STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	**13-0688**
Illinois Gas Company	:	
	:	
Reconciliation of revenues collected	:	
under gas adjustment charges with	:	
actual costs prudently incurred.	:	

ORDER

By the Commission:

On December 18, 2013, the Illinois Commerce Commission ("Commission") entered an "Order Commencing PGA Reconciliation Proceedings," which directed Illinois Gas Company ("IGC"), among others, to present evidence depicting the reconciliation of purchased gas adjustment ("PGA") revenues with the actual cost of such gas supplies obtained through purchases demonstrated by IGC to be prudent during the 12 months ending December 31, 2013 ("Reconciliation Period").

Pursuant to due notice, a prehearing conference was held in the matter on March 4, 2014. On December 10, 2014, an evidentiary hearing was held. IGC presented the testimony of its Treasurer, Lori Uhl. Bonita A. Pearce, an Accountant in the Accounting Department of the Financial Analysis Division, and Eric Lounsberry, a Supervisor in the Gas Section of the Energy Engineering Program of the Safety and Reliability Division, of the Commission's Bureau of Public Utilities testified on behalf of Commission Staff. The Administrative Law Judge entered the Staff and IGC testimony and exhibits into evidence and marked the record "Heard and Taken."

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a PGA clause. Section 9-220(a) requires the Commission to initiate annual public hearings "to determine whether the clauses reflect actual costs of gas purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of gas prudently purchased." The burden of proof is on the utility to establish the prudence of its applicable costs.

For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, "Uniform Purchased Gas Adjustment Clause," ("Part 525"). Section 525.40 of Part 525 identifies gas costs which are recoverable through a PGA. Adjustments to gas costs through the Adjustment Factor are addressed in Section

525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

IGC's offices are located in Olney, Illinois. IGC provides gas services to approximately 9,600 customers in the communities of Lawrenceville, Bridgeport, Sumner, Pinkstaff, Birds, and Russellville in Lawrence County, Illinois; Olney, Noble, Parkersburg, Calhoun, Claremont, and Dundas in Richland County, Illinois; and West Liberty, Saint Marie, and Willow Hill in Jasper County, Illinois. Gas supplies for IGC are transported into the area by Texas Gas Transmission, LLC (“TGT”). Ms. Uhl testifies that the nearest alternative pipeline belongs to Trunkline Gas Company (“Trunkline”), which is approximately 50 miles west of IGC's primary gate station. In her opinion, the cost of installing necessary transmission lines to Trunkline can not be justified as a cost to be recovered from rate payers.

Ms. Uhl testifies that under its contracts with TGT, IGC is allotted, during the winter season, 2,200 million British thermal units ("MMBtu") per day under a Short-Term Firm Transportation (“STF”) Agreement and 14,950 MMBtu per day under a No Notice Service (“NNS”) Agreement, for a total of 17,150 MMBtu per day. On November 1, 2013, IGC entered into a new Firm Transportation ("FT") Agreement with TGT. The new agreement allots 500 MMBtu per day, all year, bringing its maximum daily contract demand down to 15,450 MMBtu in November and December. IGC's 2013 peak day was 10,013 MMBtu on January 21, 2013. With respect to gas purchases for the Reconciliation Period, Ms. Uhl testifies that IGC purchases gas on the spot market and has also purchased futures contracts for system supply. She states that all gas purchases since November, 2006, were made by IGC through its agent BP Canada Energy Marketing Corporation. The agent was selected by competitive bidding in 2006, 2009, and 2012.

With regard to IGC’s reconciliation of revenues collected under its PGA with costs actually incurred, a schedule containing this information is identified as Statement 1 of Respondent's Exhibit 3, which is attached to Ms. Uhl's testimony. According to Statement 1, and as shown in the Appendix to this Order, IGC had PGA revenues of $6,403,741 in 2013 compared to recoverable gas costs of $6,027,119. After reflecting certain other adjustments in lines 7, 8, and 9, the over recovery of costs for calendar year 2013 is $376,632. After subtracting the balance to be collected from prior periods of $7,901, the over recovery balance at December 31, 2013 is $368,731. Ms. Uhl states that the under recovery for 2012 was collected January through March 2013; the first nine months of over recovery from 2013 were refunded April through December 2014. She states the final three months of 2014 over recovery will be refunded January through March 2015. Upon reflecting the latter amount as a Factor A adjustment, the unamortized balance at December 31, 2013, and requested Ordered Reconciliation Factor ("Factor O"), is zero dollars.

It is noted that IGC’s Uniform PGA tariff unbundles the PGA rate into the following components: Winter/Season Demand, Summer/Season Demand, and the Commodity Components. The PGA rate billed is based on different combinations of components applicable to each of two classes of gas usage customers. Firm Usage of system supply is billed the Winter/Season Demand, Summer/Season Demand, and Commodity Components. Interruptible Winter Usage of system supply is billed the Winter/Season Demand, the Summer/Season Demand, and Commodity Components, but receives credit for the Winter/Season Demand Component. According to Ms. Uhl, Interruptible customers are not charged the Winter/Season Demand Component because they are interruptible during the Winter/Season and Firm during the Summer/Season, allowing the contractual pipeline Winter/Season or Peak Demand to be lower than it would otherwise be.

Ms. Pearce provides testimony to report the results of her review of IGC's PGA reconciliation presented on IGC's Statement 1 and underlying documents. She proposes no adjustments and recommends the acceptance of IGC's reconciliation of revenues collected under the PGA with actual costs as shown on Statement 1 of Exhibit 3. She further recommends that Statement 1 be included as an appendix to the Order in this proceeding.

Mr. Lounsberry reviewed Ms. Uhl's testimony and IGC responses to Staff data requests concerning the prudence of gas purchases. Mr. Lounsberry testifies that using the Commission's criteria for prudence, he found no reason to dispute IGC's assertion that all gas supply purchases were prudently incurred during the Reconciliation Period.

The evidence shows that during the Reconciliation Period, IGC acted prudently in its procurement of natural gas supply. The evidence presented by the parties further shows that the cost of purchased gas has been reconciled satisfactorily with the revenues received for such gas during calendar year 2013. The Commission notes that a review of the 2012 PGA reconciliation for IGC in Docket No. 12-0654 shows that following the reconciliation, no ordered adjustment Factor O was required, reflecting no unamortized balance. Essentially, Line 13 of the Appendix to the Order in Docket No. 12-0564 serves as the starting point for Line 1 for the attachment hereto. Similarly, Line 14 of the Appendix to the Order in Docket No. 12-0654 is replicated on Line 3 of the attachment hereto and Line 12 of the Appendix in Docket No. 12-0654 is replicated on Line 2 of the Appendix to this Order. Lines 4 through 11 of the Appendix to this Order reflect activity during 2013. There have been no findings of imprudence, the automatic adjustment clause Factor A has served its purpose during the last several years, and, again, there is no ordered reconciliation through Factor O as shown on Line 14 of the Appendix hereto. The Commission concludes that the 2013 PGA reconciliation, as reflected in the Appendix hereto, is reasonable and should be approved.

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

(1) Illinois Gas Company is a corporation engaged in the distribution of natural gas to the public in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act:

(2) the Commission has jurisdiction over Illinois Gas Company and of the subject matter of this proceeding:

(3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;

(4) the evidence shows that during the Reconciliation Period, Illinois Gas acted prudently in its purchases of natural gas:

(5) the cost of purchased gas been reconciled satisfactorily with the revenues received for such gas during calendar year 2013, as shown in the Appendix attached hereto;

(6) Illinois Gas experienced an over-recovery of costs for calendar year 2013 of $376,632 and an over-recovery balance at December 31, 2013 of $368,731, amortized to Schedule 1 as Factor A Adjustments, resulting in a reconciliation factor of zero dollars; an Ordered Reconciliation Factor is not required.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that Illinois Gas Company's reconciliation of the revenues collected under its PGA clause for calendar year 2013 with the actual costs prudently incurred for the purchase of gas supply as shown in the Appendix attached hereto, is approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

Entered this 21st day of January, 2015.

BY ORDER OF THE COMMISSION