

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Northern Illinois Gas Company d/b/a NICOR)
Gas Company)
Proposed Establishment of Rider 17,) Docket No. 12-0569
Purchase of Receivables with Consolidated Billing)

REBUTTAL TESTIMONY OF
TERESA RINGENBACH ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION
AND INTERSTATE GAS SUPPLY OF ILLINOIS, INC.

1 I. BACKGROUND

2 Q. Please state your name and business address.

3 A. My name is Teresa Ringenbach. My business address is 21 East State St.,
4 Columbus, Ohio 43215.

5 Q. Are you the same Teresa Ringenbach who submitted Direct Testimony in
6 this proceeding?

7 A. Yes.

8 Q. On whose behalf are you testifying today?

9 A. I am testifying on behalf of the Retail Energy Supply Association (“RESA”)¹ and
10 Interstate Gas Supply of Illinois (“IGS”).

¹ RESA’s members include: Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Hess Corporation; Homefield Energy; IDT Energy, Inc.; Integrys Energy Services, Inc.; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing

11 **Q. Are you sponsoring any exhibits?**

12 A. Yes. I am sponsoring RESA/IGS Exhibits 2.1 and 2.2.

13 **Q. Please describe the purpose of your Rebuttal Testimony in this proceeding.**

14 A. In my Rebuttal Testimony, I will respond to the Direct Testimony of the
15 Commission Staff witnesses: Dr. David Rearden, Ms. Theresa Ebrey, Ms.
16 Rochelle Phipps, and Mr. Christopher Boggs. In addition, I will respond to the
17 Direct Testimony of Mr. Martin Cohen on behalf of the Attorney General of
18 Illinois and the Citizens Utility Board (“AG/CUB”). I will also respond to the
19 Rebuttal Testimony of Mr. Robert Mudra on behalf of Nicor Gas.

20 **Q. Please summarize your Rebuttal Testimony.**

21 A. As I stated in my Direct Testimony, Nicor Gas’ Rider 17, as originally filed with
22 the Commission, sets forth a reasonable and appropriate mechanism for a
23 Purchase of Receivables (“POR”) Program which will benefit the competitive
24 marketplace in its service territory and benefit customers. In his Rebuttal
25 Testimony, Mr. Mudra, on behalf of Nicor Gas, has made numerous revisions to
26 Rider 17 to accommodate some of the concerns of the Commission Staff and
27 AG/CUB. RESA/IGS support Rider 17, as revised by Nicor Gas, as set forth in
28 Nicor Gas Ex. 2.2, sponsored by Mr. Mudra.

29 **II. GENERAL RESPONSE**

30 **Q. Do you have any general comments regarding the Direct Testimony of the**
31 **Commission Staff and AG/CUB?**

Ltd. and TriEagle Energy, L.P. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

32 A. Yes, in some respects I am concerned that parties are going far beyond the issue
33 in this proceeding—whether Nicor Gas’ Rider 17 is just and reasonable. Rider 17
34 creates an optional service for suppliers—a Purchase of Receivables (“POR”)
35 Program. Suppliers will make their own determinations as to whether the service
36 is one to which they should subscribe. Whether or not a supplier decides to
37 participate in Rider 17 is going to be based on that supplier’s analysis of the costs
38 to itself compared to the benefits it would derive. There is nothing that compels a
39 supplier to participate in Rider 17. Thus, if a supplier’s analysis does not result in
40 the benefits outweighing the cost of Rider 17 for that supplier, the supplier need
41 not participate in the Rider.

42 Generally, I think that suppliers would find a benefit in Rider 17. Without a POR
43 program, suppliers will have to look for ways to reduce risk of non-payment
44 through credit checks or minimum credit requirements which result in the base of
45 customers to whom to make offers shrinking and significantly higher acquisition
46 costs. Moreover, the risk of a supplier’s not knowing what its actual bad debt
47 experience will be is significant, which would increase the risk premium on the
48 prices that the supplier would have to offer in the market. POR programs allow
49 suppliers to go after a broader base of customers, thereby lowering acquisition
50 costs, and allow suppliers to know what their bad debt expense rate is going to be,
51 thereby reducing risk.

52 AG and CUB, in particular, do not appear to want to focus on the subject matter
53 of this proceeding—whether the optional Rider 17 service to suppliers is just and
54 reasonable. They appear to want to expand this proceeding to put gas choice

55 programs, in general, not just Nicor Gas' Customer Select, on trial by making
56 references to the flawed CUB Gas Market Monitor and their witness' personal
57 experience with a less than honest (or, at least, an uninformed) sales
58 representative. The Commission has already approved Nicor Gas' Customer
59 Select Program and the Public Utilities Act has safeguards for gas customers. The
60 only issue in this proceeding is whether the Commission should approve a POR
61 Program in Nicor Gas' service territory. AG/CUB opinions of Nicor Gas'
62 Customer Select program aside from Rider 17 are beyond the scope of this
63 proceeding.

64 **III. COMMISSION STAFF**

65 **A. DR. REARDEN**

66 **Q. In his Direct Testimony, Dr. Rearden recommends that the Commission not**
67 **approve Nicor Gas' Rider 17 because of his opinion that the Commission**
68 **should only approve Rider 17 if the Commission believes that the**
69 **expenditures to implement Rider 17 are prudently incurred, which,**
70 **according to Dr. Rearden, means that the benefits to customers are greater**
71 **than the costs required to implement the program. (Staff Ex. 1.0, pp. 7-8,**
72 **lines 131-148) Do you agree that this is the appropriate criteria?**

73 **A.** No, I agree with Mr. Mudra (Nicor Gas Ex. 2.0, p. 5, lines 92-97) that this is not
74 the appropriate criteria for the Commission to use in determining whether to
75 approve Rider 17 and that it is not supported by any reference to any Commission
76 rule or decision or any other authority.

77 Moreover, while the costs of implementing the POR Program are capable of
78 quantification—for example, Nicor Gas has a current estimate of \$3.88 million in
79 capital costs—the customer benefits of the POR Program, while significant, are
80 largely qualitative, as discussed on pages 5-12 of my Direct Testimony.

81 **Q. On page 7, lines 140-142, of his Direct Testimony, Dr. Rearden states,**
82 **“Depending upon how costs are allocated, transportation customers may**
83 **benefit while sales customers do not or pay higher costs.” Is this correct?**

84 A. No, under Rider 17, as proposed by Nicor Gas, only Alternative Gas Suppliers
85 (“AGS”) and their customers would pay for the costs of implementing and
86 operating the POR program. Sales customers will not pay higher costs.

87 **Q. How does the Discount Factor set forth in Rider 17 compare to**
88 **discount factors in other jurisdictions?**

89 A. Columbia Gas of Ohio passes both supplier and utility uncollectibles through its
90 uncollectible rider. Since Columbia’s uncollectible rider was approved in 2003,
91 switching has increased by 40% but switching has not been cited in any of its
92 annual uncollectible rate filings as creating an increase in bad debt. In fact,
93 Columbia recently filed for a reduced uncollectible rate. Specifically, on April
94 15, 2013, Columbia Gas filed to reduce the rate under its uncollectible rider from
95 \$0.0781/MCF to \$0.0173/MCF. Other Ohio gas utilities have similar
96 uncollectible riders filed annually as GA-UEx filings. These are found on the
97 Ohio Commission docket website. Although switching has increased, there has
98 not been any correlated increase in uncollectible riders.

99 In Illinois, there are no gas POR programs, but there are POR programs operated
100 by ComEd and Ameren on the electric side. ComEd's uncollectible rate,
101 established in Ill. C. C. Docket 10-0138, started out at 1.84% in January 2011.
102 The current uncollectible rate is 0.66%. Again, this demonstrates that ComEd's
103 POR program has not created a higher uncollectible rate for it. In addition,
104 Ameren experienced a significant increase in electricity switching over the past
105 year and recently filed for a reduced POR discount rate. Specifically, Ameren
106 recently filed to reduce the current POR discount rate from 1.29% to 1.22%
107 effective June 2013. RESA has not seen utility higher bad debt rates as a result in
108 any state when supplier uncollectibles from the purchase of supplier receivables
109 are also included in utility uncollectible recovery.

110 **Q. In his Direct Testimony, Dr. Rearden states, "Nothing in the markets**
111 **guarantees that AGS prices will be lower than the existing pre-PORCB price**
112 **or the PGA." (ICC Staff Ex. 1.0, p. 5, lines 89-91) Please comment.**

113 A. While it is true that AGS' charges are not regulated, they are subject to market
114 forces. While it is possible that POR Program costs incurred by a Q-AGS would
115 be passed through to its customers, assuming market prices permit, it is important
116 to remember that customers can choose whether they want to buy from a supplier
117 and, moreover, which supplier. For the reasons explained in my Direct
118 Testimony at pages 13-16, a POR program will encourage more suppliers to make
119 offers in Nicor Gas' service territory, the result being a more competitive market.
120 More competitive markets generally result in better offers and lower prices.

121 **Q. In his Direct Testimony, Dr. Rearden also claims that another reason why**
122 **the Commission might want to reject Rider 17 is that the Commission’s**
123 **Office of Retail Market Development (“ORMD”) is in the process of**
124 **compiling a report that investigates the state of retail gas competition in**
125 **Illinois, the barriers to development of competition and any other relevant**
126 **information. (ICC Staff Ex. 1, p. 8, lines 149-165) Do you agree that the**
127 **ORMD process is a reason for rejection of Rider 17?**

128 A. No, this proceeding was initiated by the filing of Rider 17 by Nicor Gas. The
129 Commission should make a decision on the merits of the evidence in this
130 proceeding, not the outcome of a report that is being prepared by a department of
131 the Commission which is not represented in this proceeding. Furthermore, in the
132 ORMD process, the absence of a POR program has been identified as a barrier to
133 competition. In the comments submitted to the ORMD regarding the report that is
134 to be compiled, the absence of a POR program as a barrier to competition has
135 been echoed by RESA, IGS, the Illinois Competitive Energy Association, Good
136 Energy, Rock River Energy Services, and Illinois Gas and Electric Company.

137 **Q. As a secondary recommendation, Dr. Rearden states that if the Commission**
138 **approves Rider 17, it should not allow Nicor Gas to recover intangible costs.**
139 **(Id., pp. 9-11, lines 167-218) What is the position of RESA/IGS on this?**

140 A. RESA/IGS agree that Nicor Gas has established the need to recover intangible
141 costs in Rider 17. Mr. Mudra explains, on pages 48-49 of his Rebuttal Testimony,
142 that the recovery of intangible costs is an important component of the risk/reward

143 structure of the settlement agreement entered into by Nicor Gas with RESA and
144 IGS.

145 **Q. As his third recommendation, Dr. Rearden states that if the Commission**
146 **approves Rider 17 and allows Nicor Gas to recover intangible costs, the**
147 **Commission should not allow intangible cost revenue to be recorded below**
148 **the line (ICC Staff Ex. 1.0, p. 11, lines 219-227). What is the position of**
149 **RESA/IGS on this?**

150 A. First, I will note that I am not an expert on utility accounting. That said, the
151 negotiation of the intangible costs was in recognition that Nicor Gas is the first
152 Illinois utility on the gas side to develop a POR program. As such, RESA and
153 IGS are willing to pay for unforeseen costs which may occur as the program is put
154 in place. The proposed method for intangible costs creates a definitive amount to
155 be paid by AGS without concerns for additional charges going forward outside of
156 normal bad debt adjustments. RESA and IGS support a below the line recovery of
157 these costs as an incentive for Nicor Gas not to seek additional recovery if the
158 amount of intangibles is higher than the actual costs. In other words, Nicor Gas
159 could use revenue to offset costs in future years where the intangible recovery is
160 less than costs. This provides certainty on the amount to be paid for the long term
161 by AGS. Above the line revenue may create additional uncertainty through
162 increased audits of these items and incentives to Nicor Gas to increase the
163 intangible recovery if it is used to reduce revenue in other areas. It should also be
164 noted that this revenue is tied to the amount of participation in the POR program:
165 the less participation the less potential revenue, in other words, it is not an

166 unavoidable charge to all customers behind Nicor Gas which guarantees revenue,
167 but rather an unknown amount which can change each year. Therefore, because
168 Nicor Gas is not guaranteed revenue, I believe intangible costs should not be
169 treated as an above the line item.

170 **B. MS. EBREY**

171 **Q. In her Direct Testimony, Ms. Ebrey takes the position that Commission**
172 **approval of Nicor Gas' Rider 17 would be "premature", recommending that**
173 **Nicor Gas should withdraw its tariff filing and resubmit it near final design**
174 **of the program. (ICC Staff Ex. 2.0, pages 3-6, lines 60-112) Do you agree?**

175 A. No, RESA/IGS agree with Nicor Gas that Rider 17 is in the preliminary design
176 stage from an information technology ("IT") perspective. However, the tariff and
177 structure of the program itself are not in any way preliminary. It is appropriate for
178 Nicor Gas to delay IT design because it would be imprudent for Nicor Gas to
179 have conducted full scale development for a new service, one which is optional to
180 the Q-AGS, having an estimated IT start-up cost of \$3.88 million, without
181 obtaining approval from the Commission first.

182 **Q. As an alternative position, Ms. Ebrey states that if the Commission decides to**
183 **approve Rider 17 in this proceeding, the Commission should accept a**
184 **number of tariff provisions proposed by Ms. Ebrey (*Id.*, pp. 2-3, lines 23-51).**
185 **In her Direct Testimony, she discusses her proposed tariff revisions at length**
186 **and a redlined version setting forth Staff's complete proposed tariff revisions**
187 **is attached as ICC Staff Ex. 2.1. Please comment on Ms. Ebrey's proposed**
188 **revisions.**

189 A. In his Rebuttal Testimony, Mr. Mudra accepts some of Ms. Ebrey’s proposed
190 revisions, proposes modified versions of some of her proposed revisions, and
191 rejects some of her proposed revisions. Mr. Mudra sponsors Nicor Gas Ex. 2.1
192 which is a redlined version of Nicor Gas’ revised Rider 17 and Nicor Gas Ex. 2.2,
193 a clean version of Rider 17 reflecting the changes on Nicor Ex. 2.1. RESA and
194 IGS believe that Nicor Gas’ revised Rider 17, as set forth on Nicor Gas Ex. 2.2,
195 represents a reasonable accommodation of the concerns stated by Ms. Ebrey.
196 Therefore, RESA and IGS support Nicor Gas’ revised Rider 17, as set forth on
197 Nicor Gas Ex. 2.2.

198 C. **MS. PHIPPS**

199 Q. **In her Direct Testimony, Ms. Phipps proposes to reduce the rate of return**
200 **for Rider 17 assets to an overall rate of return of 5.17%, reflecting a 4.45%**
201 **rate of return on common equity. (ICC Staff Ex. 3.0, p. 2, lines 35-36) What**
202 **is the position of RESA and IGS on this proposal?**

203 A. In his Rebuttal Testimony, Mr. Mudra supports the rate of return reflected in
204 Rider 17, as filed with the Commission—an amount equal to the Commission-
205 authorized rate of return on rate base applied to unrecovered POR Program assets.
206 RESA and IGS agree with Mr. Mudra and support Nicor Gas’ proposed rate of
207 return.

208 D. **MR. BOGGS**

209 Q. **In his Direct Testimony, Mr. Boggs recommends that Nicor Gas develop and**
210 **present in Rebuttal Testimony a sample template of the Billing Services**
211 **Agreement form that a Q-AGS would be required to submit and a sample**

212 **template of the title transfer documents to effectuate the sale of Qualifying**
213 **Receivables from a Q-AGS to Nicor Gas (ICC Staff Ex. 4.0, p. 2, lines 30-35).**

214 **Please comment.**

215 A. In his Rebuttal Testimony, Mr. Mudra commits to working with RESA and IGS
216 to develop such templates to be submitted in Nicor Gas' Surrebuttal Testimony.
217 RESA and IGS will work with Nicor Gas on the development of the templates
218 requested by Mr. Boggs.

219 **IV. ATTORNEY GENERAL/CITIZENS UTILITY BOARD**

220 **Q. In his Direct Testimony, Mr. Cohen recommends that the Commission reject**
221 **Nicor Gas' Rider 17 on the bases that the tariff is not "just and reasonable"**
222 **(AG/CUB Ex. 1.0, p. 2, lines 29-30). Please comment.**

223 A. Mr. Cohen does not bother to explain why the tariff is not just and reasonable.
224 Rider 17 is an optional service for Q-AGS. If the terms of Rider 17 are not
225 reasonable, Q-AGS do not have to apply for the service. With respect to cost
226 recovery, the Rider 17 mechanism is structured so that Nicor Gas recovers the
227 costs of the POR Program from Q-AGS and their customers. Once again, I don't
228 understand why Mr. Cohen would consider this not to be just and reasonable.

229 **Q. In his Direct Testimony, Mr. Cohen recommends that the Commission reject**
230 **Nicor Gas' Rider 17 on the additional basis that Nicor Gas has not offered**
231 **any evidence that it provides any net benefit to customers (*Id.*, lines 30-31).**

232 **Please comment.**

233 A. I don't agree that the criterion that the Commission should utilize in determining
234 whether to approve Rider 17 is a net benefit to customers test and Mr. Cohen does

235 not cite any authority as to why that is the criterion that the Commission should,
236 or must, use in making its decision in this proceeding. In addition, if an AGS
237 sees no benefit to the program it will not use the program. However, clearly other
238 POR programs both on the electric side in Illinois and on the gas and electric
239 sides in other states have proven that customers do see value in competitive
240 offerings and suppliers see value in participating in POR.

241 Once again, Mr. Cohen does not appear to understand the nature of the service—it
242 is an optional service for Q-AGS. Q-AGS will decide for themselves whether
243 Rider 17 benefits them. If it does not, then they will not apply for service
244 thereunder.

245 It appears to me that Mr. Cohen is not really addressing the benefits or merits of a
246 POR Program, which is the subject matter of this proceeding. Rather, he seems to
247 be challenging the benefits of Choice Programs, such as Nicor Gas' Customer
248 Select Program. However, the Customer Select Program is not the subject matter
249 of this proceeding. Moreover, if a customer sees no benefit in an AGS offer then
250 the customer does not take the offer. At any rate, as I will discuss in detail later in
251 my Rebuttal Testimony, Mr. Cohen's concerns about the benefits of Choice
252 Programs are based on the flawed Gas Market Monitor of the Citizens Utility
253 Board, a flawed tool.

254 **Q. Mr. Cohen's fallback position is that if the Commission finds that Rider 17**
255 **should be approved, it should be modified so that all costs of implementing**
256 **and operating the POR program should be recovered from participating Q-**
257 **AGS, not their customers (*Id.*, lines 32-36). Do you agree?**

258 A. As I have previously testified, I believe that Rider 17, as modified by Mr.
259 Mudra's Rebuttal Testimony, is reasonable and should be approved. However,
260 RESA and IGS would not object, as a fallback position, to a modification to Rider
261 17 to provide that all costs of implementing and operating the POR Program
262 would be recovered from participating Q-AGS.

263 **Q. Mr. Cohen has a second fallback position. If the Commission finds that**
264 **Rider 17 should be approved and that customers should pay for some or all**
265 **of the costs of the POR program, six modifications should be made to the**
266 **program. The first modification is that Rider 17 charges should be listed as a**
267 **separate item on the Nicor Gas bill. (*Id.*, lines 39-43) Do you agree?**

268 A. No, as explained by Mr. Mudra, the treatment of Rider 17 charges is consistent
269 with the treatment of charges under Nicor Gas' Rider 27, its uncollectible
270 recovery rider. I see no benefit in creating a separate line item for Rider 17.

271 **Q. The second modification is that the monthly POR-related charges should be**
272 **capped at no more than 50 cents per month for residential customers and \$2**
273 **per month for commercial customers, with a maximum amount of 1% of the**
274 **customer's supply charges (*Id.*, lines 45-49). Is this second modification**
275 **appropriate?**

276 A. No, the 50 cents, \$2, and 1% figures are completely arbitrary and have no
277 empirical support, as acknowledged in AG/CUB's response to RESA/IGS Data
278 Request No. 1.01. While, in that response, AG and CUB attempt to justify those
279 unsupported figures by claiming that the 1.5% Discount Rate in Rider 17 is
280 arbitrary, the 1.5% Discount Rate is in line with discount rates in other

281 jurisdictions. On the other hand, I am not aware of any jurisdictions imposing
282 caps of the type contemplated by Mr. Cohen.

283 **Q. The third modification is that Administrative and Operating Costs should be**
284 **recovered directly from Q-AGS as a component of the Discount Factor. (*Id.*,**
285 **lines 50-52) Do you agree?**

286 A. No, RESA and IGS support Nicor Gas' Rider 17, as revised in Nicor Gas Ex. 2.2.
287 However, as a fallback position, RESA and IGS would not object to a
288 modification which would require all costs, including Administrative and
289 Operating Costs, to be recovered from participating Q-AGS.

290 **Q. Mr. Cohen's fourth proposed modification is that any costs collected directly**
291 **from customers should be first allocated by customer class and then allocated**
292 **within each class volumetrically. (*Id.*, lines 53-55) Do you agree?**

293 A. Inasmuch as Mr. Mudra agrees with part of this proposed modification—costs
294 should be first allocated by customer class—in his Rebuttal Testimony, RESA/IGS
295 find this acceptable as well. However, for the reasons stated by Mr. Mudra for
296 rejecting the second part of this proposal—allocation of costs within each class
297 volumetrically—RESA/IGS disagree with this second part.

298 **Q. Mr. Cohen's fifth proposed modification is that the uncollectible portion of**
299 **the discount factor should be set separately for each Q-AGS based on the**
300 **uncollectible history of its receivables over the preceding year. (*Id.*, lines 56-**
301 **66) Is this proposed modification appropriate?**

302 A. No, Mr. Cohen’s proposal would add to the complexity of the Rider and,
303 according to Nicor Gas, significantly increase its administrative, IT program and
304 maintenance costs as compared to the design reflected in Rider 17.

305 **Q. Mr. Cohen’s sixth proposed modification is that recovery of intangible costs**
306 **should be eliminated. Alternatively if they are not eliminated, these costs**
307 **should be recovered directly from Q-AGS, not customers. (*Id.*, lines 67-71)**
308 **Please comment.**

309 A. For the reasons I stated previously in addressing a similar proposal by Dr.
310 Rearden, RESA/IGS disagree with Mr. Cohen’s sixth proposed modification. As
311 to his alternative—recovering intangible costs directly from Q-AGS—I again note
312 that, as a fallback position, RESA and IGS would not object to Nicor Gas
313 recovering intangible costs from Q-AGS.

314 **Q. On page 4, lines 97-99, of his Direct Testimony, Mr. Cohen states that one**
315 **can infer from the fact that the Illinois General Assembly has not passed**
316 **POR legislation for gas utilities, that POR legislation does not have sufficient**
317 **support from legislators to become state law. Is this a fair inference?**

318 A. No, passing legislation is a complex and time consuming matter. POR legislation
319 must compete with many other bills to get the attention of the General Assembly.
320 However, for purposes of this proceeding, the Commission must decide whether
321 Rider 17 is just and reasonable. Speculation about why the General Assembly
322 passes or does not pass legislation has no merit. However, it should be noted that
323 no legislation was voted down, in fact all proposed legislation has passed
324 committees, been used for other purposes, or expired due to time running out

325 while in concurrence. I would infer by the level of votes received that, in fact,
326 when a vote was taken there was great support for POR legislation.

327 **Q. On page 5-6, lines 120-126, of his Direct Testimony, Mr. Cohen testifies that**
328 **the absence of a POR tariff has not proven to be a significant impediment to**
329 **competition. Do you agree?**

330 A. Absolutely not. I would note initially that given the tenor of Mr. Cohen's
331 testimony, I believe a more accurate statement of his position is that the absence
332 of a POR tariff has not proven to be enough of an impediment to competition in
333 Nicor Gas' service territory.

334 In response to CUB Data Request No. 2.11, I provided a list of states having gas
335 POR programs and the number of suppliers participating in each program. I have
336 included a copy of that Response as RESA/IGS Ex. No. 2.1. The exhibit shows
337 that the number of suppliers participating in Choice Programs having a POR
338 component generally far exceeds the number of suppliers participating in Nicor
339 Gas' Customer Select Program. For example, in New Jersey, 42 suppliers are in
340 the service territory of Elizabethtown Gas, 48 in the service territory of New
341 Jersey Natural Gas, 56 in the service territory of Public Service Electric & Gas,
342 and 45 in the service territory of South Jersey Gas.

343 Moreover, as I stated in my Direct Testimony, all of the states that have a greater
344 than 10% customer participation in gas Choice programs have utilities that offer
345 some form of POR program. There is no state without a utility POR program that
346 has greater than 10% gas Choice participation. In Illinois, on the electric side,
347 one need look no further than the experience of Commonwealth Edison Company

348 (“ComEd”)—there were virtually no Alternative Retail Electric Suppliers making
349 residential offers in ComEd’s service territory until the Commission approved
350 ComEd’s Rider PORCB in Docket 10-0138 (order dated December 15, 2010).

351 **Q. On page 12, lines 303-308, of his Direct Testimony, Mr. Cohen testifies that**
352 **Q-AGS could employ a variety of strategies to take advantage of market**
353 **opportunities, which could have the effect of increasing the amount of**
354 **uncollectibles. As two examples, he claims that a Q-AGS could target**
355 **residential neighborhoods with large numbers of high credit risk customers**
356 **or neighborhoods with a large proportion of non-English speaking residents**
357 **who might be less likely to fully comprehend the marketing offers or their**
358 **bill implications. Please comment.**

359 A. POR programs are available for electric customers in Illinois, but I am not aware
360 of any Alternative Retail Electric Suppliers (“ARES”) that target residential
361 neighborhoods with large numbers of high credit risk customers or neighborhoods
362 with a large proportion of non-English speaking residents. Neither is Mr. Cohen
363 aware of any such ARES, as evidenced in AG/CUB’s response to RESA/IGS
364 Data Request No. 1.02. Moreover, Mr. Cohen seems to ignore several consumer
365 protections which prohibit this starting with the Public Utilities Act and ending
366 with the AGS licensing requirements. Any AGS which misleads customers
367 would be subject to losing its ability to serve customers.

368 **Q. On page 14-15 of his Direct Testimony, lines 347-363, Mr. Cohen claims,**
369 **based on the CUB Gas Market Monitor, that 94% of the Q-AGS plans would**
370 **have resulted in higher costs for participating customers than they would**

371 **have paid for utility supply and that the average amount a Q-AGS customers**
372 **would have paid above utility supply costs is \$1190.64. Please comment on**
373 **the accuracy of the CUB Gas Market Monitor (“GMM”).**

374 A. In a word, I consider the CUB GMM flawed. The GMM suffers from numerous
375 deficiencies that make it without value for accomplishing the purpose its name
376 implies—monitoring the gas market.

377 The following are some of the more egregious of the deficiencies of the GMM.
378 CUB’s GMM does not provide actual customer experience. The GMM is not
379 based on any information about the number of customers on any particular
380 product, for how long they were on a product, what volumes were used, and what
381 happened to the customer related to product renewal. For example, the GMM
382 claims that 94% of customers lost an average of \$1190.64 on suppliers’ plans.
383 For those numbers to have any meaning, the GMM would have to reflect more
384 than just plans offered, it would have to have information about customers on
385 plans and usage—both important points because, without usage, the numbers are
386 meaningless.

387 Moreover, to the extent the CUB GMM attempts to reflect usage it is inaccurate,
388 as demonstrated by the AG/CUB response to RESA/IGS Data Request No. 1.21.
389 The 1,325 therms of annual usage reflected in the GMM calculations is not a
390 representative amount for Nicor Gas. It was based on averaging, in some manner,
391 residential customer usages for North Shore Gas Company (1,516 therms), The
392 Peoples Gas Light and Coke Company (1,317 therms), and Nicor Gas (1,258
393 therms), based on sales statistics from 1999 and 2000.

394 Also to the extent the GMM compares fixed products of AGS to the variable rates
395 of gas utilities, which do not offer fixed products, the GMM is comparing apples
396 to oranges. A fixed product should reflect a premium for its ability to provide
397 price stability.

398 The GMM continues to include plans after expiration of the initial term. The
399 result is that the GMM is heavily weighted towards expired offers, not offers that
400 are currently available. With respect to more recent offers, Integrys Energy
401 Services' variable rate offers have resulted in lower prices than Nicor Gas' PGA
402 50% of the time since January 2011. However, even if one goes back to 2009,
403 CUB itself issued a release stating that "IGS has offered variable rate plans that
404 guarantee moderate savings". A complete copy of that CUB document is attached
405 as RESA/IGS Ex. 2.2.

406 The GMM also fails to take into account features of an offer other than the price
407 per therm. As acknowledged by the AG/CUB response to RESA/IGS Data
408 Request No. 1.10, it does not take into account other offers such as gift cards or
409 discounts on electricity.

410 **Q. With respect to the CUB GMM, can you point to any specific discrepancies?**
411

412 A. While it would not be worth the time, effort and money to attempt to re-analyze
413 all of the statistics on the CUB Gas Market Monitor, given that it is not the focus
414 of this case, the following are a couple of examples of offers which, according to
415 the CUB GMM, would have lost customers money but, in reality, saved
416 customers money.

417 For example, the CUB GMM shows a fixed rate offer by Constellation dated
418 April 4, 2012. For that offer, the CUB GMM shows a loss of \$37.92 for the
419 period May through October 2012. However, in reality, had a customer accepted
420 that offer and stayed on the plan for that period the customer would have paid
421 \$75.705 compared to \$80.25 to Nicor Gas, a savings of \$4.545.

422 As another example, the GMM showed an offer by Integrys Energy Services
423 dated September 12, 2012 as a losing product when, in fact, for the period
424 November 2012 through April 2013, the customer would have saved \$12.26.

425 **V. NICOR GAS**

426 **Q. Do you have any comments on the Rebuttal Testimony of Mr. Mudra in this**
427 **proceeding?**

428 A. In my Direct Testimony, I stated that RESA and IGS support Nicor Gas proposed
429 Rider 17. In his Rebuttal Testimony, Mr. Mudra proposes a number of changes to
430 Rider 17 to accommodate some of the recommendations of the Commission Staff
431 and AG/CUB and sponsors Nicor Gas Exhibits 2.1 (a redlined version of Rider 17
432 showing the changes) and 2.2 (a clean version of Rider 17 adopting all of the
433 revisions reflected in Nicor Gas Exhibit 2.1). RESA and IGS agree with the
434 changes made by Nicor Gas as reflected in its Exhibits 2.1 and 2.2 and support
435 Rider 17, as revised by Nicor Gas.

436 **VI. CONCLUSION**

437 **Q. Does this conclude your Rebuttal Testimony?**

438 A. Yes, it does.

NOTICE OF FILING

Please take note that on April 23, 2013, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Rebuttal Testimony and exhibits of Teresa Ringenbach on behalf of Interstate Gas Supply of Illinois, Inc. and the Retail Energy Supply Association in this proceeding.

Dated: April 23, 2013

/s/GERARD T. FOX

Gerard T. Fox

CERTIFICATE OF SERVICE

I, Gerard T. Fox, certify that I caused to be served copies of the foregoing Rebuttal Testimony and exhibits of Teresa Ringenbach on behalf of Interstate Gas Supply of Illinois, Inc. and the Retail Energy Supply Association upon the parties on the service list maintained on the Illinois Commerce Commission's eDocket system for Ill. C. C. Docket 12-0569 via electronic delivery on April 23, 2013.

/s/ GERARD T. FOX

Gerard T. Fox