STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	**:**	
On Its Own Motion	**:**	
-vs-	**:**	
Illinois Gas Company	**:**	**14-0730**
	:	
Reconciliation of revenues collected	**:**	
under gas adjustment charges with	**:**	
actual costs prudently incurred.	**:**	

ORDER

By the Commission:

On December 17, 2014, 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 revenues collected under IGC's purchased gas adjustment ("PGA") clause with the actual cost of such gas supplies prudently obtained by IGC during the 12 months ending December 31, 2014 ("Reconciliation Period"). Pursuant to due notice, a prehearing conference was held in this matter on April 8, 2015, followed by an evidentiary hearing on July 29, 2015. IGC presented the testimony of its Treasurer, Lori Uhl. Bonita Pearce, an Accountant in the Accounting Department of the Financial Analysis Division of the Commission's Bureau of Public Utilities, and Mark Maple, a Senior Gas Engineer in the Energy Engineering Program of the Safety and Reliability Division of the Commission's Bureau of Public Utilities, testified on behalf of Commission Staff ("Staff"). The Administrative Law Judge marked the record "Heard and Taken" at the end of the evidentiary hearing.

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. The average number of customers IGC served in 2014 was 9,571 located 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 pipelines to Trunkline can not be justified as a cost to be recovered from rate payers.

IGC witness Uhl testifies that total gas throughput for 2014 was 1,279,122 million British thermal units ("MMBtu") with 1,097,461 transported under the TGT No Notice Service (“NNS”) Agreement rate and the remaining 181,661 transported under the TGT Firm Transportation ("FT") Agreement rate. The FT Agreement allots IGC 500 MMBtu per day throughout the year and the NNS Agreement allots IGC an additional 14,950 MMBtu per day during the Winter Season, for a total of 15,450 MMBtu per day during the Winter Season. IGC's 2014 peak day was 14,155 MMBtu on January 6, 2014. With respect to spot market gas purchases for the Reconciliation Period, Ms. Uhl testifies that all such purchases since November, 2006 have been made by BP Canada Energy Marketing Corporation as IGC’s agent. The agent was selected by competitive bidding in 2006, 2009, and 2012.

With regard to IGC’s reconciliation of revenues collected under its PGA clause with costs actually incurred, a schedule containing this information is identified as Statement 1 of Exhibit 3 attached to Ms. Uhl's testimony. According to Statement 1, and as shown in the Appendix to this Order, IGC had PGA revenues of $6,802,879 in 2014 compared to recoverable gas costs of $7,096,787. After reflecting certain other adjustments in lines 7, 8, and 9, the under recovery of costs for calendar year 2014 is $293,742. After subtracting the balance to be refunded from prior periods of $368,731, the over recovery balance at December 31, 2014 is $74,989. Upon reflecting the latter amount as a Factor A adjustment, the unamortized balance at December 31, 2014, and requested Ordered Reconciliation Factor ("Factor O"), is zero dollars.

Staff witness 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 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. Staff witness Maple reviewed Ms. Uhl’s testimony and IGC responses to Staff data requests concerning the prudence of gas purchases. He 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 2014. There have been no findings of imprudence, the automatic adjustment clause Factor A has served its purpose during the last several years, and there is no ordered reconciliation through Factor O as shown on Line 14 of the Appendix hereto. The Commission concludes that the 2014 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) IGC is a corporation engaged in the distribution of natural gas to the public in portions of Illinois and, as such, is a public utility within the meaning of the Act;

(2) the Commission has jurisdiction over IGC and the subject matter herein;

(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, IGC acted prudently in its purchases of natural gas; and

(5) the reconciliation of revenues collected under IGC's PGA tariff with the actual costs prudently incurred for the purchase of gas supply during the Reconciliation Period, as reflected in the Appendix attached hereto, should be approved.

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 2014 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.

By order of the Commission this 12th day of August, 2015.

(SIGNED) BRIEN SHEAHAN

Chairman