

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission	)	
On Its Own Motion	)	
	)	ICC Docket No. 12-0601
Vs.	)	
	)	
Northern Illinois Gas Company	)	
d/b/a Nicor Gas Company	)	
	)	
Reconciliation of Revenues Collected	)	
Under Rider 30 with the Actual Costs	)	
Associated with Energy Efficiency and	)	
On-Bill Financing Programs	)	

**CORRECTED INITIAL BRIEF OF  
THE PEOPLE OF THE STATE OF ILLINOIS**

People of the State of Illinois  
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The People of the State of Illinois, *ex rel.* Lisa Madigan, Attorney General of the State of Illinois (“AG”), pursuant to Part 200.800, hereby file their Initial Brief in the above-captioned proceeding, which involves the Illinois Commerce Commission’s (“the Commission”) reconciliation of revenues collected under Northern Illinois Gas Company’s (“Nicor” or “the Company”) Rider 30 with the actual costs associated with energy efficiency and on-bill financing programs.

**I. INTRODUCTION**

Pursuant to Section 8-104 and 19-140 of the Public Utilities Act, natural gas delivery service companies in Illinois are charged with the delivery of energy efficiency and on-bill finance programs to their customers, and collecting revenues through an automatic adjustment clause or rider tariff. 220 ILCS 5/8-104, 19-140. As the entity assigned to deliver these programs, gas companies including Nicor have been charged by the General Assembly with

ensuring that ratepayer dollars collected for the measures are prudently spent. The Commission's obligation is to ensure the same, thereby making certain that the rates charged for the programs, like any other utility rate, are just and reasonable. Section 8-104 specifically highlights those obligations, requiring gas utilities to include in its three-year efficiency plans filed with the Commission, "a proposed cost recovery tariff mechanism to fund the proposed energy efficiency measures and to *ensure the recovery of the prudently and reasonably incurred costs of Commission-approved programs.*" 220 ILCS 5/8-104 (emphasis added).

This proceeding marks the Commission's first reconciliation of revenues collected by Nicor for statutory energy efficiency and on-bill finance programs under its Rider 30 for Program Year 1 ("PY1"), for the period beginning December 1, 2009 and ending May 31, 2012.<sup>1</sup> The record evidence shows that Nicor included in its program expenses certain charges associated with sport sky boxes and entertainment – expenses that were neither necessary for the successful delivery of the programs nor prudently incurred. In addition, the Company's reported breakdown of expense for the 12-month period at issue reveal a troubling propensity to accumulate unreasonably high administrative expenses that belie best practices in the delivery of energy efficiency programs. As discussed below, the Commission should make specific disallowances of these unnecessary expenses to ensure that the rates Nicor customers pay for the energy efficiency programs recover only those expenses that are reasonable and prudently incurred.

## **II. NICOR EXPENDITURES ON SKYBOX ENTERTAINMENT ARE IMPRUDENT AND SHOULD BE DISALLOWED.**

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<sup>1</sup> Rider 30 requires an annual reconciliation of revenues and expenses which generally would be the twelve month period beginning June 1. However, the initial reconciliation reflects a much longer period since Rider 30 includes costs incurred by the Company after July 10, 2009 to cover start-up expenditures. Accordingly, the reconciliation period is for the period December 1, 2009 through May 31, 2012. Nicor Ex. 1.0 (Martino) at 3.

Staff witness Burma Jones, a Certified Public Accountant with some 15-years of experience at the Commission, proposed an adjustment to disallow recovery through Rider 30 of the cost of Second Star Club (“Stadium Club” or “SSC”) memberships included in Nicor Gas’ corporate partnership contract with the Chicago Fire soccer team (“Chicago Fire”). The Company has recorded the cost of the contract to the Behavioral Energy Savings Program and to Portfolio Marketing Expense.

Ms. Jones explained that, in her opinion, the Stadium Club memberships provide little, if any, benefit to the ratepayers who are paying for them. Indeed, the record evidence shows that the Stadium Club is a luxury club that offers valet parking, a private dining room and bar, and exclusive box seating at midfield. *See ICC Ex. 1.0(Rev.), Attachment A – Street & Smith’s Sports Business Daily, March 8, 2012.* Based on the publicized cost of a membership at the inception of the Stadium Club in April 2012, which was approximately four months subsequent to the execution of the contract between Nicor and the Chicago Fire, Staff witness Jones calculated that the cost of the memberships constitutes BEGIN CONF ██████████ END CONF of the total cost of the three-year contract. Ms. Jones testified that “[s]pending approximately BEGIN CONF\*\* ██████████ \*\*\*END CONF of the total cost of the contract to engage only BEGIN CONF\*\*\* ██████████ \*\*\*END CONF of the thousands of people who attend each game is an inefficient use of ratepayer-supplied funds.” Staff Ex. 1.0(Rev.) at 6-7.

The record evidence supports the proposed adjustment. In response to discovery from Staff regarding the proposed Stadium Club costs, for example, the Company stated:

Tickets to individual games were used to network with other participants in Nicor Gas’ EEP, to learn and better understand Nicor Gas’ EEP offerings, and to help promote Nicor Gas’ EEP to the trade allies’ clients and network of customers. Tickets were therefore used by customers, trade allies, subcontractors, implementation contractors and Nicor Gas’ EEP staff. The

attendees changed from game to game as Nicor Gas' EEP focused on targeting people where Nicor Gas' EEP wanted to build customer relationships or build and leverage their current participation in the program. The program implementation contractors were responsible for finding attendees.

Implementation contractors used the tickets to continue building relationships that could lead to future business opportunities and to recognize strong supporters of Nicor Gas' EEP. EEP staff also engaged with other corporations that were attendees in the Second Star Club to promote Nicor Gas' EEP with the assistance of the Chicago Fire staff.

Staff Ex. 1.0(Rev.) at 7, referencing Staff Ex. 1.0 (Rev.) Attachment B – Company response to Staff DR BCJ-3.11.) Ms. Jones pointed out that providing luxury soccer game accommodations to people who are already benefiting from the EEP; i.e., program implementation contractors who are paid by ratepayer-provided EEP funds and trade allies who benefit from increased business opportunities, is a questionable and unnecessary use of ratepayer-supplied funds. She added that it also, is an inappropriate use of ratepayer supplied funds to provide luxury soccer game accommodations to Nicor Gas' EEP staff, who the evidence showed were also in attendance at the skybox events. *Id.* at 8.

Ms. Jones calculated the cost of the Stadium Club memberships based the cost on the reported annual cost of a 3-year Stadium Club membership at the time the Stadium Club opened in April 2012. *Id.* at 8, referencing her Attachment A - Street & Smith's Sports Business Daily, March 8, 2012. While Nicor states that the Chicago Fire contracts with Nicor Gas' EEP for a single dollar amount annually per the agreement; i.e., the assets are not sold individually, Ms. Jones pointed out that the contract states that the price depends on the list of assets purchased. She concluded, then, that the memberships must have a discreet value and, based on her calculation, that value accounts for BEGIN CONF [REDACTED] END CONF of the cost of the 3-year Nicor/Chicago Fire contract. *Id.* at 8.

It should be noted that Ms. Jones' proposed disallowance excluded only the contract costs associated with the Stadium Club memberships, and not other expenditures included in the Chicago Fire contract that were actually used to "develop interest and momentum for its EEP and to encourage energy efficient behavior, and that other significant features of the contract appear to support this goal." *Id.* at 9. Those features included a "Take the Pledge" marketing campaign, stadium signage, promotional use of the Chicago Fire name and logo, the opportunity to distribute collateral materials at all regular season home matches, and Nicor EEP exposure at community soccer events, all of which were designed to reach the public at large. *Id.*

Commission adoption of Ms. Jones' recommendation would result in refunds of in the amount of BEGIN CONF\*\*\*[REDACTED]\*\*\* END CONF for residential customers, BEGIN CONF\*\*\*[REDACTED]\*\*\*END CONF for small non-residential customers, and BEGIN CONF\*\*\*[REDACTED]\*\*\*END CONF for large non-residential customers. Staff Ex. 2.0 at 9. It should be noted that these amounts are modest relative to the total PY1 expenditures of \$25,883,143 on the first year of efficiency programs. Nicor Ex. 2.0 (Jerozal) at 7. While small in amount relative to the total reconciliation of costs, Commission adoption of this disallowance is critical to sending the message to the Company that future attempts at marketing the efficiency programs should not include ratepayer funding of skyboxes and other unnecessary entertainment expenses.

In response to Ms. Jones' proposed adjustment, Nicor witness James Jerozal argued that the comparison of a number of key metrics associated with the companies that participated and those that did not participate in the Stadium Club events demonstrates EEP-related benefits associated with the use of the SSC. Nicor Ex. 2.0 at 6. He further suggested that the EEP provides "both a residential customer and business customer facing opportunity to participate in

the behavior change programs, as well as create leads and projects in the business programs serving as an acquisition channel for all customer target audiences.” Nicor Ex. 4.0R at 3.

Staff witness Jones, however, was unpersuaded by Nicor’s response and argument. She conducted her own analysis of the same data the Company used to make its comparisons, and found it unresponsive of the conclusion posited by the Company. As shown in her Schedule 2.03, based on information provided by the Company for the period March 2012 through October 2013, Ms. Jones testified on rebuttal that Nicor customers received a mere 12% of the invitations, while the remainder, which accounted for 88% of the total, were split among implementation contractors (20%), trade allies (38%), and Nicor Gas EEP employees (30%). The breakdown, according to Ms. Jones’ analysis, is as follows:

1. There were no customers invited to 21 (51%) of the 41 home games;
2. Of the 847 invitees to the 41 home games, 104 (12%) were customers, (20%) were implementation contractors, 318 (38%) were trade allies, and (30%) were Nicor Gas EEP representatives;
3. The 104 invited customers are .05% of the 191,352 customers (average) in the rate classes eligible to participate in the EEP business programs;
4. Of the 104 invited customers, 26 (25%) participated in the various EEP business programs, accounting for 2% of the total 1,151 customers who participated in the various EEP business programs; and
5. The 1,151 customers who participated in the various EEP business programs are .60% of the 191,352 customers in the rate classes eligible to participate in the EEP business programs.

Staff Ex. 2.0 at 5.

Ms. Jones concluded, and indeed the evidence supports the fact, that SSC memberships provide little, if any, benefit to the ratepayers who are paying for them. As Ms. Jones noted, for

the beneficial interaction that Nicor witness Jerozal alleges occurred, the customer must have been present. However, there were no customers invited to half of the games. *Id.* at 6. A maximum of 104 attended the remainder, as the numbers provided by the Company are based on the number of customers, implementation contractors, trade allies and Nicor Gas EEP representatives that were invited to attend the games, and not the actual number that attended. *Id.*, Attachment B - Company response to DR BCJ 7.05. Since customers accounted for only 12% of those invited to attend the SSC, it appears that the SSC memberships were used primarily by implementation contractors, trade allies, and Nicor Gas EEP employees. Ms. Jones aptly noted that it is an inappropriate use of ratepayer-supplied funds to provide luxury soccer game accommodations to Nicor Gas' EEP staff and "a questionable and unnecessary use of ratepayer-supplied funds to provide luxury soccer game accommodations to people who are already benefiting from the EEP; i.e., program implementation contractors are paid by ratepayer-provided EEP funds and trade allies benefit from increased business opportunities." Staff Ex. 1.0 (Rev.), at 8, ll. 162-168.

While Nicor claims that "[r]eview of the number of EEP projects completed and therm savings generated by the companies participating in the SSC events demonstrates that it has been a successful mechanism for engagement with these customers" (Nicor Gas Ex. 4.0 at 6), the record evidence suggested otherwise. In fact, it was a successful mechanism for engagement with only 25% of customers invited to the SSC, because 75% of customers invited did not participate in the EEP programs, as noted above. Staff Ex. 2.0 at 7. The People agree with Staff witness Jones that there is no convincing evidence to support the implied assumption that there is a cause and effect relationship between attendance at the SSC and larger therm savings. The record showed that tickets to the SSC could be used to recognize strong supporters of Nicor Gas'

EEP. Staff Ex. 1.0, Attachment B. Ms. Jones noted that it is therefore possible that there were customers invited to attend the SSC who had already committed to multiple and/or major energy efficiency projects prior to the invitation, thus suggesting that the SSC expense was not “the cause” of any gain in efficiency uptake. Staff Ex. 2.0 at 7-8.

Finally, the Company took exception to the value ascribed to the SSC memberships by Ms. Jones because “[t]he use of the SSC was included in the overall negotiated strategic marketing partnership with the Chicago Fire and, even if the Company had purchased only the memberships, the ‘list price’ does not necessarily correlate to the price Nicor Gas would have negotiated for.” (Nicor Gas Ex. 4.0, 9:217-220.) In Surrebuttal testimony, the Company for the first time presented an alternative method of quantifying the adjustment based on an alleged new “value for the SSC tickets,” provided in a letter from the Chicago Fire attached to the testimony as Nicor Gas Exhibit 6.1. According to the Company, the ticket price provided by the Chicago Fire “reasonably approximates a negotiated or discounted value of the ticket price at the time the SSC opened at the end of EEP PY1.” Nicor Ex. 6.0 at 9. The Company then offered a tortured recalculation of the adjustment based on the number of times Nicor used the SSC facility during PY 1 through 3. *Id.* at 10. It further opined that Nicor is receiving BEGIN CONF \*\*\* [REDACTED] \*\*\*END CONF in additional or “make good” partnership benefits from the Fire “to account for Nicor Gas’ termination of the use of the SSC during the last year of the contract.” *Id.*

But the substantial evidence in the record supports a finding that Ms. Jones’ quantification of the value of the stadium club expense is reasonable. She explained that the Company’s response to a specific request for the monetary value of the memberships indicates that the Chicago Fire contracts with Nicor Gas’ EEP for a single dollar amount annually and the memberships are not identified as single line item charges and itemized, citing Nicor’s response

to DR BCJ 3.11. Staff Ex. 2.0 at 8. She noted that the Company's response to a specific request for a detailed explanation of how the annual dollar amount of the agreement was determined indicates that the value of a package developed specifically for an individual partner is determined by the collection of assets in the package. *Id.* at 7-8. She explained further that if the price of the package depends on the assets in the package, it is logical to assume that each asset has a discreet value, even if the price is negotiated. *Id.* at 8. Nicor confirmed that the individual membership price Ms. Jones used in her calculation was the advertised "list price" (Nicor Gas Ex. 4.0, 9:215-216). *Id.* In addition, Nicor's 11<sup>th</sup> hour attempt to incorporate "what if" pricing information, based on unverifiable assumptions that Nicor would have negotiated something less than the sticker price of the SSC membership and a letter that includes less than transparent pricing quantifications should be rejected by the Commission. Moreover, it is unclear what the "make good" partnership benefits from the Fire constitute. In sum, the Company's alternative calculation of the proposed adjustment amounts to little more than speculation.

In sum, Ms. Jones' proposed adjustment, which calls for customer refunds for the costs disallowed, in the amount of BEGIN CONF\*\*\*\* [REDACTED] \*\*\* END CONF for residential customers, BEGIN CONF\*\*\*\* [REDACTED] \*\*\* END CONF for small non-residential customers, and BEGIN CONF\*\*\*\* [REDACTED] \*\*\*END CONF for large non-residential customers should be adopted by the Commission.<sup>2</sup> Staff Ex. 2.0 at 9. In the interest of ensuring that customer-financed energy efficiency programs be run efficiently and that tangible program benefits be maximized, the Commission should further instruct the Company to refrain from including skybox entertainment in the costs of its Section 8-104 programs.

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<sup>2</sup> The People renew their objection to the information deemed confidential in this Brief to be labelled as such. The People urge the Commission to make the figures public - particularly the Staff-proposed adjustments, the public release of which would reveal no Chicago Fire contract terms.

**III. NICOR'S ADMINISTRATIVE EXPENSES ARE EXORBITANT, INCONSISTENT WITH ILLINOIS AND NATIONAL EFFICIENCY PROGRAM BEST PRACTICES AND SHOULD BE DISALLOWED IN PART.**

Nicor Exhibit 2.2, attached to Nicor witness Jerozal's testimony, displays final expenses by program and cost category for the PY1 programs. Beginning at line 19 of that document, costs are presented related to administrative expenses, or "costs that relate to the overall operation of the plan and for activity shared by all the programs." Tr. at 56. Ensuring that utilities operate ratepayer-funded energy efficiency programs in a cost-efficient manner is part and parcel of the Commission's reconciliation of Program Year expenses for which a utility seeks recovery. Examining the amount spent on administrative expenses for these programs is a critical aspect of ensuring that the maximum amount of dollars are available for actual customer rebates and incentives, that program expenses were prudently incurred and that the rates charged for efficiency programs are, in fact, just and reasonable. The bottom line is that the more money spent on the administration of the programs, the less money available for direct ratepayer benefits.

One can assess the percentage of costs that represent administrative costs incurred by Nicor in its PY1 by first removing from any calculation costs associated with Emerging Technology (line 20), Technology (line 21), and Evaluation, Measurement and Verification of energy savings (line 25). These costs are capped under Section 8-104(f)(8) and (g) at 3% of portfolio resources each, and are not typically categorized as "administrative" in nature. Marketing costs (line 22) should also be removed, as they do not fall under the heading of "administrative" costs. When the remaining Nicor "Portfolio Costs" are added together, comprised of "Management – External, Management – Internal and Initial Start-Up" expenses, the figures reveal that Admin Costs represented a whopping **34%** of the total Energy Efficiency

Program Costs. *See* Nicor Ex. 2.2 (lines 23 + line 24 + line 26 (total Admin Costs) divided by Line 36 (Total EEP Costs by Revenue Class) less DCEO costs (line 32) and On-Bill Financing Costs (line 30). Broken down by customer class, administrative costs comprised 23.8% of the Residential program costs, 45% of the Small Non-Residential program costs, and 44% of Large Non-Residential program costs.

The evidence shows that Nicor made no effort to establish either spending targets or caps for administrative expenses. During cross examination, Mr. Jerozal testified as to the lack of such cost controls:

Q: Now, prior to paying the invoices related to start-up costs that are listed in your Exhibit 2.2, did the company attempt to benchmark administrative start-up costs from other jurisdictions to see if the amounts being charged were reasonable?

(Whereupon an objection was raised by the Company's attorney, which was overruled by the ALJ)

THE WITNESS: We did not perform a study. There's 1-point -- it looks like there's \$4.7 million in initial start-up costs. So it's -- you know, there's quite a -- there's quite a bit of different expenses associated with those. But the answer to your question is, we didn't do a particular study. We did hire experts -- Bass & Company was one of them -- to help guide us on this process.

Q: And did you -- you, yourself, or any member of your team examine or benchmark similar kinds of start-up costs in other Illinois energy efficiency portfolios, for example, those started by ComEd or Ameren?

A: You know, I recall that we would've -- you know, it's hard to -- I'm trying to recall back to -- this would have been 2011 or thereabouts. You know, we certainly discussed with other program implementers. We had a lot of discussions with different stakeholders in that time frame. I can't recall a specific report or study that was performed.

Q: Does Nicor have any policy or guidance on best practices for appropriate administrative cost percentages within its portfolio? And by "administrative cost," I mean these kinds of umbrella costs, including start-up costs.

A: Well, we testified, I think, when we – in the initial docket we testified and we, I think, litigated that point about administrative costs. And my recollection is that the -- the order, the final order that was issued stated something to the effect of there's no, per se, cap on administrative costs, but it's prudently spent dollars. And I'm not aware of anything in our order or our filing that specifically limits the administrative costs to a certain percentage. We don't have a policy, per se, on that at Nicor Gas.

Q: So, for example, there's no -- there's no internal directives that say at the end of a program, your administrative costs should fall between, say, you know, this percentage and this percentage? Any sort of guidance like that?

A No, we have -- our objective was to implement the program to achieve the goals that were ordered in the portfolio, to reach and develop a program that was available for all of our customers. And there's a certain -- and follow the plan and execute it on that plan. And the administrative costs associated with that effort are what we've -- what we filed in this proceeding.

Tr. at 64-67. Such lack of administrative cost controls is troubling, given that dollars that are not directly spent on Residential and Non-Residential programs mean less money available for energy efficiency rebates, incentives and other tangible money- and energy-saving investments.

AG Cross Ex. 1, which is the Company's response to Staff data request BCJ 1.02, includes a summary spreadsheet of all invoices that form the basis of the amounts listed in the Company's Ex. 1.1, p. 3, columns [C] and [D], as well as a sample of invoices that make up these program expense figures. As can be seen from that cross exhibit, it is unclear, for example, what Bass & Company Management Consultants, LLC provided to the Nicor program in terms of "start-up costs", one of the more significant entries (line 26) in the Company's Ex. 2.2 Portfolio Costs summary. *See* AG Cross Ex. 1, Bates stamp pages NR 30 000061, 000062.

Nothing in the Company's filing provides a basis for Nicor's incurrence of such unusually high administrative costs.

How Nicor's 34% administrative cost breakdown compares to other Illinois gas energy efficiency program percentages provides a relevant benchmark for Commission analysis of the reasonableness of these costs. For example, the Peoples Gas Light & Coke Company's ("Peoples Gas") and North Shore Gas Company's ("NS" or "North Shore") reconciliation of revenues collected and expenses incurred for their PY 1 statutory (Sec. 8-104) programs revealed significantly lower administrative costs as a percentage to the total portfolios, with Peoples Gas's and North Shore's administrative costs amounting to just **6%** and **5%**, respectively. *See ICC Docket No. 12-0602, Illinois Commerce Comm'n v. North Shore Gas Company/Peoples Gas Light & Coke Co. -- Reconciliation of revenues collected under Riders EOA with the actual costs associated with energy efficiency and on-bill financing programs*, NS/PGL Ex. 2.0 at 7, 24. In defining this expense category, PGL/NS stated: "Administrative costs pertain to the portfolio oversight, management, and planning, including time and expenses associated with SAG meetings and the Technical Reference Manual ("TRM"). They also include the cost of coordination with DCEO's program and the OBF program (including the task of reviewing DCEO invoices prior to payment to ensure service territory applicability and allocation of those costs to appropriate service classes)." NS/PGL Ex. 2.0 at 7, 21, 24, 28; NS-PGL Ex. 2.1N, 2.1P.<sup>3</sup>

Prior to the establishment of statutorily required energy efficiency programs under Section 8-104 of the Act, Peoples Gas's administrative costs for its first-year (voluntary) energy

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<sup>3</sup> The People request that the Commission take administrative notice of this information pursuant to Part 200.640(a)(2), which provides "(c)onsistent with Section 200.610, the Commission or Hearing Examiner may take administrative notice of the following: ...

2) Contents of certificates, permits and licenses issued by the Commission, and the orders, transcripts, exhibits, pleadings or any other matter contained in the record of other docketed Commission proceedings." 83 Ill.Admin.Code Part 200.640(a)(2).

efficiency program came in at **15.7%** -- a figure that included start-up costs, administrative costs and the development of a cost-effective calculator that assesses measure cost-effectiveness for its first-ever program. *See* ICC Docket No. 09-0437, *Peoples Gas Light & Coke Company - Petition Pursuant to Rider EEP of Schedule of Rates for Gas Service to Initiate a Proceeding To Determine the Accuracy of the Rider EEP Reconciliation Statement*, PGL Ex. 2.1, p. 15 of 17.<sup>4</sup>

These administrative cost percentages as compared to the total portfolio highlight the extraordinarily high ratio of administrative costs in the Nicor PY1 portfolio. Comparisons to publicly reported data from energy efficiency programs from around the country also inform the Commission's evaluation of the reasonableness of Nicor's administrative cost percentage, relative to the total portfolio of costs. In Wisconsin, the state's third-party administrator energy efficiency program, Focus on Energy, reported administrative costs of **8.9%** for the 2013 calendar year, according to the Focus on Energy Calendar Year 2013 Eval. Report, Vol. 1, Table 25, p. 56 (May 15, 2014). *See, e.g.,* [https://focusonenergy.com/sites/default/files/FOC\\_XC\\_%20CY%2013%20Evaluation%20Report\\_Volume%20I.pdf](https://focusonenergy.com/sites/default/files/FOC_XC_%20CY%2013%20Evaluation%20Report_Volume%20I.pdf). California, as a statewide policy, caps administrative costs at a generous **10%**. *See* <http://www.cpuc.ca.gov/NR/rdonlyres/7E3A4773-6D35-4D21-A7A2-9895C1E04A01/0/EEPPolicyManualV5forPDF.pdf>. In the state of Vermont, the Efficiency Vermont program reports administrative expenses for the 2013 calendar year electric programs of **3.8%**. *See*

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<sup>4</sup> The People request that the Commission take administrative notice of this information pursuant to Part 200.640(a)(2), which provides "(c)onsistent with Section 200.610, the Commission or Hearing Examiner may take administrative notice of the following: ...

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[http://www.encyvermont.com/docs/about\\_ency\\_vermont/annual\\_summaries/2013\\_savingsclaim\\_summary.pdf](http://www.encyvermont.com/docs/about_ency_vermont/annual_summaries/2013_savingsclaim_summary.pdf) (Efficiency Vermont, Savings Claim Summary 2013, Table 3.2, p. 2 [April 1, 2014] ). This national data, like the Illinois figures, supports a finding that the Nicor administrative expense category, as presented in Nicor Ex. 2.2, is unreasonable and imprudent. The People request that the Commission take administrative notice of this data, pursuant to Part 200.640 (a)(1). As noted above, the Company's filing, too, offers no insight as to why these costs are so excessive. The fact that this was Nicor's first year of supplying the statutory program is no excuse either to a finding that the 34% administrative cost figure is reasonable. As noted above, Peoples Gas, North Shore Gas offered PY1 statutory programs for the first time with administrative costs that were far below Nicor's.

The People urge the Commission to make a finding that Nicor's administrative costs in PY1 were excessive. In order to establish and reconcile customer rates to establish a more reasonable level of administrative expenses for the program year, the Commission should further disallow these excessive expenses. The People observe that an average of the level of administrative expenses reported by the other Illinois utilities in PY1 for purposes of this reconciliation provides a reasonable benchmark for any disallowance. Taking an average of the 6% reported by North Shore and the 5% reported by PGL for PY1 programs provided under Section 8-104, along with the 15.7% from the PGL/NS voluntary program, results in a conservative 8.9% figure. Rounding up that average to 9% provides a conservative representative figure for a reasonable level of first-year program administrative expense, including one-time start-up costs, that the Commission should endorse for purposes of this reconciliation. The People urge the Commission to order Nicor to adjust its level of recoverable administrative expenses to reflect an expense total of 9% of total energy efficiency portfolio

resources (less DCEO and On-Bill Financing costs) in this reconciliation of costs and revenues for PY1, as compared to the unusually high 34% requested by the Company for recovery.

**IV. CONCLUSION**

WHEREFORE, the People urge the Commission to enter a final order in this proceeding consistent with the recommendations in this Initial Brief.

Respectfully submitted,

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