

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company)	
d/b/a Nicor Gas Company)	
)	
North Shore Gas Company)	
)	Docket No. 13-
Joint Petition for Consent to and Approval)	
of a Firm Transportation Agreement)	
Pursuant to Sections 7-102, 9-102 and 9-201)	
of the Public Utilities Act and)	
related relief.)	

**JOINT PETITION OF
NORTHERN ILLINOIS GAS COMPANY D/B/A NICOR GAS COMPANY
AND NORTH SHORE GAS COMPANY**

Northern Illinois Gas Company d/b/a Nicor Gas Company, an AGL Resources Company, (“Nicor Gas”) and North Shore Gas Company (“North Shore”), together, the “Petitioners,” pursuant to Sections 7-102, 9-102, and 9-201¹ of the Public Utilities Act (“Act”), submit to the Illinois Commerce Commission (“Commission”) this Petition for approval of a Firm Transportation Agreement (“2014 FT Agreement”). The 2014 FT Agreement is entered into by and between Nicor Gas and North Shore. A copy of the 2014 FT Agreement is attached to and made a part of this Petition as Attachment A.

The filing of the 2014 FT Agreement is intended to comply with the Petitioners’ obligation under Section 9-102 of the Act to file with the Commission copies of certain agreements between public utilities. The Petitioners further request that the Commission enter its order in this proceeding without an

¹ 220 ILCS 5/7-102, 9-102, 9-201.

evidentiary hearing, on or before March 31, 2014. In support of this Joint Petition, Petitioners state as follows:

1. Nicor Gas is a corporation organized and existing under the laws of the State of Illinois, with its corporate offices at 1844 Ferry Road, Naperville, DuPage County, Illinois 60563 (Mailing address: P.O. Box 190, Aurora, Illinois 60507). It is engaged principally in the business of distributing and selling gas to over 2.2 million customers in the northern part of Illinois. Nicor Gas is a “public utility” as that term is defined in Section 3-105 of the Act and subject to the jurisdiction of the Commission. Attachment B, attached to and made a part of this Petition, is a list of municipalities served by Nicor Gas. In addition to the municipalities identified in Attachment B, Nicor Gas is also providing service to the Villages of Grayslake, Lake County, Sammons Point, Kankakee County and Timberlane, Boone County, as well as the Township of Rockton, Winnebago County.

2. North Shore is a corporation organized and existing under the laws of the State of Illinois, having its principal office at 130 East Randolph Street, Chicago, Illinois 60601. It is engaged in the business of purchasing natural gas for and distributing and selling natural gas to approximately 158,000 customers in Cook and Lake Counties, Illinois. North Shore is a public utility within the meaning of the Act. 220 ILCS 5/3-105. Attachment C, attached to and made a part of this Petition, is a list of municipalities served by North Shore. North Shore is a wholly-owned subsidiary of Peoples Energy, LLC, which is a wholly-owned subsidiary of Integrys Energy Group, Inc.

3. The 2014 FT Agreement is substantially identical to prior such agreements between Petitioners that the Commission reviewed and approved. Most recently, Nicor Gas and North Shore entered into a Firm Transportation Agreement, dated December 11, 2008 (“2009 FT Agreement”) under which Nicor Gas provides North Shore firm transportation service from an interconnection point between Nicor Gas’ and ANR Pipeline Company’s (“ANR”) facilities near Hampshire, Illinois, to an interconnection point between Nicor Gas’ and North Shore’s facilities known as Busse Road. The term of the 2009 FT Agreement is November 1, 2009 through March 31, 2014. Service under the 2009 FT Agreement is available only from November 1 to March 31 during each contract year. The maximum daily firm contract quantity that Nicor Gas would transport on any day is 70,000 MMBtu. On April 22, 2009, the Commission approved the 2009 FT Agreement without modification in Docket No. 08-0674. The 2009 FT Agreement continued firm transportation service between the parties that began in 2003, as approved by the Commission in Docket No. 02-0779, and extended by agreements that the Commission approved in Docket Nos. 03-0551 and 06-0466.

4. Subject to the Commission’s authorization, Nicor Gas and North Shore have entered into a new Firm Transportation Agreement dated November 11, 2013 (“2014 FT Agreement”).

5. The proposed 2014 FT Agreement is identical in all material aspects to the 2009 FT Agreement, except that the term of the proposed 2014 FT Agreement would be November 1, 2014, through March 31, 2017, and the 2014 FT

Agreement includes a new Section 2.07, Cooperation. The purpose of the new section is to address requirements that affect safe pipeline operations. In particular, it describes how the parties will address their compliance obligations with certain state and federal laws, orders and regulations, including Pipeline and Hazardous Material Safety Administration, and any successor, and Office of Pipeline Safety, and the effect of these requirements on planned outages.

6. The total revenue under the 2014 FT Agreement would be sufficient for Nicor Gas to recover its costs for providing the service and make a contribution to fixed cost recovery. As with revenues received from the current 2009 FT Agreement for this service, Nicor Gas will record revenues as above-the-line utility revenue.

7. Performance of Nicor Gas' obligations under the 2014 FT Agreement would not adversely affect service or charges under any of Nicor Gas' filed rates. Nicor Gas' transportation obligation under the 2014 FT Agreement is subject to maximum daily limits representing less than 2% of Nicor Gas' five-year historical peak-day sendout.

8. North Shore would benefit from retaining an additional market-area supply source at economic rates that would increase system reliability. The firm transportation service that Nicor Gas provides to North Shore is integral to North Shore's purchase of certain existing storage services from ANR. Absent the service from Nicor Gas, North Shore would need to purchase a more costly service from Natural Gas Pipeline Company of America, LLC in order to receive the ANR service. As with charges paid under the current 2009 FT Agreement

and predecessor agreements for this service, North Shore will recover these costs through its Gas Charge (Rider 2 of its Schedule of Rates for Gas Service).

9. The proposed 2014 FT Agreement for firm transportation service is just and reasonable and would benefit North Shore and its customers, as well as Nicor Gas and its customers. Further, the proposed 2014 FT Agreement is in the public interest and the public would be inconvenienced thereby. Because North Shore is a Petitioner herein, no publication or further notice should be required. The filing of the 2014 FT Agreement is intended, *inter alia*, to comply with the Petitioners' obligations under Section 9-102 of the Act.

10. Petitioners maintain that this Joint Petition contains all the pertinent information needed to enable the Commission to enter an order approving the 2014 FT Agreement. Accordingly, Petitioners request that the Commission enter an order approving the 2014 FT Agreement without an evidentiary hearing.

11. In view of the forgoing, good cause exists for granting the Petitioners authority to place into effect the proposed 2014 FT Agreement, pursuant to the provisions of Section 7-102 of the Act.

WHEREFORE, Petitioners respectfully request that the Illinois Commerce Commission enter an order, without an evidentiary hearing, on or before March 31, 2014, (1) finding that the proposed 2014 FT Agreement is just and reasonable and consenting to and approving the execution and performance of the 2014 FT Agreement, effective as of the date of the Commission's order, pursuant to the provisions of Section 7-102 of the Act; (2) authorizing Petitioners to take any and all actions not contrary to the Act and the Commission's rules necessary to perform the 2014 FT Agreement; and (3) granting such further and additional relief as may be necessary, just and reasonable in connection with such approval.

Respectfully submitted,

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

North Shore Gas Company

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Dated at Chicago
this 11th day of December, 2013

FIRM TRANSPORTATION AGREEMENT

This AGREEMENT, entered into as of the 11th day of November, 2013, by and between Northern Illinois Gas Company d/b/a Nicor Gas Company, hereinafter referred to as "Nicor" or "Nicor Gas", and North Shore Gas Company, hereinafter referred to as "North Shore".

Witnesseth:

Whereas, Nicor Gas is a public utility subject to the regulatory jurisdiction of the Illinois Commerce Commission under the Illinois Public Utilities Act; and

Whereas, North Shore is a public utility subject to the jurisdiction of the Illinois Commerce Commission under the Illinois Public Utilities Act; and

Whereas, North Shore desires to effectuate transportation service for general system supply deliveries; and

Whereas, Nicor Gas currently owns, operates and maintains certain natural gas transmission facilities which could be used to transport natural gas within the state of Illinois from the facilities of ANR Pipeline Company ("ANR") near Hampshire, Illinois to the facilities of North Shore; and

Now, Therefore, in consideration of the premises of the mutual agreements hereinafter set forth, Nicor Gas and North Shore agree as follows:

Article I. Definitions

- 1.01 The term "Gas" shall mean natural gas that meets the quality standards contained in ANR Pipeline Company's FERC Gas Tariff.
- 1.02 The term "Day" shall mean the period of twenty four (24) consecutive hours beginning and ending at 9:00 a.m. Central Time (prevailing time in the Central Time Zone). The date of a day shall be that of its beginning.
- 1.03 The term "Month" shall mean a period beginning with the first day of the calendar month and extending through the last day of that month.
- 1.04 The term "Cubic Foot of Gas" for the purpose of gas measurement hereunder shall mean the amount of gas necessary to fill a cubic foot of space in an absolute pressure base of fourteen and sixty-five-hundredths pounds per square inch absolute (14.65 psia) at a temperature of sixty (60) degrees Fahrenheit.
- 1.05 The term "Btu" shall mean one (1) British Thermal Unit, the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit at sixty (60) degrees Fahrenheit and the term "MMBtu" shall mean one million (1,000,000) Btu.
- 1.06 The term "Thermally Equivalent" shall mean an equal amount of heating value, expressed in Btu or MMBtu.
- 1.07 The term "Receipt Point" shall mean the point at which Nicor Gas shall receive natural gas deliveries from North Shore. The Receipt Point shall be the interconnection between ANR's facilities and Nicor Gas' facilities known as Hampshire.

- 1.08 The term "Delivery Point" shall mean the point at which Nicor Gas shall make natural gas deliveries to North Shore. The Delivery Point shall be the interconnection between Nicor Gas' facilities and North Shore's facilities known as Busse Road.
- 1.09 The term "Contract Year" shall mean any period of twelve consecutive Months, which ends on October 31st during the term of this Agreement, provided that the final Contract Year shall be the five-Month period of November 1, 2017, through March 31, 2018.

Article II. Firm Transportation Service

2.01 Maximum Daily Service.

The maximum daily firm contract quantity of Gas which Nicor Gas shall transport from the Receipt Point to the Delivery Point for North Shore hereunder shall be 70,000 MMBtu.

2.02 Service Nominations.

Service under this Agreement shall be subject to Nicor Gas' receipt of daily service nominations or mid-day changes in daily service nominations. All such service nominations shall be made to the Gas Control Department of Nicor Gas by telephone call and subsequently verified by electronic or telephone facsimile transmission of a form provided for that purpose. Daily service nominations shall be submitted by 9:00 a.m. on the day prior to the start of any day on which gas is to flow. Any mid-day change in service nomination shall, unless otherwise agreed to by Nicor Gas, be submitted at least one hour in advance of such mid-day service change.

Nicor Gas reserves the right to contact ANR for the purposes of confirming any nominations hereunder. Each firm service nomination hereunder shall be deemed to be confirmed by Nicor Gas unless Nicor Gas specifically notifies North Shore within one hour following such service nomination that ANR has failed to confirm such nomination or if North Shore is unable to receive a comparable hourly rate of transportation deliveries. Nicor Gas shall have no obligation to accept or confirm any mid-Day nomination change, which revises the total daily delivery volume to less than the total volume of Gas which Nicor Gas has already delivered to North Shore for that Day.

2.03 Receipt and Delivery Obligations.

Nicor Gas shall have no obligation to accept the receipt of Gas at ANR-Hampshire from North Shore at any hourly rate which exceeds 6.25% of any confirmed daily service nomination. Further, no such excess Gas shall be accepted for receipt unless Nicor Gas can effectuate a comparable hourly rate of Gas deliveries, on a Thermally Equivalent basis, into North Shore's facility. For the purpose hereof, Nicor Gas shall have no transportation service obligation

unless North Shore can effectuate the delivery of Gas into the Nicor Gas system at the Receipt Point. Same day transportation deliveries by Nicor Gas to North Shore shall be effectuated at a delivery pressure of not less than 275 pounds per square inch. Nicor Gas shall have no transportation service obligation unless North Shore can accept Nicor Gas deliveries at the Delivery Point.

2.04 Unauthorized Daily Services.

For the purpose hereof, unauthorized daily service shall mean any variation, either positive or negative, by which North Shore's actual delivery to Nicor Gas on any Day at the Receipt Point varies by more than five percent, from the service quantity which was nominated and confirmed for that Day. In the event of any such unauthorized daily service, North Shore shall, in addition to all other charges hereunder, become responsible for any unauthorized daily service charge which shall be equal to the product of multiplying (1) the total variation between the actual and nominated receipts from North Shore at the Receipt Point for such Day of unauthorized daily service by (2) the greatest of (i) the per MMBtu unit charge of any applicable pipeline penalty or penalties incurred by Nicor Gas as a result of any use of unauthorized daily service hereunder, (ii) the applicable per MMBtu unit charge under North Shore's Illinois Commerce Commission tariff for any similar use of unauthorized daily service, or (iii) a charge of \$60.00 per MMBtu.

2.05 Failure of Transportation Service.

For the purpose hereof, failure of transportation service shall mean any variation (other than as a result of unauthorized daily services), positive or negative, by which Nicor Gas' actual delivery to North Shore at the Delivery Point varies, by more than five percent, from the quantity delivered by North Shore to Nicor Gas at the Receipt Point. In the event of any such failure in which the delivery at the Delivery Point is less than delivery at the Receipt Point, Nicor Gas shall be liable to North Shore for (a) the product of \$0.025 per MMBtu and the quantity of the variation, and (b) any actual pipeline charges or penalties incurred by North Shore as a result of such failure. In the event of any such failure in which the delivery at the Delivery Point is greater than delivery at the Receipt Point, Nicor Gas shall be liable to North Shore for any actual pipeline charges or penalties incurred by North Shore as a result of such failure.

2.06 Limitation of Liability.

Nicor Gas and North Shore acknowledge that the remedies set forth in Sections 2.04 and 2.05 of this Agreement shall be the sole and exclusive remedies available for non-performance under the referenced sections. Notwithstanding any provision of this Agreement to the contrary, neither party shall be liable to the other for incidental, indirect, consequential, exemplary, punitive or other special damages of any kind whatsoever in conjunction with the performance or non-performance of this Agreement, including, without limitation, damages for lost profits, loss of use of revenue, or losses by reason of cost of capital, regardless of the legal theory of such recovery.

2.07 Cooperation.

North Shore and Nicor Gas agree that they will cooperate to the fullest extent in the administration of this Agreement and operation hereunder. Each party agrees that the other party must comply with certain state and federal laws, orders and regulations, including Pipeline and Hazardous Material Safety Administration, and any successor, and Office of Pipeline Safety, and any successor regulations, to assure the safe transportation of natural gas, including the testing, operation, maintenance and emergency response of pipeline facilities, as such laws, orders and regulations may be revised from time to time. The parties shall work together to schedule planned outages of their respective facilities at mutually agreeable times, primarily between April 1 and October 31, provided however that to enable compliance with the aforementioned laws, orders and regulations, each party agrees that the other party may schedule outages for its facilities at any time throughout the year as required by the facilities operator in its sole discretion to comply with any regulation, law or order. In addition, either party may conduct emergency repairs as deemed required by it in its sole discretion throughout the year, but to the extent feasible, will work with the other party to minimize the impact during the period of November through March. Communications of planned outages will be communicated as per Section 3.03 of this Agreement. Nicor Gas and North Shore shall each provide the other with a twenty-four (24) hour contact for operational matters.

Article III. Charges and Terms of Payment

3.01 Charges.

The following charges shall apply for each Month during the contract term hereof:

- a. A monthly reservation charge of \$64,266 applicable to each of the months of November through March in each Contract Year; which is equal to North Shore's maximum daily firm contract quantity of 70,000 MMBtu times \$0.0304 per MMBtu times 151 days divided by 5 months, and
- b. A monthly commodity charge equal to the product obtained by multiplying the total MMBtu of firm volumes received from North Shore at the Receipt Point by \$0.0121 per MMBtu. Such charges and amounts shall be inclusive of any unaccounted for gas requirement by Nicor Gas; and
- c. Any charge or amount as agreed upon or otherwise assessed pursuant to Sections 2.04, 3.04, and 3.06 hereof.

3.02 Billing.

No later than the tenth (10th) of each calendar Month Nicor Gas shall render an invoice, including supporting volume statements, to North Shore for firm transportation service during the previous Month.