

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company	:	
d/b/a Nicor Gas Company	:	
	:	
Reconciliation of Revenues Collected	:	11-0667
Under Rider 29 – Energy Efficiency Plan	:	
with Prudent Cost Associated with	:	
Energy Efficiency Plan Expenditures	:	

ORDER

By the Commission:

I. Procedural History

The Illinois Commerce Commission (the “Commission”) approved Northern Illinois Gas Company d/b/a Nicor Gas Company’s (“Nicor Gas” or the “Company”) Rider 29 – Energy Efficiency Plan (“Rider 29” or “Rider EEP”) in Docket No. 08-0363, Nicor Gas’ last rate case. Docket No. 08-0363, Order at 156-59 (Mar. 25, 2009 and Oct. 7, 2009, collectively “Rate Case Order”). Rider 29 requires Nicor Gas to file annually, no later than September 30 each year, a Rider 29 Statement of Activity for the Previous Plan Period and a report showing the determination of the Reconciliation Adjustment to be in effect during the Reconciliation. Ill. C.C. No. 16- Gas, Second Revised Sheet No. 82.2, Section C. Accordingly, on September 30, 2011, Nicor Gas filed a petition with the Commission seeking to initiate this docket for the annual reconciliation to determine the accuracy of Nicor Gas’ Rider 29 Statement of Activity for its second and final Plan Period. Nicor Gas’ reconciliation covers the fourteen-month period of July 1, 2010 through August 31, 2011 to include expenses associated with winding down programs and program evaluation. In support of the petition, Nicor Gas filed the direct testimony of Mr. Donald F. Martino, Senior Rate Analyst at Nicor Gas, and Mr. James J. Jerozal, Jr., General Manager, Energy Efficiency at Nicor Gas.

Staff of the Commission (“Staff”) entered an appearance. Pursuant to due notice as required by law and by the rules and regulations of the Commission, prehearing conferences were held in this matter before a duly-authorized Administrative Law Judge (“ALJ”) of the Commission at its offices in Chicago on January 25, 2012 and June 6, 2012.

On May 24, 2012, Staff filed the direct testimony of Ms. Burma C. Jones, Accountant, Accounting Department, Financial Analysis Division at the Commission. On August 9, 2012, Nicor Gas filed the rebuttal testimony of Mr. Martino. On December 20, 2012, Staff filed the rebuttal testimony of Ms. Jones.

A final hearing was held in this matter on January 23, 2013. The parties agreed to waive cross examination of witnesses and submitted all testimony by affidavits filed on January 22, 2013. There were no contested issues at the completion of the hearing which was marked "Heard and Taken" and the parties agreed to file a Draft Order. On February 22, 2013, Nicor Gas filed a Draft Order that had been previously reviewed by Staff, and to which Staff did not object, for the ALJ's consideration.

II. Rider 29 Requirements

Rider 29 requires Nicor Gas to annually file charges (called the "Effective Component") with the Commission. The Effective Component is a monthly per-customer charge based on the Annual Plan Budget as approved by Order of the Commission. Rider 29 is applicable to Rate 1 – Residential Service, Rate 4 – General Service and Rate 74 – General Transportation Service. There is a separate Effective Component for Rate 1 – Residential Service and Rates 4 and 74 are combined and categorized as Non-Residential Service. In accordance with Section C of Rider 29, Nicor Gas seeks a reconciliation of Energy Efficiency Plan Revenues ("EEPR") collected, compared with the Energy Efficiency Plan Expenses ("EEPE") incurred, as recorded on the books of the Company, for the period of July 1, 2010 through August 31, 2011. Section C of Rider 29 requires Nicor Gas to file annually, no later than September 30, a statement of activity and a report showing the determination of the Reconciliation Adjustment under the rider to be in effect during the Reconciliation Period. Nicor Gas witness Mr. Martino testified about Nicor Gas' reconciliation, and Nicor Gas witness Mr. Jerozal testified about the EEP statement of activity.

As to the Plan Period, Statement of Activity and Statement of Reconciliation Adjustments, discussed below, the Commission finds that Nicor Gas complied fully with its obligations under Rider 29.

A. Plan Period

Rider 29 requires a reconciliation of revenues for each Plan Period, which is typically the twelve-month period beginning July 1; however, the Plan Period has been extended by two months because this is the final adjustment under Rider 29. Accordingly, the Plan Period for this docket is July 1, 2010 through August 31, 2011.

B. Statement of Activity

Section C of Rider 29 states that "[c]ommencing in 2010, the Company shall also file annually with the Commission, no later than September 30, an EEP statement of activity, including program descriptions, for the Previous Plan Period and a report showing the determination of the Reconciliation Adjustment to be in effect during the Reconciliation Period." Ill.C.C. No. 16-Gas, Second Revised Sheet No. 82.2, Section C.

Mr. Jerozal presented Nicor Gas Exhibit 2.1R2, the Rider 29 Statement of Activity identified as "Rider 29 Energy Efficiency Program Final Report." The Statement of Activity contains a description of each of the seven energy efficiency programs available under Rider 29 and includes the following information: (1) Executive

Summary; (2) Description of Each Program's Objectives; (3) Program Marketing Strategies; (4) Program Costs and Therm Saving Results; (5) Participant Geographic Distribution; and (6) Lessons Learned. Staff did not present testimony regarding the Statement of Activity.

C. Statement of Reconciliation Adjustments

Rider 29 calls for Nicor Gas to submit a report showing the reconciliation adjustment ("RA"). Mr. Martino presented Nicor Gas Exhibit 1.1R2, which is the report showing the determination of the RA as revised to reflect a correction to recoverable expenses. Nicor Gas Exhibit 1.1R2 contains supporting documentation of the RA components that should have been effective for the period beginning October 1, 2011 through October 31, 2011, as well as the RA components that were effective for that same period (collectively, the "Statement"). Page 2 of the Statement demonstrates how Nicor Gas calculated the revised RA as described under Section B(2) of Rider 29 for Residential Service – Rate 1 and Non-Residential services, collectively Rates 4 and 74. Because this is the final Rider 29 reconciliation, the calculation of the RA becomes simplified and only requires computations involving the EEPE, the EEPR and interest on the balance that will be refunded to the customers.

III. Staff's Adjustments

Nicor Gas calculated \$824,028 as being returnable to Rate 1 – Residential Service customers over the period beginning October 1, 2011 and ending on October 31, 2011, resulting in a credit of 41 cents to each customer. Nicor Gas also calculated \$1,520,776 as being returnable to Rates 4 and 74 – Non-Residential Service customers over the period beginning October 1, 2011 and ending on October 31, 2011, resulting in a credit of \$8.00 to such customers.

Staff witness Ms. Jones proposed adjustments to disallow (1) incentive compensation costs and (2) certain wages and benefits costs included in EEP expenses for the period covered by this reconciliation. Specifically, Staff proposed to disallow the recovery of the incentive compensation because the Company did not prove that there is any benefit to ratepayers for incentive compensation costs in the context of energy efficiency and there must be a benefit associated with energy efficiency for the incentive compensation costs to be recoverable through Rider 29. Staff also proposed to disallow the recovery of certain wages and benefits because they were not additional costs incurred by the Company due to implementation of the Rider 29-Energy Efficiency Plan and creation of the Energy Efficiency Department and, therefore, should not be recovered through Rider 29. More particularly, Staff contended that the Company was already recovering the wages and benefits in question through base rates set in the Company's last rate proceeding, Docket No. 08-0363.

Consistent with its arguments in the previous year's reconciliation, ICC Docket No. 10-0567, Nicor Gas presented evidence in response to Staff's proposed adjustments and asserted that the incentive compensation costs and wages and benefits in question were prudent and reasonable and incurred related to the

administration of the EEP for the second plan year. Therefore, the costs at issue qualified as “EEP Expenses” as defined in Rider 29 and were recoverable under the provisions of the rider. The Final Order in 10-0567, issued on November 28, 2012, adopted Staff’s proposed adjustments for incentive compensation and wages and benefits. In order to reduce the uncertainty of litigation, to conserve resources, and to simplify the resolution of issues in this proceeding, Nicor Gas agreed to accept Staff’s adjustments in this proceeding. It is Nicor Gas’ position that the resolution of the incentive compensation and wages and benefits issues in this proceeding should not be treated as precedential or binding on Nicor Gas in connection with any other currently pending or future cases.

The resolution of the incentive compensation and wages and benefits issues is supported by the entire record of evidence before the Commission and is otherwise in accordance with law. Since this is the final reconciliation under Rider 29 and Nicor Gas has already refunded the total reconciliation adjustment including interest for the Rider 29 pilot program to the ratepayers during the month of October 2011, the refunds resulting from Staff’s adjustments to Rider 29 will be included in the Company’s Rider 30 – Energy Efficiency Plan Cost Recovery reconciliations.

IV. Findings and Ordering Paragraphs

There are no issues between the parties for the Commission to resolve in this proceeding. Accordingly, based on the record herein, the Commission concludes that Nicor Gas’ Rider 29 Reconciliation Adjustments as adjusted by Staff and reflected in the attached Appendix are accurate and should be approved.

The Commission, having given due consideration to the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Northern Illinois Gas Company d/b/a Nicor Gas Company is a corporation engaged in the sale and distribution of natural gas in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;
- (2) the Commission has jurisdiction over the Company and the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the evidence and the record and are hereby adopted as findings of fact;
- (4) the costs and expenses sought to be recovered by Northern Illinois Gas Company d/b/a Nicor Gas Company regarding Rider-29 Energy Efficiency Plan with the exceptions noted by Staff were reasonably and prudently incurred;
- (5) the Company’s Rider 29 Reconciliation Adjustments summarized in Nicor Gas Exhibit 1.1R2 shall be amended in conformity with this Order, as reflected in the attached Appendix; and

- (6) the Company shall credit the relevant customer groups with the additional amounts determined to be due in conformity with this Order through the operation of Rider 30 given that Rider 29 is no longer in effect.

IT IS THEREFORE ORDERED that the Reconciliation Adjustments submitted by Northern Illinois Gas Company d/b/a Nicor Gas Company under Rider 29 – Energy Efficiency Plan for a cost period of July 1, 2010 through August 31, 2011 and an adjustment period of October 1, 2011 through October 31, 2011 and summarized in Nicor Gas Exhibit 1.1R2 as amended as indicated in the foregoing Order is hereby approved.

IT IS THEREFORE ORDERED that Northern Illinois Gas Company d/b/a Nicor Gas Company shall credit the relevant customer groups with the additional amounts determined to be due in conformity with this Order through the operation of Rider 30.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Illinois Administrative Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 6th day of March, 2013.

(SIGNED) DOUGLAS P. SCOTT

CHAIRMAN