

DIRECT TESTIMONY

of

MARK MAPLE

Energy Engineering Program
Safety and Reliability Division
Illinois Commerce Commission

The Southern Company, AGL Resources Inc., and Northern Illinois Gas Company d/b/a
Nicor Gas Company

Joint Application for Approval of a Reorganization
Pursuant to Section 7-204 of the Public Utilities Act

Docket No. 15-0558

February 3, 2016

1 **Q. Please state your name and business address.**

2 A. My name is Mark Maple and my business address is Illinois Commerce
3 Commission, 527 East Capitol Avenue, Springfield, Illinois 62701.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Illinois Commerce Commission (“Commission”) as a Senior
6 Gas Engineer in the Energy Engineering Program of the Safety & Reliability
7 Division.

8 **Q. Please state your educational background.**

9 A. I hold a Bachelor of Science degree in Mechanical Engineering and a minor in
10 Mathematics from Southern Illinois University - Carbondale. I also received a
11 Master’s degree in Business Administration from the University of Illinois at
12 Springfield. Finally, I am a registered Professional Engineer Intern in the State of
13 Illinois.

14 **Q. What are your duties and responsibilities as a Senior Gas Engineer in the**
15 **Energy Engineering Program?**

16 A. My primary responsibilities and duties are in the performance of studies and
17 analyses dealing with the day-to-day, and long-term, operations and planning of
18 the gas utilities serving Illinois. For example, I review purchased gas adjustment
19 clause reconciliations, rate base additions, levels of natural gas used for working

20 capital, and utilities' applications for Certificates of Public Convenience and
21 Necessity. I have also testified in several pipeline cases involving eminent domain.

22 **Q. What is the purpose of this proceeding?**

23 A. On October 8, 2015, The Southern Company ("Southern Company"), AGL
24 Resources Inc. ("AGL Resources"), and Northern Illinois Gas Company d/b/a Nicor
25 Gas Company ("Nicor Gas") (collectively "Joint Applicants") filed an application
26 requesting Commission approval to engage in a reorganization. This
27 reorganization would allow AGL Resources to become a wholly-owned subsidiary
28 of Southern Company. Nicor Gas would continue to operate as an Illinois public
29 utility, with Southern Company as its ultimate parent company.

30 **Q. What are your duties and responsibilities associated with this docket?**

31 A. I will offer an opinion regarding whether the proposed reorganization meets the
32 requirements of Section 7-204(b)(1) of the Public Utilities Act ("Act"). 220 ILCS
33 5/7-204(b)(1).

34 **Q. What are the requirements of Section 7-204(b)(1) of the Act?**

35 A. Section 7-204 of the Act requires Commission approval prior to any proposed
36 reorganization of a utility and requires the Commission to make a number of
37 findings, including the finding contained in Section 7-204(b)(1) of the Act.
38 Specifically, Section 7-204(b)(1) states:

39 the proposed reorganization will not diminish the utility's ability to
40 provide adequate, reliable, efficient, safe and least-cost public utility
41 service.

42 **Q. What overall recommendation are you making in this proceeding?**

43 A. Based upon the showing made in their Direct Testimony and upon information
44 provided in discovery to date, I recommend that the Commission find that the Joint
45 Applicants meet the requirement of Section 7-204(b)(1) of the Act.

46 **Review Associated with Section 7-204(b)(1)**

47 **Q. What information did you review to determine if the Joint Applicants met the**
48 **Section 7-204(b)(1) requirement?**

49 A. I reviewed the Joint Applicants' testimony of Art Beattie (JA Ex. 1.0) and Henry P.
50 Linginfelter (JA Ex. 2.0), as well as their responses to Staff and Intervener data
51 requests.

52 **Q. Were you able to determine what effect the Joint Applicants' proposed**
53 **reorganization would have on Nicor Gas' ability to provide adequate, reliable,**
54 **efficient, safe and least-cost public utility service?**

55 A. Yes, I found no reason to dispute the Joint Applicants' claim that the reorganization
56 would have no negative impact on Nicor Gas' ability to provide adequate, reliable,
57 efficient, safe and least-cost public utility service.

58 **Joint Applicants' Filing**

59 **Q. What did the Joint Applicants indicate in their filing regarding their ability to**
60 **meet the Section 7-204(b)(1) requirements?**

61 **A.** The Application indicates that:

62 There will be no change in the way Nicor Gas currently provides
63 service to its customers as a result of the proposed Reorganization.
64 In addition, Southern Company has a consistent track record of
65 maintaining the financial strength of its locally-operated and
66 regulated subsidiaries. Each of Alabama Power Company, Georgia
67 Power Company, Gulf Power Company, and Mississippi Power
68 Company provides safe, reliable, and affordable service to its
69 customers. Southern Company will uphold Nicor Gas' commitment
70 to provide adequate, reliable, efficient, safe, and least-cost public
71 utility service to Nicor Gas' customers. Moreover, the retention of
72 the core management team of AGL Resources and Nicor Gas will
73 provide continuity of service for customers. Southern Company's
74 demonstrated commitment to industry best practices and operational
75 excellence will help ensure that a high quality of service is provided
76 to Nicor Gas' customers. Joint Applicants witnesses Beattie and
77 Linginfelter address this issue and demonstrate that the
78 Reorganization meets the requirements of Section 7-204(b)(1). (See
79 Joint Applicants Exs. 1.0 and 2.0, respectively). Accordingly, the
80 Commission should make this finding under Section 7-204(b)(1).
81 (Application, 10.)

82 The Joint Applicants also provided several commitments in their testimony. Mr.
83 Beattie's direct testimony indicated that the merger will be seamless for Nicor Gas'
84 customers, as Nicor Gas will continue to serve its customers and will retain its own
85 leadership and operating structure. (JA Ex. 1.0, 3.) He stated that Nicor Gas'
86 day-to-day operations largely will be unchanged (*Id.* at 10) and that the
87 reorganization will not result in significant changes in the operational philosophy or
88 the core management team of Nicor Gas or AGL Resources (*Id.* at 11). He states

89 that Nicor Gas currently provides adequate, reliable, efficient, safe and least-cost
90 public utility service and he commits that those parameters will not degrade
91 following the merger. *Id.* at 17.

92 Mr. Beattie states that Southern Company and Nicor Gas are committing to
93 specific staffing levels and would honor existing union contracts. *Id.* at 14-15.
94 Those staffing levels are encapsulated in the new commitment made by Southern
95 Company and Nicor Gas to maintain a staffing level of 2,070 full-time equivalent
96 employees for three years. *Id.* Southern Company will also continue to honor the
97 applicable ongoing Conditions of Approval established in Docket No. 11-0046 and
98 listed in JA Ex. 1.2. *Id.* Finally, the Joint Applicants commit to, at a minimum, fully
99 fund Nicor Gas' current five-year capital plan. *Id.* at 16. This commitment also
100 appears as item number nine on JA Ex. 1.2, and states that Nicor Gas' five-year
101 capital plan, as submitted in this docket, will be fully funded.

102 Mr. Linginfelter's direct testimony states that the reorganization will not negatively
103 impact Nicor Gas' day-to-day operations. (JA Ex. 2.0, 9.) He further states that
104 the reorganization should result in little or no change in terms of Nicor Gas'
105 personnel and everyday operations. *Id.* Additionally, AGL Resources will maintain
106 its existing core management team after closing, and Nicor Gas will maintain a
107 strong local management team to ensure the continued provision of adequate,
108 reliable, efficient, safe, and least-cost utility service. *Id.* at 9-10. In fact, Mr.
109 Linginfelter states that the manner in which Nicor Gas provides service to its
110 customers will remain unchanged. *Id.* at 10. He is comfortable saying that under

111 Southern Company, Nicor Gas will have all of the necessary resources to provide
112 adequate, reliable, efficient, safe and least-cost service to Nicor Gas' customers.
113 *Id.* He echoes the sentiments of Mr. Beattie when he says that the reorganization
114 will be seamless for Nicor Gas' customers and further states that customers should
115 experience no reduction in service quality after the reorganization. *Id.*

116 Mr. Linginfelter states that the Joint Applicants will commit to renew or extend the
117 relevant conditions from Docket No. 11-0046 that are integral to Nicor Gas'
118 operations, such as maintaining a 2,070 full-time equivalent employee level for
119 three years after the reorganization. *Id.* at 11. These commitments can be found
120 in JA Ex. 1.2. Mr. Linginfelter also provided JA Ex. 2.5, which shows the five-year
121 forecasted capital expenditures for Nicor Gas. The average annual capital
122 requirements over that time period are between \$415 million and \$465 million, and
123 are consistent with Nicor Gas' plans prior to the reorganization. *Id.* at 18. This is
124 reinforced by Mr. Linginfelter's statement that Nicor Gas' commitment to deploying
125 the capital necessary to preserve and enhance service will be undiminished. *Id.*
126 at 12.

127 **Q. What does the information that the Joint Applicants provided in their**
128 **testimony and Application indicate to you?**

129 A. Based on the testimony and Application, the Joint Applicants intend that the
130 proposed reorganization will have little to no effect on Nicor Gas customers, and
131 will be a seamless transition. I have found no evidence to dispute these assertions.

132 **Full Time Equivalent Employees**

133 **Q. Describe the Joint Applicants' commitment regarding the level of employees**
134 **for Nicor Gas.**

135 A. Mr. Beattie offered JA Ex. 1.2, which is a list of proposed Joint Applicant
136 commitments. Item number 1 states:

137 "Nicor Gas shall maintain, for a period of three years after closing of the
138 Reorganization, 2,070 full-time equivalent employees ("FTEs") working in
139 support of Nicor Gas' business, and shall maintain, for the same three-year
140 period, that same level of FTEs working in the State of Illinois. Nicor Gas
141 shall also honor and abide by all union contracts in effect prior to completion
142 of the Reorganization."

143 (JA Ex. 1.2, 1.)

144 **Q. Do you believe the Joint Applicants' commitment to retain 2,070 full-time**
145 **equivalent employees is reasonable?**

146 A. Yes. That same number of full-time equivalent employees was accepted by the
147 Commission in its order in Docket No. 11-0046. (AGL Resources Inc., Nicor Inc.,
148 and Northern Illinois Gas Company d/b/a Nicor Gas Company, Docket No. 11-
149 0046 Final Order Appendix A, 5 (December 7, 2011).) I have seen no evidence
150 that this level of full-time equivalent employees is inadequate, nor do I have any
151 reason to recommend a different number.

152 **Capital Expenditures**

153 **Q. Have the Joint Applicants provided information regarding Nicor Gas'**
154 **expected future capital expenditures?**

155 A. Yes. Pursuant to Section 7-204A(a)(7), the Joint Applicants in JA Ex. 2.5 provided
156 a forecast showing the capital requirements for Nicor Gas through 2019.

157 **Q. Is the forecasted capital spending comparable to historical capital**
158 **spending?**

159 A. Yes. In Staff data request MEM 1.01, I asked for itemized capital expenditures for
160 years 2011-2015. In Staff data request MEM 1.03, I asked for the same
161 information for years 2016-2018. In the Joint Applicants' responses to those data
162 requests, the total rate base investments were comparable across all of the years,
163 both historical and forecasted. The forecasted years include additional spending
164 attributable to the Investing in Illinois program (QIP) that was not active prior to
165 2015.

166 **Q. Do you have any reason to dispute the amount of capital spending that the**
167 **Joint Applicants are proposing?**

168 A. No.

169 **Q. Have the Joint Applicants made a commitment to the Commission regarding**
170 **Nicor Gas' post-reorganization level of capital expenditures?**

171 A. Yes. In its list of commitments, the Joint Applicants stated the following in item
172 nine:

173 "The Joint Applicants commit that, to the extent necessary, Southern
174 Company and/or AGL Resources shall provide sufficient capital to Nicor

175 Gas to fully fund its capital plans as described in the five-year capital plan
176 submitted in this Docket.”

177 (JA Ex. 1.2, 2.)

178 **Q. Does this conclude your direct testimony?**

179 **A.** Yes, it does.