

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	
v.)	Docket No. 01-0469
)	
North Shore Gas Company)	
)	
)	
Proposal to implement Riders SVT and)	
AGG, and revise Rider 2, Terms and)	
Conditions, and Table of Contents)	

DIRECT TESTIMONY
OF
DAVID WEAR

- 1 Q. Please state your name and business address.
- 2 A. David Wear. 150 North Michigan Avenue, Chicago, Illinois 60601.
- 3 Q. By whom are you employed?
- 4 A. The Peoples Gas Light and Coke Company ("Peoples Gas").
- 5 Q. What position do you hold with Peoples Gas?
- 6 A. My current title is Manager of Gas Supply Administration.
- 7 Q. What are your responsibilities in that position?
- 8 A. I am responsible for negotiating, contracting, and dispatching the assets
- 9 that make up the gas supply portfolio of Peoples Gas. I perform the same duties
- 10 for Respondent, North Shore Gas Company ("North Shore").
- 11 Q. Please summarize your educational background and experience.

12 A. I received a Bachelor of Science degree in Liberal Arts and Sciences
13 (Geology) from the University of Illinois at Urbana-Champaign in 1981, and a
14 Masters in Business Administration from the University of Illinois at Chicago in
15 1989. I began my employment with Peoples Gas in July of 1989 as a Staff
16 Computer Control Analyst in the Information Systems Planning and
17 Administrative Services Department. While in that department, I worked with
18 client areas in assessing their data processing needs, and I assisted in the
19 design, acquisition, and implementation of various computer systems. In April of
20 1991, I was promoted to Associate Computer Control Analyst and participated in
21 corporate strategic information systems planning. I joined the Gas Supply
22 Contracts Department in January of 1993 as a Gas Supply Contracts Analyst
23 with responsibilities for managing term supply contracts, spot gas activities, and
24 pipeline logistics. Shortly after, this department merged with the Federal
25 Regulatory Affairs Department to become Gas Supply Administration. As a
26 member of Gas Supply Administration, I have held the titles of Senior Gas
27 Supply Contracts Analyst, Senior Gas Supply Trader, and Supervisor, before
28 becoming Manager of the department in April of 2000.

29 Q. What is the purpose of your direct testimony in this proceeding?

30 A. The purpose of my direct testimony is to address four elements of
31 Respondent's proposed tariff changes to implement a small volume customer
32 transportation program ("Choices For Yousm" or the "Program"). First, I will
33 describe the need for the proposed provision, "Operational Integrity," that would
34 be added to the Terms and Conditions of Service. Second, I will explain why the

35 daily and monthly tolerances associated with the Required Daily Delivery
36 Quantity ("RDDQ") are reasonable. Ms. Egelhoff, in her direct testimony,
37 explained how these tolerances apply to the RDDQ. Third, I will address the gas
38 supply planning considerations that were relevant to the phased-in enrollment
39 schedule that Ms. Egelhoff described in her direct testimony. Fourth, I will
40 discuss the way in which Respondent uses certain purchased services to provide
41 balancing and storage service.

42 Q. Please describe the new provision in the Terms and Conditions of Service.

43 A. Essentially, the new Operational Integrity provision in the Terms and
44 Conditions of Service would enable Respondent, for operational reasons, to limit
45 the quantity of gas that it will accept from suppliers at any of its citygate stations.
46 Respondent would provide notice of these limitations to shippers no later than
47 two hours prior to the applicable nomination deadline. For example, Respondent
48 might need to restrict deliveries from ANR Pipeline Company ("ANR") to no
49 greater than 40,000 MMBtu for the next gas day. Respondent would post this
50 notice to its electronic bulletin board and to its recorded message hotline to
51 enable shippers to respond accordingly. After the nomination deadline,
52 Respondent would confirm with ANR, only natural gas deliveries up to the
53 specified limit, and according to the pipeline's tariff.

54 Q. Would this provision apply only to the Program?

55 A. No. The provision would apply to all shippers, including Respondent, who
56 have nominated deliveries on the pipeline(s) affected by any limitations or
57 restrictions.

58 Q. Why is the Operational Integrity provision needed?

59 A. Respondent's load patterns and load growth are always changing in
60 addition to changes to its distribution system. As new pipeline interconnects are
61 added, (Respondent currently interconnects with two upstream interstate
62 pipelines, and one LDC, and more interconnects are contemplated in the near
63 future), maintaining efficient operation of its system becomes more complex.
64 Achieving safe and reliable service is also complicated by the fact that each year,
65 as transportation volumes become a greater percentage of the supplies entering
66 Respondent's system, less volume is under Respondent's direct control.
67 Therefore, Respondent must require the cooperation of all shippers in order to
68 maintain the required balance of supplies entering its system. It is important to
69 make this change in connection with this filing, which will increase the
70 transportation volumes delivered to Respondent's system.

71 Q. Please describe the daily and monthly tolerances associated with the
72 Required Daily Delivery Quantity ("RDDQ").

73 A. Each supplier would have a three percent daily tolerance and a one
74 percent monthly tolerance with respect to its RDDQ. In other words, on any
75 given non-Critical Day, the supplier may bring in an amount that is within three
76 percent (higher or lower) of its aggregate RDDQ. As Ms. Egelhoff explained, on
77 Critical Days, the tolerance is limited to variances that would not be detrimental
78 to Respondent's system. By the end of the month, each supplier's actual
79 deliveries must be within one percent (higher or lower) of the aggregate monthly
80 RDDQ. This will enable suppliers to modify their daily deliveries to react to

81 changing market conditions, or to minimize the need for daily nomination
82 changes, subject to any corrections needed to bring month-end deliveries within
83 the tolerance.

84 Q. Please explain why the level of the tolerances is reasonable.

85 A. These tolerances are similar to the type provided to Respondent by
86 Natural Gas Pipeline Company of America ("NGPL"). However, the percentages
87 in this Program are less than those provided by NGPL since Respondent expects
88 that only a portion of the supplies delivered as part of this Program will be on
89 NGPL. In light of NGPL being the only upstream pipeline that offers such
90 tolerances, it is Respondent's belief that the proposed percentages are
91 appropriate. These tolerances are limited under the Program during
92 Respondent's Critical Days as they are likely not to be available to Respondent
93 from NGPL on such days.

94 Q. What gas supply issues were considered in developing the customer
95 enrollment limitations?

96 A. Respondent has proposed a phased-in approach for expanding the
97 Program in order to address certain gas supply planning considerations.
98 Generally, Respondent enters into contracts with terms of one to three years with
99 pipelines for firm transportation, storage operators for leased storage, and natural
100 gas suppliers for supply, however, it does have firm contracts with longer terms.
101 These assets are needed to meet annual, seasonal, and daily gas supply
102 requirements. The design-day supply portfolio also includes a reasonable
103 reserve margin that provides for, among other things, the possibility of supply

104 loss due to the interruption of firm pipeline service. Respondent makes a
105 determination of the amount of assets to contract for by projecting not only
106 demand requirements, but also migration of sales customers to transportation
107 service. Respondent believes that the enrollment limitations will allow for an
108 orderly reduction in or realignment of these assets and thereby minimize the
109 possibility of retail sales customers subsidizing those customers participating in
110 the Program.

111 Q. Ms. Egelhoff, in her direct testimony, described the Aggregation Balancing
112 Gas Charge, which would recover costs associated with the purchased storage
113 and balancing services that support storage service provided to suppliers under
114 the Program. Please describe how North Shore uses its assets to provide
115 balancing and storage.

116 A. Respondent purchases storage services, with related transportation, that
117 provide for both seasonal storage and for daily balancing. In general, storage
118 injections result when deliveries exceed consumption, and storage withdrawals
119 result when consumption is greater than deliveries. Generally, the amount of
120 storage capacity determines the injection and withdrawal parameters. As one
121 would expect, these parameters are designed to accommodate injections during
122 the summer and withdrawals during the winter, hence the seasonal aspect of
123 storage.

124 All of Respondent's storage services also provide some degree of
125 flexibility in their storage and withdrawal schedules, thereby allowing it to vary the
126 amount of gas injected or withdrawn from one day to the next. In addition, some

127 of Respondent's storage services provide for a limited amount of "out of season"
128 activity (summer withdrawals and winter injections). Lastly, and most notably,
129 some of storage services combine a "no-notice" attribute to the daily injection and
130 withdrawal parameters. These characteristics make up the balancing aspect of
131 storage. Balancing is an essential component of Respondent's storage portfolio,
132 to allow it to adjust to variations between estimated and actual demand that takes
133 place on its system.

134 By the nature of their design, balancing and storage components are
135 inextricably combined in Respondent's storage assets.

136 Q. Does this conclude your direct testimony?

137 A. Yes, it does.