

Docket No.: 02-0729
Bench Date: 02-10-04
Deadline: N/A

MEMORANDUM

TO: The Commission

FROM: Larry M. Jones, Administrative Law Judge

DATE: February 3, 2004

SUBJECT: Illinois Commerce Commission
On Its Own Motion
-vs-
Union Electric Company ("UE" or "Company")

Reconciliation of revenues collected under gas adjustment charges with actual costs.

RECOMMENDATION: Entry of the attached order approving the reconciliation, as revised, for the reconciliation year.

UE provides natural gas service in Illinois to approximately 18,000 customers in Alton and adjacent areas. Approximately 65% of sales are to residential customers. This proceeding involves a reconciliation of revenues collected through the Company's purchased gas adjustment ("PGA") tariffs, with the actual cost of gas supplies prudently incurred and recoverable under the PGA, for the reconciliation year ended December 31, 2002.

The Commission Staff reviewed the Company's reconciliation filing, as well as responses to data requests concerning the prudence of the Company's gas purchases. Among other things, Staff reviewed information regarding methods for forecasting load requirements; strategies for the procurement and use of gas supply, pipeline transportation and storage; matching load requirements to the mix of resources; bid solicitation procedures; hedging strategies; diversification of supply portfolio; and benchmarking of gas purchase costs to other companies. Staff recommends that the Company's proposed reconciliations be approved, including an amount to be collected under Factor O.

The attached order would approve the Company's proposed reconciliation, as adjusted to reflect the recommendations of Staff. The approved reconciliation is contained in the Appendix to the order.

LMJ/lw