
**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

The North Shore Gas Company :
 :
Proposal to revise Riders SVT, AGG, : **Docket No. 01-0469**
Rider 2, Terms and Conditions, and :
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**REPLY BRIEF OF
THE NATIONAL ENERGY MARKETERS ASSOCIATION**

December 4, 2001.

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This Reply Brief is submitted by The National Energy Marketers Association (“NEM”) in the above-referenced proceeding. NEM submits this Reply Brief to lend its support to a number of the recommendations set forth in the Initial Brief of the Citizens Utility Board and the Illinois Attorney General's Office (hereinafter GCI). GCI recommend in their brief that the Commission, "affirmatively direct[] the restructuring of the market for natural gas supply service." (GCI Initial Brief at 1).

I. Rider AGG Charges

North Shore proposes a \$2000 application charge, a monthly aggregation fee of \$200 per pool and \$1.25 per customer, and a \$10 customer pool activation charge. NEM believes that these proposed charges are excessive and unnecessary. GCI recommend that North Shore' aggregation charges and switching fees be eliminated. (GCI Initial Brief at 2). NEM concurs with the recommendation of GCI. NEM asserts that administrative charges, access fees, switching fees, aggregation and pooling charges operate as artificial barriers to competition and must be prohibited. The proposed charges in the instant proceeding are excessive and unnecessary. Additionally, to the extent that North Shore Gas incurs costs associated with the transition to a competitive marketplace they should

be recovered, if at all, by a competitively-neutral transition charge on the remaining monopoly function(s).

II. Delivery Tolerances

With respect to delivery tolerances, North Shore maintains that it has offered, "greater flexibility in its SVT Supplier delivery process by providing a tolerance." (emphasis added) (North Shore Initial Brief at 30). North Shore proposes daily-delivery tolerances of plus-or-minus 3% on non-critical days and monthly-delivery tolerances of plus-or-minus 1%. On a Critical Supply Shortage Day, North Shore proposed daily-delivery tolerances are 3% over the required daily delivery quantities ("RDDQ") and 0% under the RDDQs. On a Critical Supply Surplus Day, the daily-delivery tolerances are 3% under the RDDQs and 0% over the RDDQs. North Shore proposes a monthly cash-out of imbalances. North Shore proposes a \$1.00 per therm penalty on month-end imbalances in excess of monthly delivery tolerances and also proposes a \$0.50 per therm non-critical day charge for each therm in excess of daily-delivery tolerances and \$6.00 per therm charge on critical days.

In contrast, GCI recommends that suppliers be provided the opportunity to utilize storage flexibility; delivery imbalance tolerances and penalty and imbalance charges should be made less onerous for suppliers; and cash-out procedures should be changed to allow for the carryover of consumption imbalances and to provide the opportunity for suppliers to cure consumption imbalances through storage. GCI also recommends that suppliers should be able to trade imbalances. (GCI Initial Brief at 2).

NEM supports GCI's recommendations. Tariffs to implement choice should be structured to maximize market liquidity, and reasonable rules, conditions and tolerances for the physical delivery of natural gas should be instituted. Delivery tolerances should

be instituted within which reasonable fees or penalties will not be assessed. A true-up procedure should be performed every thirty, sixty, or ninety days to account for supply imbalances, and marketers should be allowed to engage in imbalance trading to minimize fees incurred. Tolerances and imbalance trading are sources of flexibility for suppliers that are constrained by fixed nominations from the utility despite being subject to changes in customer usage. Accordingly, tolerances and imbalance trading afford suppliers of a means to minimize the costs to deliver energy to Illinois consumers.

III. Conclusion

For the reasons set forth herein, the National Association of Energy Marketers respectfully requests the Commission enter an Order in this docket consistent with the following:

1. Adopt NEM's proposed changes to the Choices for You Program set forth herein.
2. Enter an Order in conformance with the arguments presented.

Respectfully submitted,

**THE NATIONAL ENERGY
MARKETERS ASSOCIATION**

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December 4, 2001.