

DIRECT TESTIMONY
OF
STEVEN A.J. CIANFARINI
ENGINEERING DEPARTMENT
ENERGY DIVISION
ILLINOIS COMMERCE COMMISSION

PEOPLES GAS LIGHT AND COKE COMPANY

DOCKET NO. 00-0720

May 31, 2001

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

2 A. My name is Steven A.J. Cianfarini and my business address at the Illinois
3 Commerce Commission ("Commission") is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

5 2. Q. By whom are you employed and in what capacity?

6 A. I am employed by the Commission as a Senior Energy Engineer in the Gas
7 Section of the Engineering Department of the Energy Division.

8 3. Q. Please state your educational background.

9 A. I earned a Bachelor of Science degree in Mechanical Engineering from
10 Drexel University, Philadelphia, Pennsylvania. Also, I have completed
11 approximately half the course work towards an M.S. in Engineering
12 Management at Drexel University. Furthermore, I hold the Pennsylvania
13 equivalent of the Illinois Professional Engineer Intern Certification.

14 4. Q. Please state your professional work experience.

15 A. I was employed by the Philadelphia Gas Works (“PGW”) for over 12 years in
16 the Distribution Department. I worked as a Natural Gas Operations
17 Supervisor for over 6 years and as a Staff Engineer in the Planning Section
18 of the Distribution Department for an additional 6 years. I have designed
19 many major natural gas facilities for PGW.

20 5. Q. What are your duties and responsibilities a Senior Energy Engineer in the
21 Gas Section of the Energy Division’s Engineering Department?

22 A. My primary responsibilities and duties are in the performance of studies and
23 analyses dealing with the day-to-day, and long term, operations and planning
24 of the gas utilities serving Illinois. For example, I review purchase gas
25 adjustment clause reconciliations, rate base additions, levels of natural gas
26 used for working capital, as well as applications for Certificates of Public
27 Convenience and Necessity. My additional responsibilities and duties
28 include the performance of on-site meter shop audits for the natural gas
29 companies in Illinois.

30 6. Q. What is the purpose of this proceeding?

31 A. On November 8, 2000, the Commission initiated its annual reconciliation of
32 the purchase gas adjustment (“PGA”) for fiscal year 2000 filed by Peoples
33 Gas Light and Coke Company (“Peoples Gas” or “Company”) pursuant to

34 Section 9-220 of the Illinois Public Utilities Act (“Act”). This investigation was
35 initiated to determine whether Peoples Gas’ PGA clause reflects actual
36 costs of gas and gas transportation for the twelve month period from October
37 1, 1999 through September 30, 2000, and whether its purchases were
38 prudent.

39 7. Q. What is your assignment within this proceeding?

40 A. I was assigned by the Gas Section Supervisor to review the purchases for
41 the reconciliation period to ensure the Company’s purchases during the
42 reconciliation period were prudent.

43 8. Q. What is the Commission’s definition of prudence?

44 A. Prudence is defined by the Commission as follows:

45 **Prudence is that standard of care which a reasonable**
46 **person would be expected to exercise under the**
47 **circumstances encountered by utility management at the**
48 **time decisions had to be made. In determining whether**
49 **or not a judgment was prudently made, only those facts**
50 **available at the time the judgment was exercised can be**
51 **considered. Hindsight review is impermissible.**

52 **Imprudence cannot be sustained by substituting one’s**
53 **judgment for that of another. The prudence standard**
54 **recognizes that reasonable persons can have honest**
55 **differences of opinion without one or the other**
56 **necessarily being ‘imprudent’. (Docket No. 84-0395, p17).**

57 9. Q. Did you discover any imprudent purchases during the reconciliation period?

58 A. After reviewing the Company's filing, testimony, and responses to extensive
59 data requests, I did not find any imprudent purchases in the reconciliation
60 period.

61 10. Q. Does Staff have any issues that it would like Peoples Gas to address for
62 future gas purchases?

63 A. Yes. Peoples Gas should consider purchasing a portion of its gas supply
64 with contracts that are not tied to index pricing. The Company should weigh
65 the risks and the benefits of non-index pricing and develop an appropriate
66 strategy.

67 11. Q. Please explain the meaning of "index natural gas pricing."

68 A. "Index natural gas pricing," refers to the price of natural gas that fluctuates
69 with a contract specified "index." The index could refer to natural gas pricing
70 data published by commonly used gas industry publications such as "Gas
71 Daily" or "Natural Gas Intelligence." These publications provide pricing
72 information for various delivery points for specified time periods such as the
73 day, week, or month. For example, a contract for natural gas may define
74 "Daily Price" as the price published in "Gas Daily" for the specific day under

75 consideration and for deliveries to a specific delivery point. To summarize,
76 the contract price for the natural gas is the specified "index price" that
77 fluctuates with the gas market for the delivery point and time period
78 specified.

79 12. Q. Does this conclude your direct testimony?

80 A. Yes, it does.