

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION

ORIGINAL

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

JUL 18 1 20 PM '97

CHIEF CLERK'S OFFICE

In the Matter of :
CONSUMERS GAS COMPANY : Docket No. 97-0338
Petition Pursuant to §7-101 :
of The Public Utilities Act :
seeking authority to enter a :
Gas Sales Agreement :
in which an affiliated :
interest exists. :

P E T I T I O N

To the Illinois Commerce Commission:

1. Petitioner, Consumers Gas Company, respectfully shows that it is a corporation duly organized and existing under the laws of Illinois and is engaged in the distribution and sale of natural gas to the public in the State of Illinois (hereafter "Petitioner" or "Consumers"). Consumers serves approximately 6,000 customers, counting the Shawneetown and Equality, Illinois, municipal systems each as one customer, in southeastern Illinois.

2. It is a public utility within the meaning of an Act entitled, "The Public Utilities Act" (the "Act"), now in force in Illinois and is subject to the jurisdiction of this Commission.

3. Egyptian Gas Storage Corporation is an Illinois corporation which, in part, owns, stores and sells natural gas (hereafter "Egyptian").

4. Petitioner, for the past several years, has had a gas sales agreement in effect with ENSCO. ENSCO was one of Consumers gas suppliers. The cost of gas purchases from ENSCO were,

OFFICIAL FILE

Consumers G.R. CR Exhibit No. 97-0570

Witness _____

Date 3-19-13 Reporter LP CGC Group Exhibit 1.0

throughout those several years, a part of the cost of gas of Petitioner, which cost was a part of Petitioner's annual Purchased Gas Adjustment clause reconciliation proceedings and which, in those proceedings, resulted in Order from this Commission which found Petitioner's gas purchases to have been prudently made.

5. ENSCO has experienced a change in its business such that it has no further interest in doing business with Egyptian or Consumers and Consumers now seeks to enter a direct contractual relationship with Egyptian for gas purchases, which agreement will be substantially identical to prior gas sales agreements between ENSCO and Consumers. A copy of the Agreement which Petitioner seeks authority to enter with Egyptian is attached hereto as Exhibit "A" and fully incorporated by this reference.

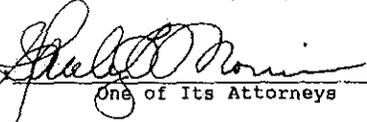
6. The ownership and officers of Consumers and Egyptian are such that an affiliated interest exists as defined in §7-101 of The Public Utilities Act.

7. The Agreement, which Petitioner seeks to enter with Egyptian, is in the public interest and the execution of same should be authorized.

WHEREFORE, all for the reasons stated above, Consumers Gas Company prays for authority to enter a Gas Sales Agreement with Egyptian Gas Storage Corporation in which an affiliated interest exists as defined under § 7-101 of The Public Utilities Act.

Respectfully submitted,

CONSUMERS GAS COMPANY, Petitioner

By 
One of Its Attorneys

GAS SALES AGREEMENT

This Gas Sales Agreement dated this _____ day of _____, 1997, by and between CONSUMERS GAS COMPANY, an Illinois Corporation, (hereinafter called "Buyer") and EGYPTIAN GAS STORAGE, INC., an Illinois Corporation (hereinafter called "Seller").

WITNESSETH:

WHEREAS, Buyer is actively seeking supplies of natural gas for its system supply; and

WHEREAS, Seller has gas supplies available which Seller desires to sell to Buyer; and

WHEREAS, Seller and Buyer desire to enter into an agreement relating to the sale and purchase of natural gas, all as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, Seller and Buyer hereby mutually covenant and agree as follows:

ARTICLE I - Quantity

1.1 Seller agrees to deliver and sell and Buyer agrees to receive gas on an as needed basis. At least ten (10) days prior to the beginning of each month, Buyer shall confirm to Seller Buyer's monthly requirement of gas.

ARTICLE II - Delivery Point and Pressure

2.1 Seller shall arrange for the delivery of the gas hereunder at the measurement station located at the interconnect of the Seller's line and the Carmi line adjacent to the Texas Eastern measurement station and tap #089 and at a measurement station located at the Mills Storage Field connection to Consumers 3" line to its Norris City System.

2.2 Buyer, or its designee, shall install, own, operate and maintain, at its own expense, any facilities which may be required downstream from the Delivery Point(s).

2.3 The gas purchased hereunder shall be delivered to Buyer at the delivery points referred to in Section 2.1 at a pressure sufficient to effect delivery into Buyer's system but not less than 200 psig.

EXHIBIT

"A"

ARTICLE III - Term

3.1 This Agreement shall be for a period of five (5) years commencing on the 1st day of the month following the approval of the contract by the Illinois Commerce Commission and issuance of the proper order. At the expiration of the five (5) year contract, the Agreement shall be renewable on a year to year basis upon approval by both parties.

ARTICLE IV - Price

4.1 The term "delivered price" as used herein shall mean that price paid by Buyer to Seller for natural gas delivered at Buyer's gate. The delivered price for natural gas sold and delivered pursuant to this Gas Sales Agreement shall be as follows:

Gas will be priced \$0.05/MMBTU less than the gas purchased from Buyer's primary gas source, J.D. Woodward Marketing, which is equal to one-hundred three percent (103%) of the monthly index price of gas for TETCO "delivered to pipeline" at Kosciusko, Mississippi, as reported by the publication Natural Gas Week in the first issue published in said month: PLUS \$0.10/MMBTU, PLUS the transportation charges equal to the amount charged by TETCO to transport gas to the delivery point.

ARTICLE V - Billing and Payment

5.1 A Statement shall be submitted by Seller to Buyer on or before the fifteenth (15th) day of each calendar month for the gas delivered hereunder during the preceding calendar month. If the actual total volumes are not available by the contractual billing date, billing may be on an estimated basis on the fifteenth (15th) day of the month. The estimated billing will be corrected to actual totals on the following month's billing or as soon thereafter as available. Payment shall be made by Buyer to Seller on or before the twenty-fifth (25th) day of the month in which said bill is received by Buyer. If presentation of a statement by Seller is delayed to a date after the fifteenth (15th) day of the month, then the time of payment shall be extended accordingly. Should Buyer fail to remit the full amount when due, interest on the unpaid portion shall accrue at a rate equal to ten percent (10.0%) per annum from the date due until the date of payment. If such failure to pay continues for thirty (30) days after payment is due, Seller, in addition to any other remedy it may have, may suspend further sale and delivery of gas until such amount, including interest, is paid; provided, however, that if Buyer, in good faith, shall dispute the amount of any such billing or part thereof and shall pay to Seller such amounts as it concedes to be correct and at any time thereafter, within thirty (30) days of a demand made by Seller for the balance, shall furnish a good and sufficient surety bond in amount and with sureties satisfactory to

Seller conditioned upon the payment of any amounts ultimately found due upon such billing after a final determination, which may be reached either by agreement or judicial proceeding, as the case may be, then Seller shall not be entitled to suspend further sale and delivery of gas unless and until default be made in the condition of such bond.

5.2 Seller shall be responsible for all taxes of any kind or character levied on gas delivered to Buyer hereunder while title to said gas remains with Seller. Buyer shall be responsible for all taxes levied upon said gas downstream from the point where title passes to Buyer.

ARTICLE VI - Measurement

6.1 The unit of measurement for natural gas delivered and sold by Seller hereunder shall be one million British thermal units ("MMBtu"), on a dry basis.

6.2 The volume of gas shall be measured by orifice meters installed, maintained and operated by Egyptian Gas Storage or its designee and computations made as prescribed in the Gas Measurement Committee Report No. 3 of the American Gas Association as revised from time to time and other applicable industry standards.

ARTICLE VII - Quality

7.1 Natural gas delivered to Buyer shall be of merchantable quality and of the quality specifications as required by Texas Eastern Transmission Company.

ARTICLE VIII - Title

8.1 Seller warrants the title to gas delivered hereunder and that it has good and lawful authority to sell such gas.

8.2 Title to all gas delivered by Seller to Buyer hereunder shall pass from Seller to Buyer at the interconnect referred to in paragraph 2.1 above.

ARTICLE IX - Succession and Assignment

9.1 This Agreement shall inure to and be binding upon the successors and assigns of the parties hereto; provided, however, that neither party shall assign this Agreement and rights hereunder without first having obtained the written approval of the other party, which approval shall not be withheld unreasonably.

ARTICLE X - Liability

10.1 Seller and Buyer. As to each other, each assume full responsibility and liability for the maintenance and operation of their or their designee's respective properties and shall indemnify and save harmless the other party from all liability and expense on account of any and all damages, claims or actions, including injury to and death of persons, arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party or its designee.

10.2 Seller shall not be liable to Buyer for its failure to deliver gas, and Buyer shall not be liable to Seller for its failure to receive gas, when such failure on the part of either shall be due to accident to or breakage of Seller's or its designee's, or Buyer's or its designee's pipelines, machinery or equipment, caused by fire, floods, storms, weather conditions, strikes, riots, legal interfaces, acts of God or public enemy, shutdowns for necessary repairs and maintenance, or without limitation by enumeration, any other cause beyond reasonable control of the party failing to deliver or receive gas, as the case may be, provided such party shall promptly and diligently take such action as may be necessary and practicable under the then existing circumstances to remove the cause of failure and resume delivery or receipt of gas, as the case may be; provided, however, that neither Seller nor Buyer shall be relieved of liability to the other for any damage or expense caused or contributed to by its own negligence when such negligence on its part shall be the proximate cause of its failure to deliver or receive gas, as the case may be.

ARTICLE XI - Force Majeure

11.1 If any party is rendered unable, wholly or in part, by force majeure, to carry out its obligations under this Agreement, it is agreed that on such party's giving notice and full particulars of such force majeure in writing or by telegraph to the other party, then the obligation of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period and such cause shall as far as possible be remedied with all reasonable dispatch.

11.2 The term "force majeure" as employed herein shall mean any cause not reasonably within control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

ARTICLE XII - Miscellaneous

12.1 The sale and delivery of gas by Seller and the purchase and receipt thereof by Buyer are subject to all valid legislation with respect to the subject matter hereof and to all valid present and future orders, rules and regulations of duly constituted authorities having jurisdiction.

12.2 Buyer, upon request, shall furnish Seller such reasonable data, as in Seller's judgment, is necessary for billing purposes and for the proper analysis of the gas load requirements of Buyer.

12.3 Any notice, request, demand, statement, bill or payment provided for in the Agreement, or any notice which a party may desire to give to the other, shall be in writing and shall be considered as duly delivered as of the postmark date when mailed by ordinary mail to the other party at the following address:

Seller:

Egyptian Gas Storage
1410 N. Cullen Ave.
P.O. Box 5269
Evansville, Indiana 47716-5269

Buyer:

Consumers Gas Company
1410 N. Cullen Ave.
P.O. Box 5269
Evansville, Indiana 47716-5269

IN WITNESS WHEREOF, the parties have duly executed this Agreement in multiple counterpart on the day and year first above written.

EGYPTIAN GAS STORAGE

CONSUMERS GAS COMPANY

By: Robert L. Pigott, III
Robert L. Pigott, III

By: C.A. Robinson
C.A. Robinson

Title: Secretary/Treasurer

Title: President

Attest:

Attest:

ICC DOCKET NO. 97-0338

DIRECT TESTIMONY OF C.A. ROBINSON
JULY 18, 1997

1. Q. Please state your name and business address.
A. C.A. Robinson, 1410 N. Cullen Avenue, Evansville, Indiana 47715.
2. Q. What is your relationship to Consumers Gas Company, if any?
A. I am a Director, Shareholder and President of Consumers Gas Company.
3. Q. Please describe your duties as President of Consumers Gas Company.
A. I am responsible for the day to day and financial operations of the company. I supervise the gas accounting, fiscal record keeping, customer billings, all administrative and personnel matters, the preparation of tariff sheets and informational filings submitted to the Commission and the preparation of miscellaneous documents and matters for presentation to the Illinois Commerce Commission. I am further responsible for gas purchases, equipment purchases and repair and maintenance of all company equipment and materials used in the business of the company.
4. Q. Please describe your educational and professional background.
A. I am a graduate of Louisiana Tech University with a B.S. in Petroleum Engineering. Following graduation I was employed as an engineer with private oil companies. In 1968, I formed Robinson Engineering, which is a Petroleum Consulting and Oil and Gas Producing firm. I am a Registered Petroleum Engineer in Louisiana. I have been a petroleum consultant, and independent oil and gas producer and drilling and construction contractor from 1968 to the present. I own and operate, through Robinson Engineering, some 300 oil and gas wells in Illinois, Indiana and Kentucky.
5. Q. Have you previously testified before the Illinois Commerce Commission?
A. Yes, on several occasions.

6. Q. Please describe the business of Consumers Gas Company.
- A. Consumers Gas Company is an Illinois corporation and a public utility subject to the jurisdiction of the Illinois Commerce Commission under the Illinois Public Utilities Act. Consumers main office is located in Carmi, Illinois, but the company records are, pursuant to an Order of this Commission, located in Evansville, Indiana. Additional offices are located in the service areas of Ridgway and Albion, Illinois. The company provides gas service in White County to Carmi; in Gallatin County to Ridgway, Junction, New Haven, Omaha, Old Shawneetown and the New Shawneetown and the Equality Municipal Systems; and to Albion, West Salem, Browns and Bone Gap in Edwards County.
7. Q. How many customers does Consumers presently serve?
- A. Approximately 6,000 customers, including the new Shawneetown and Equality Municipal Systems, which are each counted as one customer.
8. Q. Mr. Robinson, I'm handing you a document which has been previously marked for identification purposes as Exhibit CAR-2. Will you please describe this exhibit?
- A. Exhibit CAR-2 is a copy of a Gas Sales Agreement proposed to be entered by Consumers Gas Company and Egyptian Gas Storage Corporation.
9. Q. Are you familiar with Egyptian Gas?
- A. Yes. Egyptian is an Illinois corporation which owns and operates two gas fields for the underground storage of natural gas, namely the Mills Storage Field which is located approximately 16 miles south of Carmi, near Cottonwood, Illinois and the Edwards Storage Field which is located approximately two miles South of Omaha, Illinois.
10. Q. Do you have a business relationship with Egyptian?
- A. Yes, I am a director, shareholder and President of Egyptian Gas Storage Corporation.
11. Q. What is your understanding of the purpose of this proceeding?
- A. Consumers and Egyptian would like to enter a sales agreement, a copy of which is identified as Exhibit CAR-2. However, my understanding is that any contract between Consumers and Egyptian must be approved by the

Commission because of the affiliation of interests that exist between the companies.

12. Q. Has Consumers previously had a Gas Sales Agreement with Egyptian?

A. NO.

13. Q. Are you familiar with the operation of the Egyptian facilities over the past few years?

A. Yes. For the past several years the Egyptian's Mills Storage Field has been leased to ENSCO. ENSCO, in turn, leased storage capacity to several companies, including Consumers. In addition, ENSCO purchased gas which was stored in the Egyptian facilities and sold to other companies, one of which was Consumers, which needed an additional source of gas supply.

14. Q. Mr. Robinson, I am handing you a document that has been previously marked for identification as Exhibit CAR-3. Will you please describe this exhibit.

A. Exhibit CAR-3 is a copy of the most recent letter addendum to the original Gas Sales Agreement between ENSCO and Consumers.

15. Q. Will you please point out any similarities between Exhibit CAR-2 and Exhibit CAR-3.

A. The Exhibits are first, dissimilar as to their format. However, paragraph 3 of Exhibit CAR-3 is substantially identical to Article 4.1, which is concerned with pricing of Exhibit CAR-2, with the exception that Egyptian Gas Storage Corporation is used in Exhibit CAR-2 where the name ENSCO is used in Exhibit CAR-3.

16. Q. Has a sales agreement between ENSCO and Consumers been previously reviewed by the Commission?

A. Not specifically. However, Consumers and ENSCO Sales Agreement has been a part of the cost of gas of Consumers for several years and, in that manner, the Sales Agreement has been subjected to scrutiny through the annual purchased gas adjustment clause reconciliation proceedings.

17. Q. Has the Gas Sales Agreement been viewed negatively in any of those proceedings?

A. No. The Commission has entered an Order, in each of Consumers reconciliation proceedings over the past few

years, with a finding that Consumers gas purchases were prudently made or, alternatively, that Consumers gas purchases were not imprudently made. In either event, the Commission has not been critical of the costs incurred under Consumers Gas Sales Agreement with ENSCO.

18. Q. To your knowledge, did ENSCO have, or does it now have, common shareholders, officers or directors with either Consumers or Egyptian?
- A. No. ENSCO is independent of both Consumers and Egyptian.
19. Q. Does ENSCO now have a Gas Sales Agreement in place with Consumers?
- A. Yes, but my understanding is that ENSCO's business has changed so that it would like to discontinue any business in Illinois which would include the termination of its relationship with both Egyptian and Consumers.
20. Q. Do you know when ENSCO would like to terminate this relationship?
- A. I understand that ENSCO wants to terminate its Illinois operations immediately.
21. Q. When do you propose, if the Commission approves the Gas Sales Agreement that is being submitted, that the Agreement be placed into effect between Consumers and Egyptian?
- A. Based upon my conversations, the separate relationships of Consumers and ENSCO and Egyptian and ENSCO would terminate on the last calendar day of the month in which the Order of the Commission approving this docket is entered and the Gas Sales Agreement between Egyptian and Consumers would be effective the next day, which would be the first day of the following month.
22. Q. Has Consumers purchased gas from ENSCO under the terms of the prior arrangements during the past few years?
- A. Yes. Consumers purchased, from ENSCO, 72,011 dth in 1994, 14,769 dth in 1995, 77,715 dth in 1996 and 46,355 dth in the first five months of 1997.
23. Q. Why did Consumers, during those past few years, purchase some gas through ENSCO as opposed to buying that gas through a different supplier?
- A. Cost of the gas was less and the use of gas from ENSCO helped keep our demand costs down as their gas goes

directly into our Norris City and Carmi system and does not go through Texas Eastern's line.

24. Q. Do you believe that Consumers has a continuing need to purchase gas through Egyptian?

A. Yes, because Consumers can keep its demand costs lower and the gas cost will be lower as gas purchased through Egyptian will always be the lowest cost gas. Also, if Texas Eastern has an emergency and would restrict gas flowing into our Carmi or Norris City systems, Egyptian would help make up the shortfall.

25. Q. Does Egyptian sell gas supply to other companies?

A. No, but it has plans to actively seek new gas customers as more local gas becomes available.

26. Q. Do you believe a five year Gas Sales Agreement between Consumers and Egyptian is a reasonable term of years for this contract?

A. Yes, because it allows Consumers to have access to an additional gas supply in the event of gas curtailment by Texas Eastern. A five (5) year contract will save Consumers the expense of having to petition the Commission for approval of this Agreement annually.

27. Q. Do you believe that the proposed Gas Sales Agreement, referred to in this proceeding as Exhibit CAR-2, is in the public interest?

A. Yes, I do.

28. Q. Does this conclude your testimony?

A. Yes it does.

