

DIRECT TESTIMONY  
OF  
MARK MAPLE  
ENGINEERING DEPARTMENT  
ENERGY DIVISION  
ILLINOIS COMMERCE COMMISSION

CONSUMERS GAS COMPANY

DOCKET NO. 00-0712

JUNE 8, 2001

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

5 A. I am employed by the Illinois Commerce Commission (“Commission”) as an  
6 Energy Engineer in the Engineering Department of the Energy Division.

7 3. Q. Please state your educational background.

8 A. I hold a Bachelor of Science degree in Mechanical Engineering and a minor  
9 in Mathematics from Southern Illinois University in Carbondale, Illinois. I am  
10 also a registered Professional Engineer Intern in the State of Illinois.

11 4. Q. What are your duties and responsibilities as an Energy Engineer in the  
12 Engineering Department?

13 A. My primary responsibilities and duties are in the performance of studies and  
14 analyses dealing with the day-to-day, and long-term, operations and planning

15 of the gas utilities serving Illinois. For example, I review purchased gas  
16 adjustment clause reconciliations, rate base additions, levels of natural gas  
17 used for working capital, and review utilities' applications for Certificates of  
18 Public Convenience and Necessity. I also perform utility gas meter test shop  
19 audits.

20 5. Q. What is the purpose of this proceeding?

21 A. On November 8, 2000, the Commission initiated its annual reconciliation of  
22 the Purchased Gas Adjustment ("PGA") for calendar year 2000, as filed by  
23 Consumers Gas Company ("Consumers" or "Company"), pursuant to Section  
24 9-220 of the Illinois Public Utilities Act ("Act"). This investigation was initiated  
25 to determine whether Consumers' PGA clause reflects actual costs of gas  
26 and gas transportation for calendar year 2000 and whether those purchases  
27 were prudent. ■

28 6. Q. What is your assignment within this proceeding?

29 A. My assignment is to determine if Consumers' natural gas purchasing  
30 decisions made during the reconciliation period were prudent.

31 7. Q. Have you made a determination if Consumers' natural gas purchasing  
32 decisions made during the reconciliation period were prudent?

33 A. Yes. Using the Commission's criteria for prudence, I have determined  
34 Consumers' natural gas purchasing decisions were prudent.

35 8. Q. What criteria does the Commission use to determine prudence?

36 A. The Commission has defined prudence as:

37 **[...] that standard of care which a reasonable person**  
38 **would be expected to exercise under the circumstances**  
39 **encountered by utility management at the time decisions**  
40 **had to be made. In determining whether or not a**  
41 **judgment was prudently made, only those facts available**  
42 **at the time the judgment was exercised can be**  
43 **considered. Hindsight review is impermissible.**

44 **Imprudence cannot be sustained by substituting one's**  
45 **judgment for that of another. The prudence standard**  
46 **recognizes that reasonable persons can have honest**  
47 **differences of opinion without one or the other**  
48 **necessarily being 'imprudent'. (Docket No. 84-0395,**  
49 **p.17).**

50 9. Q. What material did you review to determine the prudence of  
51 Consumers' natural gas purchasing decisions during the  
52 reconciliation period?

53 A. I reviewed the direct testimony of Consumers' witness C.A. Robinson.  
54 I also reviewed Company responses to numerous Staff data requests

55 that directly addressed issues related to the prudence of Consumers'  
56 natural gas purchasing.

57 10. Q. Does Staff have any issues that it would like Consumers to consider  
58 for future gas purchases? ■

59 A. Yes. Staff believes that price stability as well as the commodity cost  
60 of the natural gas should be a factor in utility purchasing decisions.  
61 The recent spike in natural gas prices demonstrates the difficulty  
62 consumers face when gas prices rise unpredictably. Greater price  
63 stability could mitigate some of the negative impacts currently facing  
64 Illinois gas consumers. However, providing this price stability could  
65 also result in higher than index natural gas pricing at times.

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

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

74 the price published in "Gas Daily" for the specific day under  
75 consideration and for deliveries to a specific delivery point. To  
76 summarize, the contract price for the natural gas is the specified  
77 "index price" which fluctuates with the gas market for the delivery point  
78 and time period specified. █

79 12. Q. Does Staff have any recommendations for Consumers regarding  
80 future natural gas purchasing practices?

81 A. Yes. Consumers should consider purchasing a portion of its gas  
82 supply with contracts not tied to index pricing. The Company should  
83 weigh the risk and the benefits of non-index pricing and develop an  
84 appropriate gas purchasing strategy using prudent risk management  
85 practices. This strategy should help provide greater price stability for  
86 Illinois consumers.

87 13. Q. Does this conclude your direct testimony?

88 A. Yes, it does.