

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

NORTHERN ILLINOIS GAS COMPANY )  
d/b/a NICOR GAS COMPANY )  
)  
Reconciliation of Revenues Collected )  
Under Rider 29 – Energy Efficiency ) Docket No. 11-0667  
Plan with Prudent Costs Associated with )  
Energy Efficiency Plan Expenditures )

SECOND REVISED  
Direct Testimony of

**DONALD F. MARTINO**

Senior Rate Analyst  
Nicor Gas Company

January 17, 2012

1 **I. INTRODUCTION AND BACKGROUND**

2 **A. WITNESS IDENTIFICATION**

3 **Q. Please state your name and business address.**

4 A. Donald F. Martino, 1844 Ferry Road, Naperville, Illinois 60563.

5 **Q. By whom are you employed?**

6 A. Northern Illinois Gas Company d/b/a Nicor Gas Company (“Nicor Gas” or the  
7 “Company”).

8 **B. BACKGROUND AND EXPERIENCE**

9 **Q. What position do you hold with Nicor Gas?**

10 A. I am a Senior Rate Analyst.

11 **Q. How long have you been employed by Nicor Gas?**

12 A. Eighteen years.

13 **Q. What are your responsibilities in that position?**

14 A. I am responsible for coordinating, reviewing and conducting analytical activities related  
15 to rate and tariff administration, and for supporting the development of rate policies for  
16 the Company.

17 **Q. Please summarize your educational background and experience.**

18 A. I hold a Bachelor of Science degree in Accounting from the University of Illinois at  
19 Chicago, and a Master of Business Administration in Finance from DePaul University. I  
20 began my employment with Nicor Gas in 1993 as an accountant in Corporate  
21 Accounting. Since that time I have held positions in Credit Administration and Office of  
22 the Assistant Treasurer Departments of Nicor Gas. In July 2000, I assumed my current  
23 position in the Rate Department as Senior Rate Analyst.

24 **C. NICOR GAS OPERATIONS AND**  
25 **SUBJECT MATTER OF PROCEEDING**

26 **Q. Please give a brief description of the operations and status of Nicor Gas.**

27 A. Nicor Gas is a corporation organized and existing under the laws of the State of Illinois,  
28 having its principal office at 1844 Ferry Road, Naperville, Illinois 60563. It is engaged in  
29 the business of purchasing natural gas and distributing, selling and transporting natural  
30 gas to approximately 2.2 million customers in the northern third of Illinois. Nicor Gas is  
31 a public utility within the meaning of the Public Utilities Act.

32 **Q. Please describe the subject matter of this proceeding.**

33 A. Nicor Gas' Schedule of Rates for Gas Service, Ill.C.C. No. 16 – Gas, includes Rider 29,  
34 Energy Efficiency Plan (“EEP”). The Illinois Commerce Commission (the  
35 “Commission”) approved Rider 29 in the Company’s last general rate case. Docket No.  
36 08-0363, Order at 156-59 (Mar. 25, 2009) (“2008 Rate Case Order”). Rider 29 became  
37 effective April 3, 2009. Each year, Rider 29 calls for Nicor Gas to file charges (called the  
38 “Effective Component”) with the Commission. The Effective Component is a monthly  
39 per-customer charge based on the Annual Plan Budget as approved by Order of the  
40 Commission. Rider 29 is applicable to Rate 1 – Residential Service, Rate 4 – General  
41 Service and Rate 74 – General Transportation Service. There is a separate Effective  
42 Component for Rate 1 - Residential Service and Rates 4 and 74 are combined and  
43 categorized as Non-Residential Service. Section C of Rider 29 requires Nicor Gas to file  
44 annually, no later than September 30, an EEP Statement of Activity and a report showing  
45 the reconciliation adjustment (“RA”) that will be in effect during the nine-month period  
46 beginning October 1. Section C of Rider 29 also requires that Nicor Gas, at the time of  
47 filing its reconciliation statement, file a petition seeking initiation of an annual

48 reconciliation to determine the accuracy of the EEP Statement. Nicor Gas witness Mr.  
49 James J. Jerozal, Jr. (Nicor Gas Ex. 2.0) testifies to the EEP Statement of Activity.

50 **II. ITEMIZED ATTACHMENTS**

51 **Q. Are there any exhibits to your direct testimony?**

52 A. Yes. Nicor Gas Exhibit 1.1R2 is a report showing the determination of the  
53 Reconciliation Adjustment.

54 **III. PURPOSE OF TESTIMONY**

55 **Q. What is the purpose of your revised direct testimony?**

56 A. This testimony explains Nicor Gas' reconciliation of Energy Efficiency Plan Revenues  
57 ("EEPR") collected, compared with the Energy Efficiency Plan Expenses ("EEPE")  
58 incurred, as recorded on the books of the Company, for the period of July 1, 2010  
59 through August 31, 2011. My testimony and the attached exhibit are submitted pursuant  
60 to the requirements identified in Section C of Rider 29. The testimony was revised to  
61 reflect a correction to recoverable expenses.

62 **IV. RIDER 29 RECONCILIATION**

63 **Q. What Rider 29 period is being reconciled in this proceeding?**

64 A. Rider 29 requires a reconciliation of revenues for each "Plan Period," which is typically  
65 the twelve-month period beginning each July 1. Since this is the final Plan Period  
66 reconciliation, this reconciliation reflects a fourteen-month Plan Period as the final  
67 adjustment under Rider 29. Accordingly, the reconciliation period, which is the subject  
68 of my testimony, is for the second and final Plan Period July 1, 2010, through August 31,  
69 2011.

70 **Q. Why is the Plan Period being extended for two months?**

71 A. With the beginning of the mandated state-wide energy efficiency programs under the  
72 Company's Rider 30, Energy Efficiency Plan Cost Recovery, energy efficiency programs  
73 under Rider 29 concluded on June 30, 2011, in accordance with Section D of the rider  
74 (Ill.C.C. No. 16 – Gas, Second Revised Sheet No. 82.2). It was identified that along with  
75 the termination of Rider 29 programs, some final expenditures will extend past the typical  
76 June 30 Plan Period ending date. In discussions with Commission Staff member John  
77 Hendrickson, the Company and Staff agreed to extend the final Plan Period to a closer  
78 time when the final reconciliation adjustment needed to be filed. The agreement was to  
79 extend the final Plan Period beyond June 30, 2011 for two months to include July and  
80 August, which would help recognize more of the Rider 29 completion expenditures that  
81 are applicable to service classifications specific to Rider 29.

82 **Q. Is there anything else unique about the reconciliation of the final Plan Period?**

83 A. Yes. Normally, the annual Reconciliation Adjustment is amortized over a nine-month  
84 period, and includes the Carry Over Budget in the calculation. Since this calculation is  
85 for the final reconciliation, the Carry Over Budget is no longer relevant. In fact, the  
86 calculation becomes simplified and only requires computations involving the EEPE, the  
87 EEPR and interest on the balance that will be refunded to the customers.

88 As ordered by the Commission in Nicor Gas' Rider 30 docket, Docket No. 10-  
89 0562, Order at 65 (May 24, 2011), Nicor Gas again conferred with John Hendrickson of  
90 Staff, and an agreement was made to amortize and refund the Reconciliation Adjustment  
91 in one (1) month rather than the normal nine-month amortization period. This will  
92 minimize the number of consecutive months both Rider 29 and Rider 30 charges will

93 appear simultaneously as individual line-items on customers' bills, thereby reducing  
94 customer confusion.

95 **Q. Please describe Nicor Gas Exhibit 1.1R2.**

96 A. Nicor Gas Exhibit 1.1R2 consists of three pages, and includes a report (Page 2) showing  
97 the determination of the Reconciliation Adjustment ("RA") as revised to reflect a  
98 correction to recoverable expenses. Together with the other two pages (collectively  
99 called the "Statement"), the exhibit contains supporting documentation of the RA  
100 components that should have been effective for the period beginning October 1, 2011  
101 through October 31, 2011 (Pages 2 and 3), as well as the RA components that were  
102 effective for that same period (Page 1).

103 **Q. What is the purpose of the Statement?**

104 A. The Statement shows the applicable RA for customers served under Nicor Gas'  
105 Residential Service – Rate 1 and Non-Residential services, collectively Rates 4 and 74, as  
106 it was effective in October 2011 (Page 1). It also shows the derivation of each RA  
107 component as revised and provides supporting data (Pages 2 and 3).

108 **Q. Please describe the elements of the Statement.**

109 A. In general, the Statement includes, for each applicable service classification, the  
110 following information:

- 111 • Page 1 is a copy of the information sheet filed with the Commission on or before  
112 September 30, 2011 and represents a monthly per-customer refund billed October  
113 1, 2011 through October 31, 2011.
- 114 • Page 2 shows the determination of the revised RA as described under Section  
115 B(2) of Rider 29. Reference notes are provided in column E for each line. Lines

116 1 through 8 represent the calculation of the Total Reconciliation Adjustment in  
117 dollar amounts, including Interest. This amount is the result of deducting EEPR  
118 from EEPE and adding the prior year's RA and applicable Interest. Line 10  
119 represents the monthly per-customer RA. It is derived by dividing the Total  
120 Reconciliation Adjustment dollar amount on Line 8 by the expected number of  
121 customers ("CUST") for the month of October 2011 on Line 9. An RA must  
122 calculate to one cent or more.

123 • Page 3 shows the aggregation of monthly EEPE and EEPR. EEPE represents the  
124 actual amount of expenses accrued by the Company during the previous plan  
125 period as revised to reflect a correction to recoverable expenses. EEPR represents  
126 the amount of billed and unbilled revenues arising from application of the  
127 Effective Components during the previous plan period. Both EEPE and EEPR  
128 have a subtotal on Line 13 representing what would typically have been the end of  
129 the second Plan Period (July 1, 2010 through June 30, 2011). The subtotal on  
130 Line 16 is the sum of the additional two months needed to extend the final Plan  
131 Period and recognize more of the Rider 29 completion expenditures. The grand  
132 totals of EEPE and EEPR for each applicable residential and non-residential  
133 service classification are shown on Line 17.

134 **Q. Does the amount of EEPE shown as \$10,417,366 on Line 4 of Page 2 of Nicor Gas**  
135 **Exhibit 1.1R2 agree with the Second Plan Year total amount of expenses identified**  
136 **in Nicor Gas Exhibit 2.2 – Final Expenses by Measure?**

137 A. Yes. The combined sum of Residential expenses of \$8,103,508.16 for Rate 1 plus Non-  
138 Residential expenses of \$2,313,857.73 for Rates 4 and 74, identified in Nicor Gas Exhibit

139 2.2, is the same amount shown on Line 4 of Nicor Gas Exhibit 1.1R2 for which the  
140 Company is seeking recovery in this reconciliation proceeding.

141 **Q. How much was calculated as refundable or recoverable from Rate 1 – Residential**  
142 **Service customers over the period beginning October 1, 2011 and ending on October**  
143 **31, 2011?**

144 A. \$824,028 was calculated as being refundable to Rate 1 customers.

145 **Q. What is the RA component that should have been effective for Rate 1 – Residential**  
146 **Service customers beginning October 1, 2011?**

147 A. Rider 29 requires that the reconciliation adjustment must calculate to one cent or more  
148 per customer per month. The dollar amount of (\$824,028) as identified on Line 8 of Page  
149 2 is sufficient to result in an adjustment greater than a penny. As a result, the RA  
150 component for Rate 1 – Residential Service customers should have been negative 41  
151 cents, or a credit of \$0.41.

152 **Q. How much was calculated as refundable or recoverable from Rates 4 and 74 – Non-**  
153 **Residential Service customers over the period beginning October 1, 2011 and ending**  
154 **on October 31, 2011?**

155 A. \$1,520,776 was calculated as being refundable to Rates 4 and 74 customers.

156 **Q. What is the RA component that should have been effective for Rates 4 and 74 –**  
157 **Non-Residential Service customers beginning October 1, 2011?**

158 A. The dollar amount of (\$1,520,776) as identified on Line 8 of Page 2 is sufficient to result  
159 in a refund adjustment of one cent or more. As a result, the RA component for Rates 4  
160 and 74 – Non-Residential Service customers should have been negative 800 cents, or a  
161 credit of \$8.00.

162 **Q. Please describe how the RA components were reflected on customers' bills.**

163 A. The new and revised Effective Component is now the RA component that has just been  
164 calculated for the previous and final Plan Period. It is identified as "Total Charge" on the  
165 information sheet (Nicor Gas Ex. 1.1R2, Page 1) and would have been shown on  
166 customers' bills issued on or after October 1, 2011 as a separate line item for a single  
167 billing period.

168 **Q. Were the RA components as determined in Nicor Gas Exhibit 1.1R2, Page 2 the**  
169 **same RA components that were shown on customers' billing during the October**  
170 **2011 billing period?**

171 A. No. The RA components presented on customer billing during October 2011 billing were  
172 as identified in Nicor Gas Exhibit 1.1R2, Page 1 and were credits of \$0.38 and \$7.84 for  
173 Rate 1 – Residential Service and Rates 4 and 74 Non-Residential Service, respectively.

174 **Q. Please explain how Nicor Gas plans to make any necessary adjustments to**  
175 **customers' October 2011 billing to reflect the small increase in the RA component**  
176 **credit amounts as identified in Nicor Gas Exhibit 1.1R2, Page 2.**

177 A Nicor Gas believes the overall impact of any necessary adjustment to customer billing  
178 will be comparatively small, possibly even smaller than any remaining adjustments  
179 determined to be necessary at the conclusion of this rider. It was always presumed that  
180 after the final reconciliation of Rider 29, some small amount of revenue over/under  
181 collection would exist. In conjunction with Nicor Gas' Rider 30 – Energy Efficiency  
182 Plan Cost Recovery effective June 1, 2011, which replaced Rider 29, Nicor Gas would  
183 propose to add any calculated over/under collection, inclusive of the impact of interest, to  
184 the RIC component (Reimbursements Incremental Cost) associated with the appropriate

185 class of service, thereby providing for any necessary correction in amounts previously  
186 billed. (*See* Docket No. 10-0562, Order at 64 (May 24, 2011)).

187 **V. CONCLUSION**

188 **Q. Does this conclude your direct testimony?**

189 **A.** Yes.