REBUTTAL TESTIMONY

of

THERESA EBREY

Accountant
Accounting Department
Financial Analysis Division
Illinois Commerce Commission

Northern Illinois Gas Company

Proposed Establishment of Rider 17,
Purchase of Receivables with Consolidated Billing

Docket No. 12-0569

April 23, 2013

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Witness Identification

Q. Please state your name and business address.

A. My name is Theresa Ebrey. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Are you the same Theresa Ebrey who previously provided direct testimony in this proceeding?

A. Yes. I provided direct testimony dated March 1, 2013 previously marked as ICC Staff Exhibit 2.0.

Q. What is the purpose of your rebuttal testimony?

A. I am addressing Northern Illinois Gas Company's ("Nicor", or "Company") rebuttal testimony Nicor Gas Ex. 2.0 and the tariff revisions provided as Nicor Gas Ex. 2.1. Staff witness Dr. David Rearden, in ICC Staff Exhibit 5.0, presents Staff's primary recommendation to reject the Company's Rider 17 proposal. My testimony includes:

1) Response to Company witness Mr. Mudra regarding my argument as to why approval of Rider 17 is premature at this stage;
2) Tariff revisions as recommendations to the Commission in the event it determines that tariffs to establish Rider 17 must be approved in this proceeding;
3) Proposal for the tracking of costs and revenues;
4) Proposal for the treatment of uncollectibles;

5) Discussion regarding the appropriate accounting entries to record activity under Rider 17; and

6) Attachment A setting forth all of Staff's tariff language revisions.

Approval of Rider 17 Tariff is Premature

Q. Nicor witness Mr. Mudra responded to your charge that approval of Rider 17 would be premature[1]. Does his response alleviate your concerns?

A. No. The Company is in effect asking the Commission to approve a blank check for any and all costs that it incurs to be recoverable under Rider 17. The Company requests an 8% overhead factor for Administrative and Operational Costs ("AOCs") and a 1.5% discount factor without support. While Staff understands that specific amounts for AOCs cannot be known with certainty until after the program is operational, the Company should be able to provide a "best estimate" of future costs. While the Company estimates 8% for AOCs, the Company should provide support for the estimate in order for the Commission to form a conclusion on the proposal.

The Company continues to depend on the discussions with RESA and IGS as the basis for the reasonableness of the 1.5% discount factor and that the Company cannot speculate on the factors considered by the parties in their determination of reasonableness[2]. The Commission does not base a conclusion on "discussions" between parties in a case when considering the reasonableness

[1] Nicor Gas Ex. 2.0, pp. 7 – 10, lines 138 – 208.
[2] Nicor Gas Ex. 2.0, p. 10, lines 211 – 217.

of factors used in setting rates. Evidence supporting reasonableness must be provided for the record[3]. Lacking such evidence, the Commission cannot find that the Discount Factor proposed by the Company is reasonable, regardless of the "opinion" of the Intervenors.

Finally, while I agree with the Company that this proceeding is to consider the Rider 17 mechanism[4], the Company is also asking for approval of specific tariff language for the Rider. The tariff language proposed by Nicor does not sufficiently set forth the specific costs to be recovered under the Rider 17 mechanism. Until the concerns I discussed in my direct testimony have been resolved, approval of the tariff language in my opinion is premature.

Q. Given the prematurity of approval of the Rider 17 tariff language, do you change the recommendation you made in direct testimony?

A. No. The Company did not provide explanations to alleviate my concerns regarding the prematurity of the approval of Rider 17 tariff language. I repeat my direct testimony recommendation that the Company should withdraw their tariff filing and resubmit a revised tariff filing near final design of the program when specific costs will be more discernible and once the design is sufficiently developed. .

[3] As an example of this, the Commission initiated a rate case expense rulemaking in Docket No. 11-0711.
[4] Nicor Gas Ex. 2.0, p. 12, lines 260 – 262.

<u>Proposed Changes to Definitions</u>

Q. Did the Company accept any of your tariff language revisions in its rebuttal testimony?

A. Yes. The Company accepted various revisions to its tariffs as listed on Nicor Gas Ex. 2.0, p. 6, lines 116 – 134 and portions of other revisions I proposed as set forth in redline as Nicor Gas Ex. 2.1.

If the Commission determines that tariffs for Rider 17 must be approved in this proceeding. I continue to offer the following tariff revisions to:

1) Discuss tariff language in the <u>Definitions</u> section of the tariff language to more specifically define the following terms as they are used in the proposed tariff language:
   a) Administrative and Operations Costs ("AOCs"),
   b) Capital Recovery Costs (CRC),
   c) Discount Factor (DF)
   d) Qualifying Receivables (Q-REC),
   e) Non-Residential POR Adjustment ($PORA_{NR}$), and Residential POR Adjustment ($PORA_{R}$);and
2) propose revisions to tariff language as it relates to the Supply Uncollectible Adjustment ("SUA").

Revisions to reflect the recommendations of Staff witnesses Dr. Rearden (concerning intangible cost recovery) and Ms. Phipps (concerning rate of return) are also included in the redlined version of Staff's complete proposed tariff proposal included with this testimony as Attachment A.

Q. Did the Company address all of the bases for the changes you proposed concerning AOCs and Capital Recovery Costs ("CRCs")?

A. No. One of my main concerns was that PORCB tariff language should be consistent among the PORCB tariffs of various utilities. Definitions for these types of costs have already been thoroughly explored in the Ameren (Docket No. 08-0619/0620/0621 (Cons.)) and ComEd (Docket No. 10-0138) electric utilities' tariffs. Since Nicor has not provided any rebuttal testimony to explain why the Nicor gas utility should be treated differently, the Commission should strive for consistency among the PORCB tariffs. My proposed tariff revisions would provide that consistency for both AOCs and CRCs.

Q. What language do you propose for AOCs?

A. I recommend the following language for the definition of AOCs:

> **Administrative and Operational Costs (AOCs)**
>
> Administrative and Operational Costs (AOCs) shall mean incremental expenses incurred by or for the Company in association with services provided under ~~this~~ Rider 17 including, ~~without limitation~~, (a) ongoing electronic data transfer costs; (b) costs for obtaining Commission approvals and participation in regulatory proceedings; (c) staffing required to address questions from Q-AGS and others regarding services provided under this Rider; (d) financial tracking, audit, and reconciliation activities with respect to the this Rider~~; (e) other staffing required to administer and address questions from Q-AGSs and others regarding services provided under this Rider;~~ and (~~f~~e) fees, charges, billings or assessments related to receivables purchased under this Rider~~; (g) costs or expenses associated with equipment, devices, or services that are purchased, provided, installed, operated, maintained or monitored for services provided under this Rider; and (h) legal, auditing and consultant costs related to this Rider~~. AOCs may not include any expenses that are otherwise recovered under other effective tariffs

Q. Did the Company accept any of your revisions for the definition of AOCs?

A. Yes. Nicor agreed to remove the phrase “”without limitation”, as well as items (e) and (g) from its original language as I proposed. However, the Company argues that items (f) and (h) from the original language should be retained.

Q. Do you agree with the retention of items (f) and (h)?

A. I can agree with the retention of item (f) if clarifying language is added. However, I continue to oppose the retention of item (h). Regarding item (f), I propose a language modification to clarify that recoverable costs must be related to receivables purchased under this Rider. I would add language to read ”fees, charges, billings, or assessments related to receivables purchased under this Rider” Regarding item (h), I continue to recommend that item (h) be removed because “legal, auditing and consultant costs related to this Rider” would already be included under items (b) and (d).

Q. What language do you propose for CRCs?

A. I continue to recommend the definition for CRCs that I proposed in my direct testimony:

> **Capital Recovery Costs (CRC)**
> Capital Recovery Costs (CRC) shall mean the revenue requirement necessary to recover the Company’s investment in information technology systems necessary for implementing the PORCB Program. CRC shall include: (a) initial programming changes to implement the PORCB Program; (b) general billing system and related enhancements required for the PORCB Program; and (c) development of information technology to implement the PORCB Program~~; and (d) future system modifications required to maintain information technology system integrity and functionality related to the provisions of the PORCB Program~~. Such investment costs are not already included in base delivery service rates

> and shall be treated as a regulatory asset. CRC will be limited to incremental costs incurred through one year following the commencement of service under this Rider.

Q. Did the Company accept any of your revisions for the definition of CRCs?

A. No. The Company rejected all of the revisions I proposed regarding the definition of CRCs. The Company claims that since subsection (d) of its definition for CRCs specifically includes "future system modifications required to maintain information technology system integrity and functionality," that any future modifications would be recoverable under the PORCB tariff. That argument ignores my proposal to delete subsection (d) because it is not necessary. Nothing in the Company's proposal shows that the PORCB will be a totally separate system from Nicor's current billing and customer systems. In fact the description of CRCs in the Company's direct testimony discusses programming *changes* and billing system and related *enhancements*[5] – items that appear to be associated with the existing information technology system. The Company has not explained how system integrity and functionality for the PORCB program would be isolated from Nicor's overall IT system integrity and functionality. Nothing in the Company's rationale indicates that the PORCB will be operated under an IT system that is not integrated into Nicor's current IT system. Further, the Company neglected to address the fact that my proposed one-year limitation for the implementation costs for the PORCB program is consistent with the Ameren and ComEd tariffs which limit the capitalized costs to a period ending

[5] Nicor Gas Ex. 1.0, p. 10, lines 212 – 213.

approximately one-year after the effective date of their UCB/POR programs. While the Company claims the final design stage of the program will take two years to be completed , my proposal allows an additional one-year for the accumulation of implementation costs to provide a three-year period to accumulate implementation costs. The Company has not offered any specific costs that may not be considered during that three-year period for the PORCB program.

Q. Did the Company propose an alternate definition for Discount Factor ("DF")?

A. Yes. The Company essentially accepted my definition adding the phrase "after the levelized revenue requirement for capital costs has been recovered by the Company"[6]. I do not take issue with the addition of this language although I do not agree that the phrase allows for the recovery of future IT system modifications beyond the period reflected in my proposed definition for CRCs.[7]

Q. What revisions do you propose to the definition of Qualifying Receivables (Q-REC)?

A. In response to Staff Data Request ("DR") TEE 6.05, the Company provided clarification that the eligibility requirement for a Q-REC must be met only once. Therefore, the phrase "or during the prior billing period" should be removed from the definition since it seems to reflect that the eligibility requirement would have

[6] Nicor Gas Ex. 2.0, p. 16, lines 351 – 352.
[7] See my discussion about future IT modifications in the CRCs definition discussion.

to be met each month. Therefore, I recommend the following revision as the definition on Original Sheet No. 75.9.5:

> **Qualifying Receivables (Q-REC$_{c}$)** shall mean receivables that satisfy all of the following requirements: (i) such receivables are for natural gas commodity service provided by a Q-AGS to residential retail customers and commercial customers, who are Customer Select Participants to the extent such Q-AGS has included its charges for such natural gas commodity service on the Company's bill pursuant to Section 19-135 of the Act; (ii) such receivables consist only of charges for the purchase of natural gas supplies and do not include any charges for any other goods or services; (iii) such receivables are not subject to any Legitimate Billing Dispute; (iv) such receivables are owned by such Q-AGS free and clear of any liens, security interests, pledges, encumbrances and other charges or restrictions on transfer; and (v) such receivables have arisen from providing gas supply to Customer Select Participants who were, at the time immediately prior to entering the PORCB program, ~~or during the prior billing period,~~ not in arrears with either the Company or the Q-AGS.

Q. Did the Company agree with your proposed definitions for Non-Residential POR Adjustment ("PORA$_{NR}$") and Residential POR Adjustment ("PORA$_{R}$")?

A. No, however the Company never specifically addresses the basis for the revisions to the definitions for PORA$_{NR}$ and PORA$_{R}$ proposed in my direct testimony[8]. Since the Company appears to have accepted my definitions for both AOCs and Net Actual Uncollectible Costs ("NAUC") on Original Sheet No. 75.9.11[9], which along with Intangible Cost Recovery [10] are the total components of the Actual PORA Costs[11], the Company's opposition to my revisions to these two factors is unclear.

[8] ICC Staff Ex. 2.0, p. 11, lines 258 – 263.
[9] Nicor Gas Ex. 2.1.
[10] Intangible Cost Recovery is addressed in the Direct and Rebuttal testimonies of Staff witness Rearden (ICC Staff Exhibits 1.0 and 5.0).
[11] Nicor Gas Ex. 2.1, Original Sheet 75.9.11.

For clarity, I continue to recommend the following revisions:

> **Non-Residential POR Adjustment ($PORA_{NR}$)**
> The Non-residential POR Adjustment ($PORA_{NR}$) shall be applied to all Eligible Non-residential customers receiving service from a Q-AGS participating in the PORCB Program. The $PORA_{NR}$ is intended to recover the ~~working capital necessary to operate the PORCB Program for Non-residential customers, its~~ ongoing Administrative and Operational Costs, ~~Intangible Costs,~~ and Net Actual Uncollectible Costs ~~to the extent that they are not recovered through collection of the Q-AGS Discount Factor~~.
>
> **Residential POR Adjustment ($PORA_R$)**
> The Residential POR Adjustment ($PORA_R$) shall be applied to all Eligible Residential Customers receiving service from a Q-AGS that has elected service under this Rider. The $PORA_R$ is intended to recover the ~~working capital necessary to provide service under this Rider for residential customers, its~~ ongoing Administrative and Operational Costs~~, Intangible Costs,~~ and Net Actual Uncollectible Costs~~ to the extent that they are not recovered through collection of the Q-AGS Discount Factor~~.

Q. What other changes are you proposing to the Definitions Section of the tariff?

A. I also continue to reflect the deletion of the definition of Intangible Costs from Original Sheet No. 75.9.4 for the reasons presented in ICC Staff Exs. 1.0 and 5.0.[12]

<u>Proposed Change to Supply Uncollectible Adjustment</u>

Q. What was the Company's response to your proposed revisions for the Supply Uncollectible Adjustment?

A. The Company rejected my revisions listing the following 5 reasons:

[12] Due to the deletion of the Intangible Costs from recovery under Rider 17, the Factor ICR is removed from the PORA formula on Original Sheet 75.9.9, the definition of Factor ICR on Original Sheet No. 75.9.10, and the Actual PORA Costs formula on Original Sheet No. 75.9.10.

1) The overall rate approved in the last rate case did not reflect separate rates for residential versus non-residential classes.
2) The Company's proposal uses forward looking estimates rather than historical data points.
3) The Company's approach does not set an "artificial cap" on SUA recoveries until the two-year reconciliation occurs.
4) The Company's proposal accounts for actual customer payment experience.
5) The Company will not accept additional financial risk it perceives in Staff's proposal.[13]

Q. Do you agree that the Company's reasons for rejecting your proposed revisions are valid?

A. No. In response to reason (1), I would not be opposed to the Company providing the support for the uncollectible rate approved in the last rate case as residential versus non-residential. If the Company provides that information in surrebuttal testimony, it could be incorporated into the final tariff language approved in this case. However as I discuss later in this testimony addressing the treatment of uncollectibles, there would be further complication regarding the separate rates for residential versus non-residential customers.

While the Company says it wants to use forward looking estimates in its second reason, those estimates will not be any more precise or accurate than the historic data I propose using. Monitoring the estimates on a monthly basis as the

[13] Nicor Gas Ex. 2.0, pp. 16 – 18, lines 363 – 396.

Company proposes only adds to the complexity and amount of costs that would be passed on to the AGS customers with no corresponding benefit.

In discussing the “artificial cap” that my proposal places on SUA recoveries, the Company focuses on certain “risks” that it opines will result in significant under collections of PORCB associated uncollectibles. Since the proposal by the Company is based on estimates, the assumptions behind those estimates could also lead to under collections or over collections. When the reconciliations are conducted every two years, the true-up of costs and recoveries plus interest will alleviate those risks regardless of how the actual rates are determined.

In response to the fourth reason, the use of actual customer payment history on a monthly basis may add certain “precision” that the Company desires. However, the additional work and costs involved to attain that precision, especially in light of the bi-annual reconciliations, could far outweigh the benefits of that precision.

Finally, the Company once again depends on the settlement with RESA and IGS as support that the proposed tariff language and process must be approved.[14] The “risk” that uncollectibles may not be exactly recovered each month is reduced by the reconciliation process that includes an interest factor.

Q. Does the Company address all of your bases for the proposed SUA language and process?

[14] It must be noted that neither the Commission not Staff were parties to that settlement agreement.

A. No. The Company never addresses my main concern with its proposed SUA procedure, which is the process as outlined over-complicates the charges which are periodically reconciled. All of the monitoring and forward-looking estimates only increase costs and make for a complex and time-consuming process that has been shown to be relatively simple in the electric utility tariffs.

Q. What do you propose as revisions to the tariff language concerning the Factor SUA?

A. My proposal, the same as in direct testimony, is for the description of SUA in the tariff on Original Sheet No. 75.9.9 and 75.9.10 to be revised as follows:

> SUA = the Supply Uncollectible Adjustment, in dollars ($) rounded to the nearest cent, may be either positive or negative and shall be equal to the ~~Estimated Discounted~~ Qualified Receivables ~~paid to~~ purchased from Suppliers relating to applicable customers during the effective month ($_M$) ~~less the Estimated Gross Collections to be received from applicable customers during the month plus the portion of the Estimated Gross Collections associated with the Capital Cost Recovery component of the Discount Factor and~~ times the net of the uncollectible rate as determined in the most recent delivery service rate case for the Company less the 1% uncollectible component of the Discount Factor. ~~an amortization of the Supply Uncollectible Balance as necessary, by customer class.~~

$$SUA = \cancel{E\text{-}D}\ \Sigma Q\text{-}REC_M\ \cancel{-\ E\text{-}GC_M + (E\text{-}GC_M}\ x\ (UR - .01)\ \cancel{+\ A}$$

> ~~E-D~~Q-REC$_M$ = ~~the sum of the Estimated Discounted Receivables, in dollars ($) rounded to the nearest cent, expected to be paid to Q-AGS for applicable customers during the effective month. It is based on estimates of the following: Qualifying Receivables, estimated gas consumption volumes, supplier commodity service costs, customer payment experience and the discount factor of 1.5%.~~ the sum of the Qualifying Receivables, in dollars ($) rounded to the cent, equal to the gas supply service related receivables of a Q-AGS, for customer c, on the consolidated monthly bill for gas service issued by the Company for gas supply service provided to such retail customer, c, by the Q-AGS.

~~E-GC~~$\cancel{_M}$ ~~= the sum of the Estimated Gross Collections, in dollars ($) rounded to the nearest cent, expected to be received from applicable customers during the effective month. It is based upon estimates of the following: Qualifying Receivables, estimated gas consumption volumes, supplier commodity costs and customer payment experience~~.

<u>UR = the uncollectible rate in decimal format (0.000) as included in the Gross Revenue Conversion Factor in the Company's most recent delivery service base rate case.</u>

~~A = Amortization of the cumulative Supply Uncollectible Balance (SUB), in dollars ($) rounded to the nearest cent, as necessary, for the appropriate customer class. Factor A may be amortized over a period not to exceed 24 months and may result in either a charge (positive) or credit (negative) to the customer's monthly PORA~~$\cancel{_C}$

~~SUB~~$\cancel{_C}$ ~~= shall equal the Supply Uncollectible Balance, in dollars ($) rounded to the nearest cent, by customer class (c) in dollars ($), equal to the cumulative balance resulting from the application of the SUA through the POR Application Period. The SUB shall equal:~~

$$\cancel{SUB_C = \Sigma\, DREC - (\Sigma\, GC \times .995)}$$

~~DREC = the cumulative sum of the actual prior months Discounted Receivables, in dollars ($), rounded to the nearest cent, for customer class, (c).~~

~~GC = the cumulative sum of the actual prior months Gross Collections, in dollars ($), rounded to the nearest cent, for customer class, (c).~~

<u>Proposed Change to Reconciliation Factor of PORA</u>

Q. What do you propose as revisions to the tariff language concerning the reconciliation factor of PORA?

A. I propose the following revisions to the reconciliation factor of the PORA on Original Sheet Nos. 75.9.10 and 75.9.11 as follows:

$$R_{C} = \text{Actual PORA}_{(C)} \text{ Costs} - \text{Actual PORA}_{(C)} \text{ Revenues}$$

Where:

$$\text{Actual PORA}_{(C)} \text{ Costs} = AOC_{\underline{A}}(_C) + NAUC(_C) \cancel{+ ICR_C}$$

Actual $PORA_{(C)}$ Costs = The actual Purchase of Receivables Costs ~~adjustment~~ for the customer class (c), in dollars ($) rounded to the nearest cent, which equals the sum of the Administrative and Operational Costs, and the Net Actual Uncollectible Costs ~~and the Intangible Cost Recovery component~~ for the reconciliation period.

The remaining revisions for this section that I proposed in direct testimony were accepted by the Company and reflected in Nicor Ex. 2.1. The only contested issue for this section is the recovery of the Intangible Cost Recovery component which is addressed by Staff witness Rearden.

Proposal for the Tracking of Costs and Revenues

Q. Did the Company accept your proposals for the tracking of costs and revenues?

A. Yes. Company witness Mr. Mudra states that the Company will use specific "revenue identifiers" to track the specific revenues associated with Rider 17.[15] The Company also agrees to maintain specific information for PORCB-related external costs as well as most other internal labor costs.[16] However, the Company takes issue with the tracking of the costs of the internal information systems employees' time which will be capitalized.[17] Since those costs will be capitalized, the specific records must be maintained to support the capitalized cost of the project. Therefore, the Company's opposition to tracking those costs for recovery under Rider 17 is without merit.

[15] Nicor Ex. 2.0, p. 19, lines 419 – 421.
[16] Id., pp. 19 – 20, lines 431 - 438.
[17] Id. lines 431 – 435.

Q. In your direct testimony you discuss the initial 430 hours of costs already incurred for preliminary planning in CRCs. What does the Company say about recovery of those costs?

A. In response to Staff DR TEE 6.01, when asked if the Company intends to recover that internal labor cost, and if so, to indicate the recovery mechanism, the Company response was simply "No." The Company should confirm in surrebuttal testimony that it has no intention of recovering those costs through base rates or any other recovery mechanism.

Q. Did the Company agree with your proposal for quarterly progress reports to be provided through the commencement of service under Rider 17?

A. Company witness Mr. Mudra agreed to provide the requested quarterly progress reports.[18]

<u>Treatment of Uncollectibles</u>

Q. Did the Company provide additional information on the treatment of accounts purchased through the PORCB Program that it subsequently writes off as uncollectible in its rebuttal testimony?

A. Yes. The Company expects that the uncollectible costs associated with the PORCB program will include:

1) Purchased receivable amounts that are written off;

[18] Nicor Gas Ex. 2.0, p. 20, lines 439 – 442.

2) Amounts billed to customers through the PORA charge that are written off; and

3) Amounts billed to Q-AGS through the Capital Recovery Adjustment ("CRA")[19] that are written off.

Q. Do you have any concerns with this proposal?

A. Yes. Under this proposal the amount of actual uncollectibles that would be included in the reconciliation of actual uncollectible costs and recoveries and further passed on to customers would potentially include CRCs that were not recovered from Q-AGS. This is possible given that any over or under collection of CRCs through the Discount Factor will be included on the Q-AGS Supplier Aggregation Service ("SAS") bills as the CRA. If the SAS is unpaid and is eventually written-off then the amount would be passed through to customers of the Q-AGS. This process is contrary to the Company's discussion that the CRCs will be recovered completely from Q-AGS and not from ratepayers.

Q. Do you have any other concerns regarding the Company's discussion of uncollectibles?

A. Yes. The Company is adamant that the uncollectible rate must be segregated between residential and non-residential customers[20]. However, given a component of uncollectibles will be from non-payment by the Q-AGS, it is unclear

[19] Id., p. 21, lines 463 – 468.
[20] Nicor Gas Ex. 2.0, pp. 16-17, lines 370 – 373.

what category of customer those uncollectibles will be charged to. The Company should specifically address this concern in its surrebuttal testimony.

<u>Journal Entries</u>

Q. Did the Company provide additional information regarding the accounting entries for the accounts purchased under the PORCB Program?

A. Yes. The Company provided the responses to certain Staff data requests as Nicor Gas Ex. 2.4. I have reviewed those exemplar journal entries and do not take issue with the proposed accounting set forth therein.

<u>Conclusion</u>

Q. What is your recommendation to the Commission regarding the Company's proposed Rider 17?

A. I recommend that the Commission adopt the recommendation of Staff witness Dr. Rearden to reject the proposed Rider 17. If, in the alternative, the Commission determines that Rider 17 tariffs should be approved in this proceeding, I recommend the following:

1) The revisions to tariff language discussed above (and presented in Attachment A) be approved; and

2) The Company be ordered to keep its records in the manner described above to track its costs and revenues associated with the PORCB Program.

Q. Does this question end your prepared rebuttal testimony?

A. Yes.

Rider 17
Purchase of Receivables with Consolidated Billing (PORCB)

Applicable to Rates 1, 4, 5 and Riders 15 and 16

Purpose.
The purpose of this Rider is to allow a Q-AGS the option to have the Company purchase such Q-AGS's Qualifying Receivables on the terms and subject to the conditions specified herein.

The date on which service under this Rider 17 will commence (the "Effective Date") shall occur no more than twenty-four (24) months after the Commission issues a final order that is no longer the subject to rehearing or appeal approving Rider 17.

Rider 17 also provides the methodology and terms under which the Company is provided with full recovery of the costs it incurs to provide service under this Rider, including the costs of any uncollected receivables that may arise as a result of the purchase of Qualifying Receivables.

Definitions.
As used in this rider, the terms below are defined as follows:

Actual Uncollected Receivables
Actual Uncollected Receivables shall mean the write-off amounts for Qualifying Receivables purchased by the Company pursuant to this Rider**.**

Administrative and Operational Costs (AOCs)
Administrative and Operational Costs (AOCs) shall mean incremental expenses incurred by or for the Company in association with services provided under Rider 17 including, (a) ongoing electronic data transfer costs; (b) costs for obtaining Commission approvals and participation in regulatory proceedings; (c) staffing required to address questions from Q-AGS and others regarding services provided under this Rider; and (d) financial tracking, audit, and reconciliation activities with respect to the this Rider; ~~(e) fees, charges, billings or assessments related to this Rider; and (f) legal, auditing and consultant costs related to this Rider~~. AOCs may not include any expenses that are otherwise recovered under other effective tariffs

Capital Recovery Costs (CRC)
Capital Recovery Costs (CRC) shall mean the revenue requirement necessary to recover the Company's investment in information technology systems necessary for implementing the PORCB Program. CRC shall include: (a) initial programming changes to implement the PORCB Program; (b) general billing system and related enhancements required for the PORCB Program; (c) development of information technology to implement the PORCB Program~~; and (d) future system modifications required to maintain information technology system integrity and functionality related to the provisions of the PORCB Program~~. Such investment costs are not already included in base delivery service rates and shall be treated as a regulatory asset. CRC will be limited to incremental costs incurred through one year following the commencement of service under this Rider. Annually, Capital Recovery Costs shall equal the five-year levelized revenue requirement sufficient to recover the return of and on the Company's investments, described above, at a~~n 8.09~~ 5.17%% rate of return as approved in Docket No. ~~08-0363~~12-0569.

Customer Select Participant shall refer to a Customer that is purchasing gas commodity from a Q-AGS under the terms of Rider 15 - Customer Select.

(Continued On Sheet No. 75.9.4)

Director, Finance and Rates
Post Office Box 190
Aurora, Illinois 60507

Northern Illinois Gas Company
d/b/a Nicor Gas Company

Ill.C.C. No. 16 – Gas
Original Sheet No. 75.9.4

Rider 17
Purchase of Receivables with Consolidated Billing (PORCB)

(Continued From Sheet No. 75.9.3)

Discount Factor (DF)
A Discount Factor (DF) of 1.5% shall be applied to Qualifying Receivables (QR) purchased by the Company from the Q-AGS. The Discount Factor shall include .5% for Capital Recovery Costs. A discount factor of 1% shall be applied to Qualifying Receivables purchased by the Company from the Q-AGS after the levelized revenue requirement for capital costs (CRC) has been recovered by the Company.

Eligible Residential Customers (ERC) shall refer to all residential customers, except those on a Percentage of Income Payment Plan (“PIPP”) and Arrearage Reduction Program (“ARP”) as described in Rider 28, receiving a consolidated bill from the Company which includes gas supply charges from a Q-AGS electing service under this Rider.

Eligible Non-residential Customers (ENRC) shall collectively refer to all non-residential customers, on Rate 4 – General Service and Rate 5 - Seasonal Use Service, receiving a consolidated bill from a Q-AGS electing service under this Rider.

~~**Intangible Costs** shall not exceed 0.5% of the face amount of Qualifying Receivables purchased by the Company. Revenues associated with recovering these costs shall be recorded below the line in Account 417, Revenues from Non-Utility Operations, under certain conditions as described under the Intangible Cost Factor (ICF). Recovered Intangible Costs shall not be utilized to reduce Nicor Gas' revenue requirement in a future rate case or regulatory proceeding.~~

Legitimate Billing Dispute
Legitimate billing dispute means a disagreement between a retail customer and a Q-AGS regarding the gas commodity supply service provided to such retail customer by such Q-AGS for which the receivables were purchased and printed on a consolidated bill by the Company that asserts a claim that is recognized by law. A disagreement is not considered a legitimate billing dispute until such time that the Company receives notification of such disagreement from such Q-AGS or the Consumer Services Division (CSD) of the ICC. If a retail customer contacts the Company to dispute a Q-AGS charge, the Company must refer such retail customer to such Q-AGS for resolution and provide such retail customer with contact information for the ICC's CSD. The Company will not remit payment to a Q-AGS for disputed charges. The Company may demand repayment from the Q-AGS for any disputed charges related to the disputed portion of the bill consistent with the terms of the PORCB Billing Service Agreement. Legitimate disputed charges may include, but are not limited to, disputed charges that are subject to an ongoing bill inquiry, pending litigation, arbitration, mediation, or any state or federal regulatory proceedings.

Net Actual Uncollectible Costs
Net Actual Uncollectible Costs (NAUC) shall mean the amount actually written off by the Company for receivables purchased by the Company from a Q-AGS during the POR Application Period in accordance with the provisions of this rider less the total amount by which such purchased receivables were reduced by the 1.0% uncollectible component of the Discount Factor during such POR Application Period. The resulting amount may be positive or negative.

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Aurora, Illinois 60507

Northern Illinois Gas Company
d/b/a Nicor Gas Company

Rider 17
Purchase of Receivables with Consolidated Billing (PORCB)

(Continued From Sheet No. 75.9.4)

Non-Residential POR Adjustment (PORA$_{NR}$)
The Non-residential POR Adjustment (PORA$_{NR}$) shall be applied to all Eligible Non-residential customers receiving service from a Q-AGS participating in the PORCB Program. The PORA$_{NR}$ is intended to recover ~~the working capital necessary to operate the PORCB Program for Non-residential customers,~~ its ongoing Administrative and Operational Costs, ~~Intangible Costs,~~ and Net Actual Uncollectible Costs ~~to the extent that they are not recovered through collection of the Q-AGS Discount Factor.~~

POR Application Period
The initial Purchase of Receivables (POR) Application Period is the period of time that begins at the start of the first effective monthly billing period of Rider 17 and extends for twenty-four (24) monthly billing periods. Any subsequent POR Application Period means a period of time that extends for twenty-four (24) monthly billing periods immediately following a previous POR Application Period.

Qualifying Alternative Gas Supplier (Q-AGS) shall refer an Alternative Gas Supplier that: (1) is certified by the Illinois Commerce Commission (ICC) per Section 19-110 of the Act; (2) has entered into a Supplier Aggregation Agreement with the Company and is participating and complying with the terms and conditions of Rider 16—Supplier Aggregation Service and (3) bills its gas supply charges on the utility bill under this Rider.

Qualifying Receivables (Q-REC$_c$) shall mean receivables that satisfy all of the following requirements: (i) such receivables are for natural gas commodity service provided by a Q-AGS to residential retail customers and commercial customers, who are Customer Select Participants to the extent such Q-AGS has included its charges for such natural gas commodity service on the Company's bill pursuant to Section 19-135 of the Act; (ii) such receivables consist only of charges for the purchase of natural gas supplies and do not include any charges for any other goods or services; (iii) such receivables are not subject to any Legitimate Billing Dispute; (iv) such receivables are owned by such Q-AGS free and clear of any liens, security interests, pledges, encumbrances and other charges or restrictions on transfer; and (v) such receivables have arisen from providing gas supply to Customer Select Participants who were, at the time immediately prior to entering the PORCB program, ~~or during the prior billing period,~~ not in arrears with either the Company or the Q-AGS.

Reconciliation Period (RP)
The Reconciliation Period shall mean the twenty-four (24) monthly billing periods in the prior POR Application Period.

Residential POR Adjustment (PORA$_R$)
The Residential POR Adjustment (PORA$_R$) shall be applied to all Eligible Residential Customers receiving service from a Q-AGS that has elected service under this Rider. The PORA$_R$ is intended to recover the ~~working capital necessary to provide service under this Rider for residential customers, its~~ ongoing Administrative and Operational Costs~~, Intangible Costs,~~ and Net Actual Uncollectible Costs to the extent that they are not recovered through ~~collection~~application of the Q-AGS Discount Factor.

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Rider 17
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(Continued From Sheet No. 75.9.5)

Section A - Prerequisites of Service
Before commencing service hereunder, a Q-AGS must comply with the following prerequisites of service. Such Q-AGS must:

1. have, and demonstrate through the successful completion of the Company's testing program, the ability to electronically accept meter usage data for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for natural gas supply service; and

2. have, and demonstrate through the successful completion of the Company's testing program, the ability to electronically transmit to the Company on a timely basis customer specific billing information for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for natural gas supply service; and

3. have, and demonstrate through the successful completion of the Company's testing program, the ability to electronically accept via Electronic Funds Transfer (EFT) payments for purchased receivables and adjustments from updates and corrections from the Company for gas supply service provided by the Q-AGS to retail customers with respect to which the Company is purchasing the Q-AGS's receivables for natural gas supply service; and

4. submit a completed Rider PORCB Billing Services Agreement form to the Company; and

5. have executed and delivered to the Company such title transfer documents as the Company may reasonably request to effectuate the sale of Qualifying Receivables from the Q-AGS to the Company in accordance with the requirements of this Rider.

Section B – Continuing Obligations

Q-AGS Continuing Obligations
A Q-AGS taking service hereunder is obligated to:

1. accept electronically meter usage data for each monthly billing period for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for natural gas supply service; and

2. determine the gas supply service charges, resultant billing amounts, and other relevant billing information for each monthly billing period for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for gas supply service; and

3. transmit electronically the necessary gas supply service charges, energy usage data, resultant billing amounts, and other relevant billing information, including all information pertaining to gas supply service provided by the Q-AGS to the retail customer as required under Rider 16 – Supplier Aggregation Service, to the Company for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for gas supply service no later than three (3) business days after such retail customer's meter usage data for a monthly billing period is transmitted to the Q-AGS by the Company in order for such

charges, data, amounts, and information to be included on the regularly scheduled consolidated bill for such monthly billing period; and

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(Continued From Sheet No. 75.9.6)

4. warrant that all gas supply service charges, resultant billing amounts, and other relevant billing information for the retail customer transmitted to the Company as described in item (3) of this Q-AGS Continuing Obligations subsection are correct and in accordance with the terms of the Q-AGS's contractual arrangements with the retail customer and compliant with any applicable legal requirements, and that all receivables tendered for sale by the Q-AGS to the Company pursuant to this Rider qualify as Qualifying Receivables; and

5. sell to the Company the Q-AGS's Qualifying Receivables on the terms specified in this Rider; and

6. accept electronically purchased receivables payments and adjustments from the Company for the gas supply service provided by the Q-AGS to retail customers with respect to which the Company is purchasing the Q-AGS's receivables for gas supply service.

Company Continuing Obligations
The Company is obligated to:

1. transmit electronically meter usage data for each monthly billing period for each retail customer with respect to which the Company is purchasing the Q-AGS' receivables for gas supply service no later than (1) business days after the Company determines such meter usage data for the monthly billing period for such retail customer; and

2. accept electronically the necessary gas supply service charges, and energy usage data, resultant billing amounts, and other agreed upon billing information transmitted by the Q-AGS for the monthly billing period for each retail customer with respect to which the Company is purchasing the Q-AGS' receivables for gas supply service; and

3. issue a consolidated bill for the monthly billing period for each retail customer with respect to which the Company is purchasing the Q-AGS's receivables for gas supply service that includes (a) the necessary applicable gas supply service charges, energy usage data, resultant billing amounts, identification of the Q-AGS, and other agreed upon billing information transmitted by the Q-AGS for gas supply service provided to such retail customer within one (1) business day after accepting such charges, data, amounts, and information as described in item (2) of this Company Continuing Obligations subsection, in the event that such charges, data, amounts, and information had been timely submitted by the Q-AGS in accordance with item (3) in the Q-AGS Continuing Obligations subsection of this Continuing Obligations section; or (b) a notice that the Q-AGS's charges for the current monthly billing period are not available in the event that such charges, data, amounts, and information had not been timely submitted by the Q-AGS in accordance with item (3) in such Q-AGS Continuing Obligations subsection, and include such charges, data, billing amounts and information on the next available subsequent consolidated monthly bill for such retail customer after such charges, data, billing amounts and information are timely transmitted in accordance

with item (3) in such Q-AGS Continuing Obligations subsection by such Q-AGS to the Company for such next available subsequent consolidated monthly bill; and

4. include on each consolidated monthly bill described in item (3) in this Company Continuing Obligations subsection all information pertaining to such gas supply service as required under Rider 16 – Supplier Aggregation Service; and

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5. remit electronically to the Q-AGS for Qualifying Receivables purchased in accordance with this Rider the purchase price for such Qualifying Receivables specified in Section C no later than two (2) days after the due date of the consolidated monthly bill with the charges associated with such Qualifying Receivables issued by the Company to the retail customer.

Section C - Purchase of Receivables

A Q-AGS taking service hereunder must sell to the Company such Q-AGS's Qualifying Receivables either for (a) all Eligible Residential Customers and all Eligible Non-residential Customers (b) all Eligible Residential Customers only or (c) all Eligible Non-residential Customers only. A Q-AGS is not precluded from serving specific non-residential customers, without Rider 17, through either dual billing or the supplier's own consolidated billing program. The monthly discounted receivables amount is computed in accordance with the following equation and effective with next applicable bill period after the Q-AGS elects service:

Determination of Discounted Receivables:

$$DREC_c = Q\text{-}REC_c \ \ x \ \ (1 – DF)$$

Where:

$DREC_c$	= Discounted Receivables, in dollars ($) rounded to the cent, equal to the amount the Company must remit to the Q-AGS for gas commodity supply service related receivables sold by Q-AGS to the Company pertaining to the gas commodity supply service provided by the Q-AGS to the retail customer, c, during the monthly billing period. $DREC_c$ shall be paid to the Q-AGS no later than (2) business days after the due date of the customer's bill.
$Q\text{-}REC_c$	= Qualifying Receivables, in dollars ($) rounded to the cent, equal to the gas supply service related receivables of a Q-AGS, for customer c, on the consolidated monthly bill for gas service issued by the Company for gas supply service provided to such retail customer, c, by the Q-AGS.
DF	= Discount Factor
c	= either a residential or non-residential retail customer.

Section D—POR Customer Adjustments

The POR Adjustment shall be a per customer per month charge or credit and shall be determined pursuant to the conditions below and shall be filed with the Commission on or before the 20th day of the month preceding its effective date. The POR Adjustment shall be added to or deducted from the customer's Monthly Customer Charge and shall be applicable to all ERCs and ENRCs by customer class.

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Effective Component: POR Adjustment ($PORA_C$)

The monthly charge or credit to be billed each month during the calendar year is represented by the following formula for the residential and non-residential customer classes:

$$PORA_C = AOC_C + (SUA_C \cancel{+ ICR_C} + R_C + O_C) / EC$$

Where:
$PORA_C$ = Purchase of Receivables Adjustment for customer class (c) shall be a charge (if positive) or credit (if negative) applicable to all Eligible Customers (EC) being either Eligible Residential Customers (ERC) or Eligible Non-residential Customers (ENRC) as applicable, in dollars, rounded to the nearest cent.

AOC_C = estimated Administrative and Operational Costs per customer per month. AOC_C shall equal the annual direct Administrative and Operational Costs by class, in dollars ($) divided by the Eligible Customers (EC) divided by 12, plus the estimated annual common AOCs, in dollars ($) divided by the Total Customers (TC) divided by 12, rounded to the nearest cent.

TC = the forecasted number of Eligible Residential Customers (ERC) plus the forecasted number or Eligible Non-residential Customers (ENRC) receiving a consolidated bill under Rider 17.

SUA_C = the Supply Uncollectible Adjustment, in dollars ($) rounded to the nearest cent, may be either positive or negative and shall be equal to the ~~Estimated Discounted~~ Qualified Receivables ~~paid to~~ purchased from Suppliers relating to applicable customers during the effective month ($_M$) ~~less the Estimated Gross Collections to be received from applicable customers during the month plus the portion of the Estimated Gross Collections associated with the Capital Cost Recovery component of the Discount Factor and an amortization of the Supply Uncollectible Balance as necessary, by customer class~~ times the net of the uncollectible rate as determined in the most recent base rate case for the Company less the 1% uncollectible component of te Discount Factor.

$$SUA = \cancel{E\text{-}D\text{-}}\underline{\Sigma Q\text{-}}REC_M \cancel{- E\text{-}GC_M + (E\text{-}GC_M} \underline{x\ (UR\ -}\ .01) \cancel{+\ A}$$

~~E-D~~ Q-REC $_M$ = the sum of the ~~Estimated Discounted Receivables, in dollars ($) rounded to the nearest cent, expected to be paid to Q-AGS for applicable customers during the effective month. It is based on estimates of the following: Qualifying Receivables, estimated gas consumption volumes, supplier commodity service costs, customer payment experience and the discount factor of 1.5%~~ Qualifying

Receivables, in dollars ($) rounded to the nearest cent, equal to the gas supply service related receivables of a Q-AGS, for customer c, on the consolidated monthly bill for gas service issued by the Company for gas supply service provided to such retail customer, c, by the Q-AGS..

~~E-GC~~$_{\cancel{M}}$ ~~= the sum of the Estimated Gross Collections, in dollars ($) rounded to the nearest cent, expected to be received from applicable customers during the effective month. It is based upon estimates of the following: Qualifying Receivables, estimated gas consumption volumes, supplier commodity costs and customer payment experience.~~

UR = the uncollectible rate in de4cimal format (0.00) as included in the Gross Revenue Conversion Factor in the Company's most recent base rate case.

~~A = Amortization of the cumulative Supply Uncollectible Balance (SUB), in dollars ($) rounded to the nearest cent, as necessary, for the appropriate customer class. Factor A may be amortized over a period not to exceed 24 months and may result in either a charge (positive) or credit (negative) to the customer's monthly PORA~~$_{\cancel{C}}$

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~~SUB~~$_{\cancel{C}}$ ~~= shall equal the Supply Uncollectible Balance, in dollars ($) rounded to the nearest cent, by customer class (c) in dollars ($), equal to the cumulative balance resulting from the application of the SUA through the POR Application Period. The SUB shall equal:~~

$$\cancel{SUB_C = \Sigma\ DREC - (\Sigma\ GC - (\Sigma\ Q\text{-}REC_C\ X\ .005)) + A}$$

~~DREC = the cumulative sum of the actual prior months Discounted Receivables, in dollars ($), rounded to the nearest cent, for customer class, (c).~~

~~GC = the cumulative sum of the actual prior months Gross Collections, in dollars ($), rounded to the nearest cent, for customer class, (c).~~

~~ICR~~$_{\cancel{C}}$ ~~= represents the Company's estimated monthly intangible cost recovery from eligible customers. It shall be represented by the following equation:~~

$$\cancel{ICR_C = (\Sigma\ Q\text{-}REC_C\ x\ ICF_C)}$$

~~ICF~~$_{\cancel{C}}$ ~~= the estimated intangible cost factor for the customer class (c), in decimal form, which is applied to the sum of the estimated Qualifying Receivables to be purchased during the upcoming month. If the residential portion of estimated Administrative and Operational Costs, defined as AOC X (ERC/TC), is less than or equal to 0.5% of the sum of the estimated residential Qualifying Receivables (Σ Q-REC~~$_{\cancel{C}}$~~) then the ICF~~$_{\cancel{C}}$ ~~shall equal 0.5%. If the, estimated Non-residential portion of estimated Administrative and Operational Costs, defined as AOC X (ENRC/TC), is less than or equal to 0.5% of the sum of the~~

~~estimated Non-residential Qualifying Receivables (Σ Q-REC$_C$) then the ICF$_C$ shall equal 0.5%. If the customer class portion of the Administrative and Operational Costs is between 0.5% and 1% of the sum of the estimated customer class Qualifying Receivables (Σ Q-REC$_C$) then the ICF$_C$ shall equal 1% minus the Administrative and Operational Costs divided by the sum of the Σ Q-REC$_C$. If the customer class portion of the estimated Administrative and Operational Costs are greater than 1% of the sum of the estimated customer class Qualifying Receivables (Σ Q-REC$_C$) then the ICF$_C$ shall equal zero.~~

R_C = the Company determined reconciliation component for PORA costs, calculated for the reconciliation period, in dollars for the residential and non-residential customer classifications. The reconciliation amount shall be the difference between the actual calculated $PORA_C$ costs during the prior application period and the actual booked revenues for the $PORA_C$. The reconciliation component shall be recovered from or refunded to customers over 9 months, from April through December and shall be supported by a Commission filing made on or before March 20th. No reconciliation component shall be included in the January through March period. The reconciliation component shall be calculated using the following formula:

$$R_C = \text{Actual } PORA_{(C)} \text{ Costs} - \text{Actual } PORA_{(C)} \text{ Revenues}$$

Where:

$$\text{Actual } PORA_{(C)} \text{ Costs} = AOC_A(_C) + NAUC(_C) \cancel{+ ICR_C}$$

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Actual $PORA_{(C)}$ Costs = The actual Purchase of Receivables Cost adjustment for the customer class (c), in dollars ($) rounded to the nearest cent, which equals the sum of the Administrative and Operational Costs, <u>and</u> Net Actual Uncollectible ~~Costs and the Intangible Cost Recovery component~~ for the reconciliation period.

AOC_A = actual Administrative and Operational Costs, in dollars ($) rounded to the nearest cent, for the PORCB Program for the reconciliation period.

NAUC = the Net Actual Uncollectible Costs equal to the amount actually written off by the Company for receivables purchased by the Company from Q-AGS during the POR reconciliation period in accordance with the provisions of this rider less the total amount by which such purchased receivables were reduced by the 1% uncollectible component of the Discount Factor during such POR Application Period. The resulting amount may be positive or negative. NAUC shall be represented by the following formula:

$$NAUC = RWO_C - \Sigma_{RP} (Q\text{-}REC_C \times .01)$$

RWO_C = Receivables Write-Offs, in $, equal to the amount actually written off by the Company for receivables purchased by the Company from the Q-AGSs in accordance with the provisions of this rider during the reconciliation period for the appropriate customer class.

O_C = An amount representing the additional over- or under-recovery for a reconciliation year Ordered by the Commission to be refunded or collected to the customer class, including interest charged at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) from the end of the reconciliation period to the order date in the reconciliation proceeding.

EC = the estimated total number of Eligible Residential Customers (ERC) or the estimated total number of Eligible Non-Residential Customers (ENRC) as applicable for the customer class receiving a consolidated bill from a Q-AGS participating in Rider17.

Section E – Q-AGS Capital Recovery Adjustment

The Q-AGS Capital Recovery Adjustment (CRA), by customer class, shall be applied monthly, as necessary, to Q-AGS Supplier Aggregation Service bills to collect or refund any anticipated under-collected or over-collected Capital Recovery Costs received through application of the .5% component of the Discount Factor. The CRA shall be calculated based on the following formula:

$$CRA_C = ((CRC_M - (Q\text{-}REC_M \times .005)) + A_C + R_{CC} + O_{CC}/ EC) \times SC_C$$

CRC_M = Capital Recovery Costs for the month ($_M$), in dollars ($) rounded to the nearest cent, shall be the intended monthly amount, by customer class, of the annual five-year levelized revenue requirement sufficient to recover the return of and on the Company's investments at a~~n 8.09~~ 5.17% rate of return as approved in Docket No. ~~08-0363~~12-0569.

EC = As previously defined.

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A_C = Amortization of the cumulative difference between the intended actual Capital Recovery Costs and the amount of Capital Recovery Costs recovered through application .5% of the Discount Factor during prior months, as necessary, for the appropriate customer class. Factor A may be amortized over a period not to exceed 24 months and may result in either a charge (positive) or credit (negative) to the Q-AGS' monthly CRA.

SC_C = Supplier's Eligible Residential Customers and/or Supplier's Eligible Non-Residential Customers.

$R_{CC} =$ The Company determined reconciliation component for Capital Recovery Costs, calculated for the reconciliation period, in dollars for the residential and non-residential customer classifications. The reconciliation amount shall be the difference between the actual booked levelized five-year annual revenue requirement, for the reconciliation period, sufficient to recover the return of an on the Company's investments at a~~n 8.09~~ 5.17% rate of return as approved in Docket No. 12-0569 ~~08-0363~~ and Capital Recovery Costs recovered through the Discount Factor plus Capital Recovery Adjustments recovered from Q-AGS. The reconciliation component shall be recovered from or refunded to Q-AGS over 9 months, from April through December and shall be supported by a Commission filing made on or before March 20th. No reconciliation component shall be included in the January through March period. The reconciliation component shall be calculated using the following formula:

R_{CC} = Actual CRC_{RP} – (Actual CRC $revenues_{RP}$ + Actual CRA $revenues_{RP}$)

O_{CC} = An amount representing the additional over- or under-recovery for a reconciliation year Ordered by the Commission to be refunded or collected to the Q-AGS.

Section F – Information Sheet Filings

The Company shall file with the Commission, on or before the 20th day prior to the effective month, an information sheet specifying the charges or credits to be effective for service rendered during the upcoming month defined as the Effective Period. However, for the initial information sheet filing, the Company shall file the information sheet with the Commission no less than 60 days prior to the effective period of the charges or credits. Each such information filing shall also be provided to the Manager of the Staff's Accounting Department along with all workpapers supporting the derivation of the charges and credits.

Section G – Reconciliation

On or before August 31 following each Reconciliation Period, the Company shall file a petition with the Chief Clerk to initiate the reconciliation process. The petition shall include a reconciliation of the actual PORA costs with the actual PORA revenues booked and actual Capital Recovery Costs incurred ~~and~~ with Capital Recovery revenues booked. The Reconciliation period covering the initial POR Application period shall include a review by the Commission of the prudence and reasonableness of the Capital ~~r~~ Recovery Costs, as described hereafter~~in~~ in Section H, and a review of the final levelized five-year annual revenue requirement calculation ~~installation~~. Supporting documentation or workpapers affecting the information presented in the Company's reconciliation petition shall be provided to the Commission's Accounting Staff at the time of this filing. In conjunction with the reconciliation filing, a new information sheet may be filed adjusting the then effective PORA charge or credit under this Rider for the amount to be reconciled.

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Section H – Commission Review

Upon review of the reconciliation petition and reconciliation filed by the Company under Section G, the Commission shall require a hearing to receive from the Company such evidence as the Commission requires regarding any aspect of determining the charges under this rider. If the Commission finds, after hearing, that any amounts were not prudent or reasonable, or were incorrectly debited or credited to this Rider during that period, the Commission shall order the Rider to be adjusted by appropriate credits or debits thereto. Any adjustments so ordered shall be reflected in the adjustment Factor O_C, over a succeeding POR Application Period(s). Such amount shall be adjusted for carrying charges equal to the interest rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1) applied from the end of the reconciliation period until the O_C amount is charged or refunded to customers.

Section I – Internal Audit

After each POR Application Period, the Company will conduct an internal audit of its costs for such previous POR Application Period and recoveries of such costs pursuant to this rider. The audit shall include at least the following tests: 1) test that costs recovered through Rider 17 are not recovered through other approved tariffs; 2) test customer bills that all Rider 17 adjustment factors are being properly billed to customers in the correct time periods; 3) test that Rider 17 revenues are properly stated and 4) test that actual write-offs of receivables acquired under the PORCB Program are being identified, recorded and properly reflected in the calculation of rates and reconciliations. The above list of determinations shall not limit the scope of the audit.

The Company must prepare a report that summarizes the results of such audit. In addition, for such previous POR Application Period such report must address (a) AGS participation under this rider, (b) total costs incurred for AOCs and CRCs, (c) the total amount of the discounted receivables purchased in accordance with the provisions of this rider, (d) total amount of the write-offs associated with receivables purchased in accordance with the provisions of this rider, and (e) revenues associated with the application of POR Adjustments. Such report must be submitted to the ICC in an informational filing, with copies of such report provided to the Manager of the Staff's Accounting Department and the Director of the Staff's Financial Analysis Division within sixty (60) calendar days after the end of such POR Application Period. Such report must be verified by an officer of the Company.

In addition to the reporting requirements previously identified in this Internal Audit section, in each calendar year during which the Company is not required to perform an internal audit of its costs for a POR Application Period, the Company must prepare a report for the previous calendar year that addresses (a) AGS participation under this rider, (b) total costs incurred for AOCs and CRCs, (c) the total amount of the discounted receivables purchased in accordance with the provisions of this rider, (d) total amount of the write-offs associated with receivables purchased in accordance with the provisions of this rider, and (e) revenues associated with the application of POR Adjustments. The first such report must also include an evaluation of any POR Adjustment in effect during the first POR Application Period. Such report must be submitted to the ICC in an informational filing, with copies of such report provided to the Manager of the Staff's Accounting Department and the Director of the Staff's Financial Analysis Division within ninety (90) calendar days after the end of such previous calendar year. Such report must be verified by an officer of the Company.

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Rider 17
Purchase of Receivables with Consolidated Billing (PORCB)

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Section J – Implementation

Service under this rider will commence 24-months after the Commission issues a final order that is no longer subject to rehearing or appeal approving this rider.

A Q-AGS is not allowed to terminate the Company's purchase of receivables and consolidated billing of such Q-AGS's gas supply service to an individual residential or non-residential customer and continue to provide gas supply service to such customer under the utility's consolidated billing program unless the Q-AGS also terminates the Company's purchase of receivables and consolidated billing of such Q-AGS's gas supply service for all members of its residential or non-residential customer classes served by such Q-AGS. Such termination for each such retail customer is effective on the Company's next normally scheduled meter reading or billing cycle date for such retail customer. Such effective meter reading or billing cycle date is the ending date of the last monthly billing period for which the Company purchases receivables from the Q-AGS and provides consolidated billing for the amounts billed to such retail customer for the Q-AGS's gas supply service. Moreover, with respect to termination of service to the residential or non-residential customer classes, in the event that a Q-AGS makes such terminations, for a period of at least twelve (12) months following such terminations the Q-AGS may not elect to have the Company purchase receivables and provide consolidated billing of such Q-AGS's gas supply service provided to any member of the terminated class of customer.

The Company produces and provides consolidated monthly bills for both the gas supply service provided by the Q-AGS and the gas delivery service provided by the Company. In the event that such purchase of receivables with respect to an individual customer terminates, the Company correspondingly terminates the provision of billing of gas supply service provided by the Q-AGS to such retail customer.

Section K – Term and Termination Provisions

For a Q-AGS first receiving service hereunder or resuming service hereunder after a previous termination of service hereunder, the initial term of service is twenty-four (24) months. Upon expiration of the initial or any renewal term of service, the term of service is automatically renewed for a period of twelve (12) months.

A Q-AGS taking service hereunder has the right to discontinue service hereunder at any time on at least sixty (60) days' written notice to the Company, provided, however, that in the event of such termination, such Q-AGS is not eligible to take service hereunder for a period of twelve (12) consecutive months. In such event, the Q-AGS must submit a new PORCB Billing Services Agreement to the Company. The termination of service hereunder for such retail customer is effective on the Company's next normally scheduled meter reading or billing cycle date for such retail customer. Such effective meter reading or billing cycle date is the ending date of the last monthly billing period for which the Company purchases receivables from the Q-AGS for the amounts billed to such retail customer for the Q-AGS's gas supply service. Following termination hereunder, it is the Q-AGS' responsibility to issue bills to the retail customer for gas supply service provided to such retail customer by such Q-AGS.

(Continued On Sheet No. 75.9.15)

Rider 17
Purchase of Receivables with Consolidated Billing (PORCB)

(Continued From Sheet No. 75.9.14)

The Company has the right to discontinue service to a Q-AGS hereunder if such Q-AGS (a) has its service under Rider 16 terminated; or (b) fails to abide by the continuing obligations of this rider. Such termination does not prohibit the Company from pursuing collection of amounts owed to the Company by the Q-AGS or owed to the Company by the Company's retail customers with respect to which the Company had been purchasing the Q-AGS's receivables for gas supply service.

Section L – Miscellaneous and General Provisions

The Company reserves the right to disconnect service to a retail customer with respect to which the Company is purchasing the Q-AGS's receivables for gas supply service in accordance with the provisions of this rider and the Company's Terms and Conditions if the Company does not receive payment from such retail customer for the gas supply service provided by such Q-AGS to such retail customer and billed by the Company. The Q-AGS must abide by the provisions of any applicable tariffs or contracts with the Company under which the Company provides the Q-AGS with services.

Except as specified herein, all other provisions of the Customer's rate shall apply. The schedule of which this rider is a part includes certain Terms and Conditions. Service hereunder is subject to those Terms and Conditions including, but not limited to, Right to Disconnect Service, Customer-owned Gas, Finaled Accounts of Transportation/Storage Customers, Transportation Limitations and Amounts, the Critical Day Definition, and definitions of an Operational Flow Order Day, including any changes authorized by the Commission subsequent to the initial effective date of this rider.