per TPBS' 6 line bill (based on contracted line count) before C-Sel specific costs</b>					<b>\$0.169</b>	
<b>ADDITIONAL COSTS RELATING TO THIRD PARTY BILLING SERVICES RELATING TO CUSTOMER SELECT PROGRAM:</b>						
	<b>91154</b>	<b>24,398</b>	<b>18,786</b>	<b>16,767</b>	<b>59,951</b>	
		<b>99,700</b>			<b>99,700</b>	
					<b>159,651</b>	
Number of Customer Select Customers					2,629,884	
Additional administrative fully distributed cost per Csel Customer					\$0.061	
<b>TOTAL TPBS Bill Message Charge</b>					<b>\$0.229</b>	

(a) Payroll additive of 77% is applied to direct payroll dollars to charge for overhead (indirect) costs.

(b) Used average number of sales customers for the twelve months ended June 30, 2007 (Blue Book Operating Revenue statistics) to calculate the average cost per customer.

2,140,514

(c) IS support staff who run job batches for billing system.

(d) Programmers time for maintaining the general billing system.

(e) Includes depreciation, rate of return and allocation of purchased maintenance contracts for hardware & software billing system assets.

(f) Includes 43.49% of Call Center costs which relate to billing inquiries.

(g) Includes administrative support staff for the Customer Select program. (See Total Costs and Deptal Expenses worksheets for details).

(h) Includes estimate of programming costs for Customer Select program. (See DAS 7.08 Exhibit 3 - F Annual programming costs. Includes payroll additive. Note that capitalized Customer Select programming costs are included with N'able Depreciation & ROR, above.

(i) Excludes programming costs related to the Nicor Services billing functionality as such costs are billed directly to Nicor Services as incurred.

Nicor Gas Company  
 Nicor Services' Bill Message Cost Study (MODIFIED FOR TPBS)  
 Twelve Months Ended June 30, 2008  
**BILLING RATE EFFECTIVE JANUARY 1, 2009**

**DAS 7.09**  
**Exhibit 1**  
**Page 2 of 4**

	Activity	Payroll	Additive (a)	Other	Total	Average Cost Per Utility Cust.(b)	
IT Hardware and Software Operations & Maintenance:							
	IS Computer Operations (c)	\$ 118,293	\$ 92,959	\$ 6,285	\$ 217,537	0.101	
	Internal Software Maintenance (d) (i)	various	978,569	167,334	1,913,626	0.889	
	Purchased maintenance costs (e) (i)	91005/91107		1,016,611	1,016,611	0.472	
N'able Software & Hardware Depreciation & ROR Costs: (e)							
	Software depreciation apportioned to billing software		0	2,421,668	2,421,668	1.124	
	Software return on rate base apportioned to billing software		0	3,754,567	3,754,567	1.743	
	Hardware depreciation apportioned to billing and contact center			1,038,430	1,038,430	0.482	
	Hardware rate of return apportioned to billing and contact center			234,880	234,880	0.109	
Call Center - billing inquiries only: (f)							
	Call Center Adm	91055	222,581	174,778	2,030	399,388	0.185
	1-888-Nicor-4U phone line	91108	0	0	282,132	282,132	0.131
	Cust Req & Inquiry Exit Call Center	91180	0	0	720,031	720,031	0.334
	Customer Req & Inquiry	91202	2,057,234	1,616,229	77,887	3,751,350	1.742
	CCS Quality Development	91210	471,307	371,341	0	842,648	0.391
	Call Center Maintenance Costs				100,352	100,352	0.047
	Phone system - depreciation				103,922	103,922	0.048
	Phone system - return on rate base				34,956	34,956	0.016
	Customer Relations Admin/Correspondence	91190/91178	118,009	92,375	5,093	215,477	0.100
	Gas Trans Center / Billing Services	91143	1,114,373	875,425	95,115	2,084,913	0.968
	Computer Printing (Special Services)	91161	97,720	76,718	418,796	593,235	0.275
Customer Records and Collection Expenses:							
	Remittance Processing	91385	770,178	605,229	839,665	2,215,071	1.028
	Postage - Customer Records Special Service	91188	0	0	7,263,854	7,263,854	3.373
	Remittance Processing assets - depreciation				25,906	25,906	0.012
	Remittance Processing assets - return on rate base				34,923	34,923	0.016
	Customer Records Special Services	91191	152,878	120,056	807,587	1,080,520	0.502
	Forms and Microfiche for Customer Records	91169	0	0	16,416	16,416	0.008
			<u>6,101,140</u>	<u>4,792,833</u>	<u>19,468,441</u>	<u>30,362,414</u>	<u>\$14.098</u>
Total number of utility bills issued (paper & e-bills)					23,284,201		
Fully distributed cost per issued bill					\$ 1.304		
<b>= the cost per TPBS bill (20.6% based on portion of non-common space of utility bill) (before C-Sel specific costs)</b>					\$ 0.269		
<b>ADDITIONAL COSTS RELATING TO THIRD PARTY BILLING SERVICES RELATING TO CUSTOMER SELECT PROGRAM:</b>							
	<b>Rate Administrative Costs (g)</b>	<b>91154</b>	<b>27,044</b>	<b>21,233</b>	<b>21,747</b>	<b>70,024</b>	
	<b>Programming Expenses (h)</b>		<b>123,700</b>		<b>0</b>	<b>123,700</b>	
	<b>Additional costs of Customer Select program</b>					<b>193,724</b>	
	Number of Customer Select Customers					2,678,621	
	Additional administrative fully distributed cost per Csel Customer					\$0.072	
	<b>TOTAL TPBS Bill Message Charge</b>					<b>\$0.341</b>	

- (a) Payroll additive rates of 77% & 80% are applied to direct payroll dollars for the appropriate time periods to recover overhead (indirect) costs.
- (b) Used average number of sales customers for the twelve months ended June 30, 2008 (Blue Book Operating Revenue statistics) to calculate the average cost per customer. 2,153,693
- (c) IS support staff who run job batches for billing system
- (d) Programmers time for routine maintenance of the billing system.
- (e) Includes depreciation, rate of return and allocation of purchased maintenance contracts for hardware & software billing system assets for the new billing system.
- (f) Includes 43.34% of Call Center costs which relate to billing inquiries.
- (g) Includes administrative support staff for the Customer Select program. (See Total Costs and Deptal Expenses worksheets for details).
- (h) Includes estimate of programming costs for Customer Select program. (See DAS 7.08 Exhibit 3 - F Annual programming costs. Includes payroll additive.
- (i) Excludes programming costs related to the Nicor Services billing functionality as such costs are billed directly to Nicor Services as incurred.

Nicor Gas Company  
 Nicor Services' Bill Message Cost Study (MODIFIED FOR TPBS)  
 Twelve Months Ended June 30, 2009  
**BILLING RATE EFFECTIVE JANUARY 1, 2010**

**DAS 7.09**  
**Exhibit 1**  
**Page 3 of 4**

	Activity	Payroll	Additive (a)	Other	Total	Average Cost Per Utility Cust.(b)
IT Hardware and Software Operations & Maintenance:						
IS Computer Operations (c)	91160	\$ 96,412	\$ 75,238	\$ 7,628	\$ 179,279	0.083
Internal Software Maintenance (d) (i)	various	1,275,092	992,357	225,414	2,492,863	1.151
Purchased maintenance costs (e) (i)	91005/91107			1,407,735	1,407,735	0.650
N'able Software & Hardware Depreciation & ROR Costs: (e)						
Software depreciation apportioned to billing software		0	0	2,524,003	2,524,003	1.166
Software return on rate base apportioned to billing software		0	0	3,359,644	3,359,644	1.552
Hardware depreciation apportioned to billing and contact center				1,773,891	1,773,891	0.819
Hardware rate of return apportioned to billing and contact center				433,290	433,290	0.200
Call Center - billing inquiries only: (f)						
Call Center Adm	91055	259,478	202,296	1,573	463,347	0.214
1-888-Nicor-4U phone line	91108	0	0	269,135	269,135	0.124
Cust Req & Inquiry Exit Call Center	91180	0	0	1,086,314	1,086,314	0.502
Customer Req & Inquiry	91202	1,995,479	1,557,409	148,597	3,701,485	1.709
CCS Quality Development	91210	362,749	282,547	0	645,296	0.298
Call Center Maintenance Costs				86,053	86,053	0.040
Phone system - depreciation				101,482	101,482	0.047
Phone system - return on rate base				30,864	30,864	0.014
Customer Relations Admin/Correspondence	91190/91178	465,633	363,350	13,136	842,120	0.389
Gas Trans Center / Billing Services	91143	1,329,762	1,036,917	235,208	2,601,887	1.202
Computer Printing (Special Services)	91161	78,165	61,389	160,647	300,201	0.139
Customer Records and Collection Expenses:						
Remittance Processing	91385	784,279	611,745	783,434	2,179,458	1.007
Postage - Customer Records Special Service	91188	0	0	9,939,476	9,939,476	4.590
Customer Records Special Services	91191	156,366	122,280	2,021,383	2,300,029	1.062
Forms and Microfiche for Customer Records	91169	32,089	24,387	74,975	131,450	0.061
		<u>6,835,504</u>	<u>5,329,914</u>	<u>24,683,881</u>	<u>36,849,300</u>	<u>\$17.018</u>
Total number of utility bills issued (paper & e-bills)					27,198,742	
Fully distributed cost per issued bill					\$ 1.355	
<b>= the cost per TPBS bill (20.6% based on portion of non-common space of utility bill) (before C-Sel specific costs)</b>					\$ 0.279	
<b>ADDITIONAL COSTS RELATING TO THIRD PARTY BILLING SERVICES RELATING TO CUSTOMER SELECT PROGRAM:</b>						
Rate Administrative Costs (g)	91154	28,555	22,262	22,936	73,754	
Programming Expenses (h)		42,900			42,900	
<b>Additional costs of Customer Select program</b>					<u>116,654</u>	
Number of Customer Select Customers					2,253,600	
Additional administrative fully distributed cost per Csel Customer					\$0.052	
<b>TOTAL TPBS Bill Message Charge</b>					<b>\$0.331</b>	

(a) Payroll additive rates of 80% & 76% are applied to direct payroll dollars for the appropriate time periods to recover overhead (indirect) costs.

(b) Used average number of sales customers for the twelve months ended June 30, 2009 (Blue Book Operating Revenue statistics) to calculate the average cost per customer. 2,165,302

(c) IS support staff who run job batches for billing system.

(d) Programmers time for maintaining the billing system.

(e) Includes depreciation, rate of return and allocation of purchased maintenance contracts for hardware & software billing system assets for the new billing system.

(f) Includes 44% of Call Center costs which relate to billing inquiries.

(g) Includes administrative support staff for the Customer Select program. (See Total Costs and Deptal Expenses worksheets for details).

(h) Includes estimate of programming costs for Customer Select program. (See DAS 7.08 Exhibit 3 - F Annual programming costs. Includes payroll additive).

(i) Excludes programming costs related to the Nicor Services billing functionality as such costs are billed directly to Nicor Services as incurred.

**Northern Illinois Gas Company d/b/a Nicor Gas Company**  
**Response to: Illinois Commerce Commission**  
**Ill.C.C. Docket No. 09-0301**  
**DAS Seventh Set of Data Requests**

**DAS 7.09**  
**Exhibit 1**  
**Page 4 of 4**

**This worksheet calculates total Rate Administrative Costs related to the Third Party Billing Services (TPBS) based on a twelve month ending (June 30th) time period.**

**TOTAL RATE ADMINISTRATIVE COSTS (Payroll and other departmental expenses)**

		2006	2007	2008	2009
91534 Nigas Unb - Pilot	June YTD	73,938	62,704	68,428	73,093
91534 Nigas Unb - Pilot	Calendar year	119,465	130,058	138,570	150,305

Computed for Twelve Month Ended periods - June 30:	For Years	Total Direct Costs.
	2007	\$108,231
	2008	\$135,781
	2009	\$143,235

Source: Essbase ACReport cube.

**RATE PAYROLL ONLY COSTS**

		2006	2007	2008	2009
91534 Nigas Unb - Pilot	Payroll June YTD	61,854	65,016	68,160	72,714
91534 Nigas Unb - Pilot	Payroll Calendar year	118,827	132,075	138,222	148,868
Payroll Additive Rates		77%	77%	80%	76%

**RATE ADMINISTRATIVE COSTS TO INCLUDE FOR TPBS: (Assumes 20% of above costs for time spent on TPBS)**

Computed for Twelve Month Ended periods - June 30th. Per pages 1,2,3	For Years	Direct Payroll	Indirect (Payroll Additive)	Other Direct Costs	Total Expenses
	2007	24,398	18,786	16,767	59,951
	2008	27,044	21,233	21,747	70,024
	2009	28,555	22,262	22,936	73,754

Source: Essbase ACReport cube.