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BEFORE THE
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION) DOCKET NO.
On Its Own Motion) 00 -0710
-vs-)
CENTRAL ILLINOIS LIGHT COMPANY)
Reconciliation of revenues)
collected under gas adjustment)
charges with actual costs prudently))
incurred.)

Springfield, Illinois
September 25, 2001

Met, pursuant to notice, at 2:00 P.M.

BEFORE:

MR. JOHN ALBERS, Administrative Law Judge

APPEARANCES:

MR. W. MICHAEL SEIDEL
Defrees & Fiske
200 South Michigan Avenue
Suite 1100
Chicago, Illinois 60604

(Appearing on behalf of Central Illinois
Light Company)

MS. KARIN M. NORRINGTON
208 South La Salle
Suite 1760
Chicago, Illinois 60604

(Appearing on behalf of the Citizens
Utility Board via teleconference)

1 APPEARANCES: (Cont'd)

2 MR. JOHN FEELEY
3 160 North La Salle Street
4 Suite C-800
5 Chicago, Illinois 60601

6 (Appearing on behalf of the Staff of the
7 Illinois Commerce Commission)

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SULLIVAN REPORTING COMPANY, by
Cheryl A. Davis, Reporter, #084-001662

I N D E X					
	WITNESSES	DIRECT	CROSS	REDIRECT	RECROSS
1					
2	WITNESSES				
3	GLENN L. DAVIDSON				
	By Mr. Seidel	20		69	
4	By Mr. Feeley		30		74
5	DENNIS L. ANDERSON				
	By Mr. Feeley	76			
6	BONITA A. PEARCE				
7	By Mr. Feeley	78		114	
	By Mr. Seidel		84		
8	By Mr. Seidel (in camera)		89		
9					
10					
11					
12	EXHIBITS		MARKED		ADMITTED
13	Staff 1.0				83
	Staff 2.00				77
14	Staff 3.0 Revised, 3.1, 3.1P		17		83
	CILCO 1.0, 1.1, 1.2, 1.3				29
15	CILCO 1.4, 3.0 Revised, 5.0		17		19
	CILCO 2.0				19
16	CILCO 2.1		17		19
	Staff Cross 1		4	9	
17	Staff Cross 1P (Cross 1 remarked)		52		67
	Staff Cross 2P		52		67
18					
19					
20					
21					
22					

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PROCEEDINGS

(Whereupon Staff Exhibits
3.0 Revised, 3.1, and 3.1P
and CILCO Exhibits 1.4, 2.1,
3.0 Revised, and 5.0 were
marked for identification.)

JUDGE ALBERS: By the authority vested in me
by the Illinois Commerce Commission, I now call
Docket Number 00-0710. This docket concerns the
ordered reconciliation of Central Illinois Light
Company's Purchased Gas Adjustment Clause. This
docket was initiated by the Illinois Commerce
Commission on its own motion.

May I have the appearances for the
record, please.

MR. SEIDEL: Thank you. W. Michael Seidel for
the law firm of Defrees and Fiske, 200 South
Michigan Avenue, Suite 1100, Chicago, Illinois
60604, appearing on behalf of Central Illinois
Light Company.

MR. FEELEY: John Feeley, Staff counsel, 160
North La Salle Street, Suite C-800, Chicago,

1 Illinois 60601.

2 JUDGE ALBERS: Ms. Norrington.

3 MS. NORRINGTON: Karin Norrington, Citizens
4 Utility Board, 208 South La Salle Street, Suite
5 1760, Chicago, Illinois 60604.

6 JUDGE ALBERS: And are there any others
7 wishing to enter an appearance? Let the record
8 show no response.

9 Are there any preliminary matters this
10 afternoon? Okay. Hearing none, why don't we first
11 hear from Central Illinois Light Company's
12 witnesses, so, Mr. Seidel, if you'd like to call
13 your first witness.

14 MR. SEIDEL: Yes. We have two witnesses
15 today, Your Honor, Mr. Davidson who I will call
16 first and another witness, CILCO witness Sue
17 Prebil, who we propose to offer her testimony and
18 an affidavit in support of her testimony today
19 without her appearing.

20 JUDGE ALBERS: Okay.

21 MR. SEIDEL: Should we take that up first?

22 JUDGE ALBERS: If you'd like, go ahead.

1 CILCO Exhibit 1.3, CILCO Exhibit 1.4, CILCO Exhibit
2 3.0 Revised, and CILCO Exhibit 5.0?

3 A. Yes, I do.

4 Q. And is CILCO Exhibit 1.0 a document
5 bearing the title Prepared Direct Testimony of
6 Glenn L. Davidson on behalf of Central Illinois
7 Light Company, Docket No. 00-0710?

8 A. Yes.

9 Q. And is that a four-page series of
10 questions and answers?

11 A. Yes, it is.

12 Q. Was this exhibit prepared by you or
13 pursuant to your direction and supervision?

14 A. Yes, it was.

15 Q. If I were to ask you the questions that
16 appear in CILCO 1.0, would your answers be the same
17 as appear therein?

18 A. Yes.

19 Q. Are there any changes, corrections, or
20 additions that you wish to make to CILCO Exhibit
21 1.0?

22 A. No.

1 Q. Is CILCO Exhibit Number 1.1 entitled
2 Central Illinois Light Company, Statement of
3 Reconciliation of the Commodity Portion of the Cost
4 of Gas to the Recovery of the Cost of Gas Through
5 the Application of the Purchased Gas Adjustment
6 Factor for the Year Ended December 31, 2000?

7 A. Yes.

8 Q. Was that exhibit prepared by you or at
9 your request and under your supervision?

10 A. Yes.

11 Q. Is the information contained in CILCO
12 Exhibit 1.1 true and correct to the best of your
13 information, knowledge, and belief?

14 A. Yes.

15 Q. Are there any changes, corrections, or
16 additions that you wish to make to CILCO Exhibit
17 1.1?

18 A. No.

19 Q. Now turning your attention to CILCO
20 Exhibit 1.2, does that exhibit bear the title
21 Central Illinois Light Company, Statement of
22 Reconciliation of the Non-Commodity Portion of the

1 Cost of Gas to the Recovery of the Cost of Gas
2 Through the Application of the Purchased Gas
3 Adjustment Factor for the year ended December 31,
4 2000?

5 A. Yes.

6 Q. Was this exhibit prepared by you or
7 pursuant to your request and under your
8 supervision?

9 A. Yes.

10 Q. Are there any changes, corrections, or
11 additions that need to be made to this exhibit?

12 A. No.

13 Q. Is the information reflected in CILCO
14 Exhibit 1.2 true and correct to the best of your
15 information, knowledge, and belief?

16 A. Yes.

17 Q. Now directing your attention to CILCO
18 Exhibit 1.3, does this exhibit bear the title
19 Central Illinois Light Company, Statement of
20 Reconciliation of Take-or-Pay Charges to the
21 Recovery of Take-or-Pay Charges Through the
22 Application of Factor TOP for the Year Ended

1 December 31, 2000?

2 A. Yes.

3 Q. Was this exhibit prepared by you or
4 pursuant to your direction and under your
5 supervision?

6 A. Yes.

7 Q. Are there any changes or corrections
8 that need to be made to this exhibit?

9 A. No.

10 Q. Is the information contained in CILCO
11 Exhibit 1.3 true and correct to the best of your
12 information, knowledge, and belief?

13 A. Yes.

14 Q. Now directing your attention to CILCO
15 Exhibit 1.4, does this exhibit bear the title
16 Central Illinois Light Company, Certificates of
17 Publication?

18 A. Yes.

19 Q. Were these certificates assembled or
20 prepared by you pursuant to your direction or under
21 your supervision?

22 A. Yes.

1 Q. Do the certificates of publication truly
2 and accurately reflect the information contained
3 therein?

4 A. Yes.

5 Q. Are there any changes or corrections
6 that need to be made to this exhibit?

7 A. No.

8 Q. Now directing your attention to your
9 rebuttal testimony which we've marked for
10 identification purposes as CILCO Exhibit 3.0
11 Revised, does this exhibit bear the title Prepared
12 Rebuttal Testimony of Glenn L. Davidson on Behalf
13 of Central Illinois Light Company, Docket No.
14 00-0710 (Revised)?

15 A. Yes.

16 Q. Was this exhibit prepared by you and
17 under your direction and supervision?

18 A. Yes.

19 Q. Are there any changes, additions, or
20 corrections you'd like to make to this exhibit at
21 this time?

22 A. Yes.

1 Q. Would you please explain the changes you
2 propose or corrections?

3 A. Okay. On line 15, after the "May 14,
4 2000," I'd like to add "and on or about November
5 23, 2000," and then continues on "CILCO does not
6 oppose the proposed \$12,913" and insert "and
7 \$10,067 adjustments."

8 Q. So add an "s" at the end of "adjustment"
9 at the end of the sentence?

10 A. Right, and then strike the following
11 sentence on lines 16 through 18.

12 Also, on page 3 of 4, on line 61, strike
13 the two sentences after "dekatherm". The first
14 sentence begins with "The charge represents" on
15 line 61. The second sentence, on line 63, begins
16 "CILCO witness".

17 Q. I now direct your attention to CILCO
18 Exhibit 5.0 and ask you if that document bears the
19 title Prepared Surrebuttal Testimony of Glenn L.
20 Davidson on Behalf of Central Illinois Light
21 Company, Docket No. 00-0710?

22 A. Yes.

1 Q. Was this exhibit prepared by you or
2 pursuant to your direction?

3 A. Yes.

4 Q. Are there any changes or corrections
5 that you would like to make to this exhibit at this
6 time?

7 A. Yes. On line 19, page 1 of 3, after
8 "2000" I'd like to strike ", which Mr. Maas
9 describes in his testimony."

10 Q. Are there any other changes?

11 A. No.

12 Q. If I were to ask you the questions
13 appearing in CILCO Exhibit 3.0 Revised and CILCO
14 Exhibit 5.0, would your answers be the same as
15 appear therein?

16 A. As adjusted, yes.

17 Q. And, finally, would you please explain
18 why you have made the changes to your prepared
19 rebuttal and surrebuttal testimony that you just
20 described?

21 A. Okay. Although CILCO does not agree
22 with the reasons Staff has given for the

1 adjustments, the Company no longer proposes to
2 recover these particular charges through the PGA.

3 MR. SEIDEL: Mr. Examiner, that completes my
4 direct examination of Mr. Davidson.

5 On behalf of the Company, I move the
6 admission of CILCO Exhibits 1.0, 1.1, 1.2, 1.3,
7 1.4, 3.0 Revised, and 5.0 and tender Mr. Davidson
8 for cross-examination.

9 JUDGE ALBERS: And just so the record is
10 clear, of all the exhibits you've offered to have
11 admitted into the record, 1.0, 1.1, 1.2 and 1.3
12 already appear on e-Docket?

13 MR. SEIDEL: That's correct.

14 JUDGE ALBERS: Okay. And the rest of them do
15 not as they're being offered.

16 MR. SEIDEL: That's correct.

17 JUDGE ALBERS: Okay.

18 MR. SEIDEL: We've tendered the copies with
19 the changes that Mr. Davidson described physically
20 marked on the documents.

21 JUDGE ALBERS: That's fine. Is there any
22 objection to any of these exhibits?

1 MR. FEELEY: No objection subject to cross.

2 MS. NORRINGTON: None.

3 JUDGE ALBERS: I'm sorry; Ms. Norrington?

4 MS. NORRINGTON: I said none.

5 JUDGE ALBERS: Hearing no objection, then
6 CILCO Exhibits 1.0, 1.1 through 1.4, 3.0 Revised,
7 and 5.0 are admitted.

8 (Whereupon CILCO Exhibits
9 1.0, 1.1, 1.2, 1.3, 1.4, 3.0
10 Revised, and 5.0 were
11 received into evidence.)

12 And just stepping back to Ms. Prebil's
13 testimony for a moment, Exhibit 2.0 appears on
14 e-Docket, correct?

15 MR. SEIDEL: That's correct.

16 JUDGE ALBERS: And 2.1 does not.

17 MR. SEIDEL: That's correct.

18 JUDGE ALBERS: And, Mr. Feeley, do you have
19 any questions?

20 MR. FEELEY: Yes, I do.

21 Good afternoon, Mr. Davidson. My name
22 is John Feeley, and I represent the Staff.

1 CROSS EXAMINATION

2 BY MR. FEELEY:

3 Q. I'm going to be asking you some
4 questions about your rebuttal and surrebuttal
5 testimony.

6 First, if you could go to your
7 surrebuttal testimony, page 2, lines 32 through 34.
8 Do you have that in front of you?

9 A. Yes.

10 Q. Okay. You state that CILCO recently
11 spent \$2,700 to set up it's SCADA system, inspect
12 the tap, and adjust the meter for one of these
13 customers in order to provide the gas management
14 services. The \$2,700, is that in total for all
15 those things that you list there?

16 A. That was for the SCADA system. I
17 believe it is. The total exact dollars we don't
18 have right now, but those were estimated costs.

19 Q. So the 2,700 covered more than just the
20 SCADA system. It also included inspecting the tap
21 and other items you list there. Is that right?

22 A. Basically setting up the connections so

1 that our SCADA system could read their meter.

2 Q. And is it correct that CILCO employees
3 did such things as inspect the tap, adjust the
4 meter for the customers, and the management
5 services? Is that correct?

6 A. Yes.

7 Q. That was CILCO employees doing those
8 things that you list there?

9 A. Yes.

10 Q. And for those employees that did such
11 things, would you agree that their wages and
12 benefits are recovered through CILCO's base rates?

13 A. If they were employed at the time of the
14 last rate case, yes.

15 Q. Okay. You said if they were employed at
16 the time of the last rate case. The equipment that
17 those employees would have used, would you agree
18 that those costs would have been included in
19 CILCO's base rates in its last rate case?

20 A. No, they were not included in the last
21 rate case.

22 Q. Which equipment wasn't?

1 A. The equipment that's listed here that
2 connected the customer's meter to our SCADA system.

3 Q. Specifically what equipment?

4 A. Any of the wiring. I'm not an engineer
5 so I can't state exactly what all they did.

6 Q. Okay. In order to do -- provide these
7 services, would it be correct to assume that these
8 employees would have used equipment like trucks,
9 CILCO cars or trucks to get to the job site to
10 provide those services? Is that correct?

11 A. I could only assume.

12 Q. Well, would they have been driving their
13 own cars?

14 A. I don't know which they used. I would
15 assume that they used company, but, you know,
16 without checking records I wouldn't know for sure.

17 Q. Would you think it would be -- would it
18 be very unusual if they didn't use company
19 equipment, like CILCO trucks to get to the job
20 sites?

21 A. I assume that's correct.

22 Q. So you agree that it would be very -- so

1 would it be very unlikely that they would have used
2 something other than CILCO equipment, like CILCO
3 trucks, to get to those sites?

4 A. That's correct.

5 Q. Okay. And would you agree that the
6 costs for those trucks would have been included in
7 CILCO's last rate case in their base rates?

8 A. Well, again, assuming when those trucks
9 were purchased, I mean obviously in a rate case,
10 you know, it's at whatever the test year's
11 information had would be used in the rate case, so
12 I don't know what was -- what rate -- I mean, you
13 know, what specific equipment we had on our books
14 at the time.

15 Q. Well, your last rate case CILCO would
16 have recovered costs for such things as vehicles,
17 correct?

18 A. Right.

19 Q. For those CILCO employees who went out
20 and provided those services, would it be -- would
21 you agree that those employees would have as their
22 home office facilities of CILCO's that CILCO had

1 included in its last rate case?

2 A. I would assume so.

3 Q. So they would have been based at
4 facilities that CIILCO had included in the costs in
5 its last rate case. Correct?

6 A. I would assume.

7 Q. You would assume?

8 A. Right.

9 Q. Well, do you have any reason to doubt
10 that?

11 A. No.

12 Q. Okay. Let's see. Let's go to your
13 rebuttal testimony. I'm looking at page 2 and
14 looking at lines 23 through 27.

15 A. Okay.

16 Q. And you state there that management fees
17 are charged because CIILCO provides pipeline rate
18 analysis, daily and monthly pipeline balancing,
19 nominations, scheduling, and metering. Do you see
20 that in your testimony?

21 A. Yes, I do.

22 Q. And would you agree -- is it correct

1 that CILCO employees performed those activities?

2 A. Yes.

3 Q. And those CILCO's employees that provide
4 those facilities, they work in facilities owned and
5 operated by CILCO.

6 A. Correct.

7 Q. Now going down further on that page to
8 lines 35 through 37, you identify the nature of
9 costs for performing services like pipeline rate
10 analysis, daily and monthly balancing, scheduling,
11 and metering. Do you see that?

12 A. Yes.

13 Q. Okay. For the personnel -- CILCO
14 personnel would have performed those types of
15 services. Correct?

16 A. Correct.

17 Q. And costs for personnel like that would
18 include wages and benefits. Is that correct?

19 A. Correct.

20 Q. And would you agree that wages and
21 benefits are recovered through CILCO's base rates?

22 A. Correct.

1 Q. Still on that page, up at lines 27 and
2 28 you state that charges for these services are
3 not regulated. Do you see that in your testimony?

4 A. Yes, I do.

5 Q. Okay. Would you agree -- do you agree
6 that CILCO recorded those items or those amounts as
7 utility operating revenue; that is in Account 495?

8 A. That is correct.

9 Q. Okay, and CILCO did not record those as
10 a below-the-line item as a non-utility income,
11 correct?

12 A. Correct.

13 Q. Would you agree that the PGA mechanism
14 provides the utility with the means to recover
15 their costs on a more timely basis than a general
16 rate case would?

17 A. Yes.

18 Q. And are you familiar -- you're familiar
19 with Section 525.40(d) of the Administrative Code,
20 correct?

21 A. Yes.

22 Q. Okay, and would you agree that section

1 -- would you agree that Section 525.40(d) provides
2 the mechanism to return revenues from off-system
3 sales to ratepayers on a more timely basis than a
4 general rate case would?

5 A. As relates to gas charges, yes.

6 Q. Still on your rebuttal testimony, lines
7 37 through 39, you state there that if the subject
8 revenues are included in the PGA, then the
9 associated costs that I have just described should
10 also be recovered through the PGA. Do you see that
11 in your testimony?

12 A. Right.

13 Q. Is that your interpretation of Section
14 525.40(d)?

15 A. No. What that's saying is that under
16 Staff's approach, I don't believe that Staff is
17 following what 525.4 is stating, and I'm saying
18 that to make the matching, as it does for the costs
19 of gas for these other non-gas items, that you
20 would have to include both the cost and revenue of
21 those in the PGA.

22 Q. So that's how you would want to apply it

1 then. Correct?

2 A. Right. To me this applies to gas
3 charges, gas costs.

4 Q. Okay. So you would agree that nowhere
5 in Section 525.40 -- strike that.

6 Would you agree that nowhere in Section
7 525.40(d) is a statement that if a cost is
8 recovered through an off-system sale -- if the cost
9 -- wait. I'm sorry. Strike that.

10 Where in Section 525.40(d) is it stated
11 that if a cost is recovered through an off-system
12 sale, is not a recoverable gas cost as prescribed
13 by Section 525.40(d), that the revenues pertaining
14 to that cost can be excluded?

15 A. Okay. It says recoverable gas costs
16 shall be offset by the revenues derived from
17 transactions at rates that are not subject to the
18 gas charges if any of the associated costs are
19 recoverable gas costs as prescribed by subsection
20 (a) of this section, and what we're saying is that
21 commodity transactions -- if it's a commodity
22 transaction and therefore it has -- gas is used,

1 we're selling gas, that those revenues would go
2 against these. We interpret -- or 525.4 where it
3 talks about transactions, we take that as commodity
4 transactions, gas charge transactions.

5 Q. But would you agree that nowhere in
6 525.40 -- nowhere in 525.40 that it states that
7 revenues can be excluded if -- I'm sorry. Strike
8 that.

9 Would you agree that nowhere in Section
10 525.40 is it stated that revenues can be excluded
11 if the costs do not pass through the PGA?

12 A. Like I say, 525.4 refers to recoverable
13 gas charges.

14 Q. Okay. But it's your position that if
15 the -- that the revenues can be excluded if the
16 costs are not included as a gas cost. That's your
17 position. Right? That if any of the costs are not
18 included as a gas cost, then you exclude all the
19 revenues. That's your position, right?

20 A. No, that's not my total position. What
21 I'm saying, transactions that are not gas-related
22 transactions, gas commodity transactions, are not

1 governed by this provision.

2 Q. Okay. But if it's related to a gas
3 transaction, then it gets included, of course.
4 Right?

5 A. If it's a gas transaction, not if it's a
6 management transaction, management service
7 transaction.

8 Q. If it's part of the same transaction,
9 then you would offset those revenues against the
10 costs, correct?

11 A. I'm saying that our management
12 transactions are separate from our gas
13 transactions.

14 Q. That's your position, but if it's part
15 of the same transaction, then those revenues would
16 offset the costs, correct, according to 525.40(d)?

17 A. No. I still believe that 525.4 refers
18 to recoverable gas costs; that it's a mechanism, as
19 you say, to keep the company whole on its gas
20 costs, but collect or refund the cost of gas to or
21 from the customer on a more timely basis.

22 Q. But if the revenues derived from some

1 service are all part of the same transaction as the
2 gas, providing the gas, then don't you agree that
3 under Section 525.40(d) that those revenues have to
4 offset those gas costs?

5 A. No. I'm saying those services are in
6 addition to the sale of gas.

7 Q. Let me ask -- that's your position in
8 this case, but, hypothetically, if some provision
9 of service, of management service, is part of the
10 same transaction as providing the gas, revenues,
11 the income that you earn those services, have to
12 offset those gas costs.

13 MR. SEIDEL: At this point I would object that
14 this question has been asked and answered, and I
15 think that he's starting to argue with the witness.
16 I think Mr. Davidson's testimony up to this point
17 has been clear that he doesn't accept Mr. Feeley's
18 argument that management fees and gas costs are the
19 same transaction. They're two separate
20 transactions. It has been asked in several
21 different ways, and I think at this point it's
22 becoming argumentative.

1 MR. FEELEY: I guess I'm saying to him, if
2 they're part of the -- assume that they're part of
3 the same transaction.

4 JUDGE ALBERS: You can finish your
5 hypothetical, and then we'll move on to the next
6 issue.

7 MR. FEELEY:

8 Q. If the management fees, the services,
9 and providing the gas are all part of one in the
10 same transaction, then those revenues derived from
11 providing those management services have to offset
12 the gas costs according to Section 525.40(d). Do
13 you agree with that?

14 A. I don't agree with the hypothesis. I
15 don't agree that they would be the same
16 transaction. We sell gas to customers off system
17 only. We can provide other services for them.
18 It's our intent that the revenue -- the reason we
19 use the 495 for revenue is so that in a rate case
20 that those revenues would then be used to reduce
21 our revenue requirements.

22 MR. FEELEY: Just one second.

1 (Pause in the proceedings.)

2 Q. Mr. Davidson, is it your position that
3 revenues would never offset -- that there could
4 never be a situation where revenues would offset
5 the gas costs?

6 A. I'm saying when we sell gas to
7 off-system customers, that revenue is offset the
8 cost of the gas.

9 Q. Okay. But under Section 525.40(d), it
10 states that recoverable gas costs shall be offset
11 by the revenues derived from transactions. Okay.
12 Are you saying that there's never an occasion when
13 any revenues derived from the transaction would
14 offset those gas costs?

15 A. I'm saying the gas commodity transaction
16 piece, the sale of the commodity.

17 Q. And is it --

18 JUDGE ALBERS: I didn't hear that answer.
19 Could you say that again?

20 A. I'm sorry. I'm saying the commodity
21 transaction revenue is a credit to the cost of gas.

22 Q. Mr. Davidson, again, I ask you

1 concerning Section 525.40(d), do you have that in
2 front of you?

3 A. Yes, I do.

4 Q. Okay. Can you read the first sentence
5 of (d)?

6 A. "Recoverable gas costs shall be offset
7 by the revenues derived from transactions at rates
8 that are not subject to the gas charge if any of
9 the associated costs are recoverable gas costs as
10 prescribed by subsection (a) of this section."

11 Q. Okay. Now do you see in that sentence
12 that you just read the words "if any"? Correct?

13 A. Yes.

14 Q. Do you see that in there?

15 A. Uh-huh.

16 Q. And it does not state in there that if
17 the associated costs are recoverable gas costs. It
18 says if any, correct?

19 A. That's right.

20 MR. SEIDEL: I'm going to object. It says
21 both what you just said. I object to the question
22 as being misleading because you said the words "if

1 any" appear in there, and I think the second part
2 of your question was and it doesn't say of any of
3 the associated costs are recoverable gas costs, and
4 I think it says both those words.

5 MR. FEELEY: No. I'll restate my question.

6 JUDGE ALBERS: Yes, restate your second
7 question.

8 MR. FEELEY:

9 Q. The end of that sentence says the words
10 "if any", correct, in there?

11 A. Within that sentence it says "if any".

12 Q. Okay. It does not read -- well, forget
13 it. I'll move on. It speaks for itself.

14 Would you agree that if the Commission
15 were to adopt what CILCO is proposing in this case,
16 that is by not including the revenues in the PGA
17 and the revenues that were derived from PG&E and
18 Riverton and the other one is a CILCO affiliate,
19 right?

20 A. Correct.

21 Q. Okay. That if those revenues don't flow
22 into the PGA, that CILCO is getting a share of the

1 revenues?

2 A. It's very -- it's possible that we are
3 getting a share. That is correct.

4 Q. How is it possible? Isn't it true that
5 they are?

6 A. We are getting a share, right. I mean
7 as far as how much, I don't know. Other costs in a
8 base rate we may be losing money, so I mean to say
9 -- plus Account 495 from the rate case year is used
10 to offset our base rate requirements.

11 Q. If the costs -- if the revenues do flow
12 through the PGA, as Staff's adjustment seeks, then
13 CILCO would not get any share of that. Correct?

14 A. That is correct.

15 Q. Okay. Are you familiar with the
16 Commission Docket No. 94-0403?

17 A. I'm not sure.

18 Q. Docket No. 94-0403 dealt with rulemaking
19 concerning Part 525. Are you familiar with that?

20 A. At the time I may have skimmed through
21 it. I don't remember any of the particulars. I
22 have been working with what is published 425

1 section.

2 MR. FEELEY: My next question I believe
3 contains confidential information. The fee is
4 confidential, correct?

5 MR. SEIDEL: That's correct.

6 JUDGE ALBERS: All right. Do you want to use
7 a particular number?

8 MR. FEELEY: You know, actually I probably can
9 get by without using the number, I think.

10 JUDGE ALBERS: Is that all that is
11 confidential about it is just the particular
12 number?

13 MR. SEIDEL: There are other terms in the
14 contract that may be confidential.

15 MR. FEELEY: Is a description of the amount?

16 MR. SEIDEL: If he can tell me privately off
17 the record what the question is, I could --

18 JUDGE ALBERS: Why don't we go off the record
19 for a minute and let counsel know what the question
20 is going to be.

21 (Whereupon at this point in
22 the proceedings an

1 off-the-record discussion
2 transpired.)

3 JUDGE ALBERS: Back on the record.

4 MR. FEELEY:

5 Q. Mr. Davidson, I'm going to ask you about
6 the PG&E transaction, and I'm not going to say the
7 amount because that's confidential, but would you
8 agree -- could you look at Staff Exhibit 3.1
9 Proprietary? It's two pages, correct?

10 A. Okay. Yes.

11 Q. And on the cover letter dated May 7,
12 1999, from PG&E, if you look at that page.

13 A. Okay.

14 Q. Would you agree that the amount for that
15 service on that letter they refer to, it's referred
16 to as a management service charge?

17 A. Yes.

18 Q. Okay. And if you could go to the other
19 page of Staff Exhibit 3.1, the transaction
20 confirmation.

21 A. Okay.

22 Q. And if you go down to the bottom in the

1 box Special Condition, it states that PG&E will pay
2 a monthly and written in is a management charge of
3 a blank dollar amount, and crossed out is the word
4 demand.

5 A. Yes.

6 MR. FEELEY: Okay. And I'm going to have
7 marked for identification here Staff Cross Exhibit
8 1. You may have something like this in your own
9 records.

10 (Whereupon Staff Cross
11 Exhibit 1 was marked for
12 identification.)

13 Q. Staff Cross Exhibit 1 is a two -page
14 document. It's a spreadsheet, and it states
15 off-system sales. Have you ever seen this document
16 before?

17 A. Yes, I have.

18 Q. Okay. And would you agree, subject to
19 check, that CILCO provided this to Staff when they
20 were out in the field doing their audit?

21 A. Yes.

22 Q. And if you could look at the very first

1 row, there's a reference to PG&E.

2 A. Right.

3 Q. Do you see that? And would you agree
4 that there's a dollar amount listed in about the
5 fifth column? That dollar amount is the same
6 dollar amount that appears on Staff Exhibit 3.1. ?

7 A. Yes.

8 Q. And that dollar amount has a description
9 of parking service.

10 A. Correct.

11 Q. Okay. So on three different occasions
12 this fee for some service has been described in
13 three different manners. Correct?

14 MR. SEIDEL: I'll object to that
15 characterization. What are the three?

16 MR. FEELEY: On 3.1 it's referred to as a
17 demand charge.

18 MR. SEIDEL: Where on 3.1?

19 MR. FEELEY: The transaction confirmation.

20 MR. SEIDEL: It's scratched out, so I
21 interpret that as it's expressly not referred to as
22 a demand charge.

1 MR. FEELEY: Well, I guess that could be
2 argued in a brief, but I mean the word -- you can
3 see the word demand scratched out.

4 MR. SEIDEL: Well, I don't know how you could
5 possibly say a word that's scratched out is meant
6 to be a description of a term in the contract.

7 JUDGE ALBERS: I'll sustain your objection in
8 that respect.

9 MR. FEELEY: What's the objection?

10 JUDGE ALBERS: I took it that he was objecting
11 to the characterization of a particular charge
12 being referred to as a demand charge, and while you
13 can argue it in your briefs, as far as accepting as
14 fact that it has been characterized as a demand
15 charge for today's purposes, I'll sustain the
16 objection.

17 MR. FEELEY: Okay. I'll move on.

18 JUDGE ALBERS: Before you go any further, is
19 Staff Cross Exhibit 1 meant to be proprietary?

20 MR. FEELEY: I guess it would be, probably.

21 MR. SEIDEL: I plan to use that document also
22 to cross-examine the Staff witness, and I

1 anticipated that many of the figures that are
2 contained in that document would be confidential
3 and proprietary, pricing information.

4 JUDGE ALBERS: Okay.

5 MR. FEELEY: Should we just treat the whole
6 document proprietary?

7 MR. SEIDEL: It's simpler that way.

8 JUDGE ALBERS: Okay.

9 (Whereupon Staff Cross
10 Exhibit 1 was remarked as
11 Staff Cross Exhibit 1P at
12 this time.)

13 MR. FEELEY:

14 Q. Besides PG&E, there's a Riverton
15 contract that's at issue in this proceeding.
16 Correct?

17 A. Correct.

18 MR. FEELEY: I'll mark for identification
19 Staff Cross Exhibit 2, which is an agreement where
20 the Village of Riverton -- between CILCO and
21 Riverton.

22 MR. SEIDEL: And that would be proprietary, as

1 the PG&E one was?

2 MR. FEELEY: I suppose. We have no objection
3 to it being treated as proprietary, if it is.

4 (Whereupon Staff Cross
5 Exhibit 2P was marked for
6 identification.)

7 Q. Can you please look at and review Staff
8 Cross Exhibit 2, the Riverton agreement?

9 A. Okay.

10 Q. Mr. Davidson, are you familiar with that
11 agreement?

12 A. From what I've read in it, yes.

13 Q. Have you seen it prior -- have you seen
14 it before prior to me providing it to you today?

15 A. Yes.

16 MR. FEELEY: Stop for one second. Is the
17 nature of any service providing that agreement
18 proprietary?

19 MR. SEIDEL: Let me check.

20 No.

21 MR. FEELEY: Okay.

22 Q. Is it correct that the gas supply

1 management agreement lists several services
2 provided to Riverton?

3 A. Yes, it does.

4 Q. And is it correct that CILCO personnel
5 are performing those activities?

6 A. That is correct.

7 Q. And who provides office facilities and
8 equipment for those CILCO employees?

9 A. CILCO.

10 Q. And if CILCO employees attended any
11 local council or board meetings, who would pay for
12 those trips to attend those meetings?

13 A. CILCO.

14 Q. And would you agree that those types of
15 costs which we've just discussed, office
16 facilities, equipment, reimbursement for travel,
17 would be recovered in CILCO's base rates?

18 A. That's correct.

19 Q. And if CILCO is collecting for these
20 costs in base rates and then collecting from
21 Riverton, wouldn't they be collecting twice for the
22 same cost?

1 A. Well, you'd have to assume that we are
2 collecting all that we're allowed to collect in
3 base rates. I mean this is a base rate issue that
4 you're talking about. If it resulted in us
5 over-earning what we're allowed to earn, the
6 Commission would probably call us in and make us
7 refund. We have other charges, other revenues in
8 our last cost of service that we may not be
9 receiving anymore. I mean we're talking base rate
10 -- rate case issues now. You're talking about
11 management.

12 Q. Okay. But if they're included in base
13 rates and then Riverton is paying CILCO for it,
14 then they're collecting twice for the same cost,
15 correct?

16 A. If we were earning our full return, I
17 would say yes. That's the whole idea of base
18 rates. I mean it's not a dollar for dollar
19 recovery.

20 Q. Looking at the first page of Staff Cross
21 Exhibit 2, actually there's several bullet point
22 items. Do you see the sixth one down? It says

1 monitor?

2 A. Okay.

3 Q. One of the services listed, correct, is
4 monitor current pricing and market condition
5 trends? Do you see that?

6 A. Uh-huh.

7 Q. Would you agree that that is something
8 that CILCO gas personnel would be doing every day
9 to provide gas to its system customers?

10 A. I would assume so.

11 Q. Do you have any reason to believe they
12 wouldn't do that?

13 A. No. That's why I would assume.

14 Q. Going back to Staff Cross Exhibit 1, in
15 the first column the Purchaser /Pipeline --

16 Can I say a purchaser's or pipeline's
17 name without disclosing confidential information?

18 MR. SEIDEL: Yes.

19 MR. FEELEY: Okay.

20 Q. CESI is listed several times, correct?

21 A. Correct.

22 Q. And CESI is what?

1 A. That's our affiliate, CILCORP Energy
2 Services, Inc.

3 Q. CILCORP Energy Services, Inc.? okay.
4 And do you know CILCORP Energy Services, Inc.'s
5 business purpose?

6 A. It sells gas off system to competitive
7 customers.

8 Q. Subject to check, would you agree that
9 the 10K for CESI states that CESI's primary
10 business is gas management services, including
11 commodity purchasing for gas management customers?

12 A. Okay. I would.

13 Q. You'd agree with that?

14 A. Subject to check.

15 Q. Would you agree that that business
16 purpose seems to be the same as the off-system
17 transactions which CILCO, the utility, is entering
18 into?

19 A. I don't -- I'm not sure. Some of them
20 might be. Some of them may be different, such as
21 the monitoring of the SCADA system would be CILCO.
22 CESI would not be able to do that.

1 Q. But it's correct that CILCO, the
2 utility, does do some commodity purchasing for gas
3 management customers?

4 A. Could you come again with that question?

5 Q. Would you agree that CILCO, the utility,
6 does do some gas management services?

7 A. Yes.

8 Q. Do you know why any of CILCO's, the
9 utility, customers decided to enter into
10 transactions with CILCO rather than CILCO's
11 affiliate, CESI?

12 A. Could you ask that again?

13 Q. For those customers of CILCO, the
14 utility, that take gas management services from
15 CILCO, the utility, do you know why any of them
16 entered into those transactions with CILCO, the
17 utility, rather than CILCO's affiliate, CESI?

18 A. One of them would be for the reason of
19 being able to monitor on the SCADA system. Since
20 we provide the gas needed for Riverton, we would
21 need to be able to monitor gas flows.

22 Q. Does CESI have any employees that are

1 separate and distinct from CILCO personnel?

2 A. I'm not sure.

3 Q. If we could look at Staff Cross Exhibit
4 1, would you agree that in some of the transactions
5 with CESI, CILCO did not charge CESI for any of the
6 costs of administrative activities performed by the
7 utility's gas personnel?

8 A. Some of CILCO's employees do charge
9 directly to CESI accounts. Also, on this sheet,
10 for the commodity cost, the commodity cost listed
11 here includes a markup. This cost listed under
12 Commodity and Non-Commodity is not CILCO's cost but
13 CILCO's cost plus a markup.

14 Q. But do you agree that on some occasions
15 CESI was not charged for a type of service that
16 let's say PG&E was charged for or Riverton?

17 A. I don't believe that they were never not
18 charged. That wouldn't be permitted. When our
19 holding company was set up, the affiliates have to
20 be charged market base or cost.

21 Q. Looking at Staff Cross Exhibit 1P, can
22 you point to me where in that exhibit CILCO is

1 charging CESI for those types of management
2 services?

3 A. You can't see it in here because, as I
4 said, this is a commodity piece. It includes
5 markup in it. This schedule does not break out the
6 actual cost of commodity from the cost of commodity
7 plus markup.

8 Q. Would you agree that if CILCO employees
9 are purchasing and selling gas for CESI, that CESI
10 should be charged for those services performed by
11 the CILCO employees?

12 MR. SEIDEL: I'm going to object. This
13 question is beyond the scope of Mr. Davidson's
14 testimony. Mr. Davidson has testified what costs
15 that the Company has incurred that have been
16 included in the PGA, costs to be recovered through
17 the PGA, and Mr. Feeley seems to be asking him
18 about some affiliate transactions which aren't
19 passed through the PGA. I'm not sure what the
20 relevance is or how this relates to Mr. Davidson's
21 direct testimony.

22 JUDGE ALBERS: Would you like to respond to

1 that?

2 MR. FEELEY: Well, this Staff Cross Exhibit 1P
3 shows the transactions with CESI and PG&E and
4 Riverton, and it's been our understanding of this
5 exhibit it appears that there's services that on
6 some occasions that are being provided to PG&E and
7 Riverton for which they are being charged, CILCO is
8 being reimbursed for providing the service, but
9 CESI is not.

10 MR. SEIDEL: I don't think he has asked the
11 foundation question as to whether -- his question
12 assumes that CESI is being provided services by
13 CILCO, which aren't being charged, which CILCO is
14 not charging for, and I think that's a fact not in
15 evidence.

16 Just for clarification, I think the fact
17 that there is a zero charge provided in a column
18 doesn't necessarily mean -- you know, it could just
19 as well mean that no services were provided, and I
20 think Mr. Feeley is saying -- the question is why
21 didn't you charge anything for the services that
22 were provided, and I don't think he's established

1 that there were any charges provided, and the zero
2 could just as well reflect the fact there were no
3 services provided.

4 JUDGE ALBERS: Mr. Feeley, did you have
5 something you wanted to add to that?

6 MR. FEELEY: Just one second.

7 (Pause in the proceedings.)

8 JUDGE ALBERS: Mr. Feeley.

9 MR. FEELEY: Okay. I'll reask my question
10 here.

11 JUDGE ALBERS: All right. I'm going to
12 overrule the objection for now pending your laying
13 a foundation, and please speed things up.

14 MR. FEELEY: Okay. Actually I'm almost done.

15 JUDGE ALBERS: Okay.

16 MR. FEELEY:

17 Q. Mr. Davidson, the Margin column where
18 there's dollar amounts, what does the dollar amount
19 represent?

20 A. For management services provided.

21 Q. In relation to supplying gas?

22 A. No; for the different management

1 services provided in the contracts.

2 Q. Okay. Can you go to the third row? It
3 says CESI, and can I say who the other customer is
4 without disclosing proprietary information?

5 MR. SEIDEL: I think so. It's the amounts
6 that we're most --

7 MR. FEELEY: Okay.

8 Q. See the third item? It's CESI - Nicor?

9 A. Yes.

10 Q. In the Margin column there's an amount
11 there, correct?

12 A. Correct.

13 Q. Okay. But if you go down to say three
14 below that, CESI PG&E, in the Margin column there's
15 zero.

16 A. Okay.

17 Q. Okay. Do you see that?

18 A. Yes.

19 Q. And if you go to about midway down in
20 the month of April it says CESI - Keith. In the
21 Margin column there's a dollar amount.

22 A. Uh-huh.

1 Q. But if you go to the one right below
2 that, CESI, there's no dollar amount.

3 A. Uh-huh.

4 Q. Okay. Can you explain to me why for
5 some CESI transactions there's a dollar amount and
6 for others there's zero?

7 A. Yes. There's zero on those where all we
8 did was sell them gas and didn't provide any other
9 services. As I said, any markup on that gas is
10 what's included in the Commodity and Non-Commodity
11 columns, and the amount on the April one, that
12 represents charges from CILCO for financial
13 services provided. CESI came to CILCO to provide
14 financial services for which we did not have any
15 physical gas sales to them. They wanted it for a
16 hedge.

17 Q. Okay. You said for some that -- for
18 CESI that there's a markup. It appears in the
19 Commodity or it's in the Commodity dollar amount.
20 Is that correct?

21 A. Correct.

22 Q. Okay. Is CILCO able to provide more

1 detail showing what that markup would be?

2 A. Yes, they would. I think we've already
3 provided it.

4 MR. FEELEY: I guess could CILCO provide that
5 as a data request?

6 JUDGE ALBERS: I believe Mr. Davidson said
7 they already provided it, so.

8 MR. SEIDEL: In our testimony Mr. Davidson
9 testifies that approximately -- there was an
10 approximately \$42,000 amount that represents
11 revenues from gas charges in excess of gas costs
12 that were flowed through the PGA.

13 MR. FEELEY: And I guess with regard to this
14 CESI, can you provide the detail showing what the
15 markup was for those items that appear on Staff
16 Exhibit 1P?

17 A. Yes. It has already been provided to
18 Staff, but we could, yes.

19 Q. So you could, or if you've already
20 pointed, you would point out what data request or
21 what correspondence it's included in?

22 A. Right.

1 Q. The Company would agree to do that?

2 A. Yes.

3 JUDGE ALBERS: All right. Is that something
4 Staff wants as a late-filed exhibit or are you just
5 wanting the information?

6 MR. FEELEY: Right now we would just like that
7 information.

8 MR. SEIDEL: I think we may have provided this
9 information to Staff in response to a verbal data
10 request, and perhaps at a break sometime we can
11 consult with Staff and see if the information they
12 are looking for is what we provided previously in a
13 response to a request.

14 JUDGE ALBERS: Okay. Why don't we do that
15 then.

16 MR. FEELEY: That's all the cross I have.

17 At this time I'd move to admit ICC Staff
18 Cross Exhibit 1P, Off-System Sales for 2000, a two-
19 page document, and Staff Cross Exhibit 2, a
20 Confidential Gas Supply Management Agreement for
21 the Village of Riverton, and of course Staff Cross
22 Exhibit 1P is also confidential or proprietary.

1 JUDGE ALBERS: Any objection?

2 MR. SEIDEL: I don't believe I have an
3 objection, but just to make sure I have the -- I'm
4 quite confidential with respect to the two
5 contracts, I have a copy of those, but in the
6 context of discovery, so many spreadsheets and data
7 get passed back and forth I'd just like to make
8 sure if I could ask Staff to provide me a duplicate
9 of Staff Exhibit 1. -- isn't the spreadsheet Staff
10 Cross Exhibit 1?

11 MR. FEELEY: Yes. Here you go.

12 MR. SEIDEL: Then I have no objection.

13 JUDGE ALBERS: Okay. Hearing no objection,
14 then Staff Cross Exhibit 1 and 2 are both admitted.

15 (Whereupon Staff Cross
16 Exhibits 1P and 2P were
17 received into evidence.)

18 And, Ms. Norrington, it's my
19 understanding that you were just going to be
20 listening in by phone and would have no cross
21 today.

22 MS. NORRINGTON: Right.

1 JUDGE ALBERS: You're still there.

2 MS. NORRINGTON: Yes, I'm still here. I was
3 worried about you guys a couple of times there.

4 JUDGE ALBERS: Okay. Do you have any redirect
5 for Mr. Davidson?

6 MR. SEIDEL: Yes, I believe I will.

7 Just for clarification, what exhibit --
8 my exhibits may not be correct.

9 MR. FEELEY: Staff Cross Exhibit 1P is the
10 two-page off-system sales spreadsheet.

11 MR. SEIDEL: Okay.

12 MR. FEELEY: And 2 is the Riverton agreement.

13 MR. SEIDEL: Okay, and 3.1 was already
14 offered.

15 MR. FEELEY: That's already in evidence.

16 MR. SEIDEL: Okay. That's where I got mixed
17 up. Thank you.

18 JUDGE ALBERS: Do you have any redirect?

19 MR. SEIDEL: Yes, I do.

20 JUDGE ALBERS: Okay. Off the record for one
21 minute.

22 (Whereupon at this point in

1 the proceedings an
2 off-the-record discussion
3 transpired.)

4 JUDGE ALBERS: We're back on the record.

5 MR. SEIDEL: Thank you.

6 REDIRECT EXAMINATION

7 BY MR. SEIDEL:

8 Q. Mr. Davidson, with respect to any of the
9 services that were provided as management -- that
10 were charged and collected as management fees in
11 the contracts and transactions that you were
12 cross-examined by Mr. Feeley about, were any of
13 these services being performed by Central Illinois
14 Light Company for these customers during the test
15 year that was used in the Company's last rate case?

16 A. For CESI? As it relates to CESI?

17 Q. CESI, PG&E, or Riverton.

18 A. Could you repeat the question?

19 Q. Were any of the services that CILCO
20 charged management fees in the year 2000 being
21 performed by CILCO for off-system sales customers
22 during the test year in the Company's last rate

1 case in approximately 1994?

2 A. No.

3 Q. Was the SCADA system in place during the
4 test year that the Company used for the last rate
5 case?

6 A. No. We got a new SCADA system.

7 MR. FEELEY: I'm sorry. I didn't -- could you
8 -- what was the -- could the Court Reporter read
9 back the answer? I didn't --

10 JUDGE ALBERS: Just repeat the answer,
11 Mr. Davidson.

12 A. Okay. The SCADA system is different.
13 We have a new SCADA system now.

14 Q. Mr. Feeley asked you some questions
15 regarding the amounts included in Account 495 and
16 particularly with respect to your statement that
17 the particular transactions were not regulated.
18 What did you mean by not regulated?

19 A. That there weren't any filed tariffs or
20 contracts with the Commission.

21 Q. In other words, the charges were not set
22 or filed with the Commission?

1 A. Correct.

2 Q. Now referring to Staff Cross -Examination
3 Exhibit 1.0, with respect to the items listed as
4 PG&E ANR Parking Services, does that exhibit show
5 any amounts for volumes of gas being supplied to
6 PG&E?

7 A. No.

8 Q. Are there any commodity costs or
9 non-commodity costs being charged and collected
10 from PG&E on that exhibit?

11 A. No, there's not.

12 Q. And with respect to the lines on Staff
13 Cross Exhibit 1.0, referring to CESI, do any of the
14 entries that reflect dollars being collected for
15 management fees reflect that any gas volumes are
16 being supplied to CESI?

17 A. No. There are no gas volumes.

18 Q. On those particular entries where CESI
19 is being charged a management fee, are there any
20 gas costs being collected from CESI?

21 A. No.

22 Q. Are any gas costs associated with the

1 line entries for CESI that contain management fee
2 revenues, do those lines reflect that any revenues
3 were collected or gas costs charged for physical
4 commodities of gas supplied to CESI?

5 A. There was no physical gas supplied or
6 revenues for commodity.

7 Q. Just so I'm clear, for the transactions
8 which reflect a management fee being collected.

9 A. Correct.

10 Q. With the possible exception of one line
11 item for January which the purchaser/pipeline is
12 referred to as Nicor. Is that correct?

13 MR. FEELEY: I'm going to object. He's
14 leading the witness here.

15 JUDGE ALBERS: Sustained.

16 Q. Mr. Davidson, are there any lines with
17 respect to the transactions for CESI where a
18 management fee was collected where there were gas
19 volumes supplied?

20 A. There's on the third line.

21 Q. And the exhibit reflects the amount of
22 volume supplied and the amount of commodity charges

1 collected on that line. Is that correct?

2 A. Uh-huh.

3 Q. With respect to those entries on this
4 exhibit for CESI where no management fees were
5 assessed, what, if any, management services were
6 provided to CESI by CILCO?

7 A. None.

8 Q. And with respect to the PG&E entries
9 that contain the further description of parking
10 service, what is your understanding of what parking
11 service?

12 A. What parking service is?

13 Q. Yes.

14 A. That's where they would drop off gas
15 into our service system for delivery later to a
16 metered point that they designate.

17 Q. Does it involve purchase and sale of gas
18 between PG&E and CILCO or is it PG&E -owned gas?

19 A. PG&E drops the gas off into CILCO's
20 facilities.

21 Q. For clarification, that's not gas that
22 they purchase from CILCO. Am I correct?

1 A. Correct.

2 MR. SEIDEL: That's all the questions we have
3 for Mr. Davidson on redirect.

4 JUDGE ALBERS: Any recross?

5 MR. FEELEY: Yeah, I just have one or two
6 questions.

7 RECROSS EXAMINATION

8 BY MR. FEELEY:

9 Q. Mr. Davidson, looking at the Commodity
10 and Non-Commodity columns on Staff Cross Exhibit 1,
11 if there's a dollar amount that appears in the
12 Commodity column, should there be a volume
13 associated with that dollar amount?

14 A. Yes, there should.

15 Q. So looking at page 1 of Staff Cross
16 Exhibit 1, CESI - Keith, do you agree that there's
17 a dollar amount shown there in the Commodity
18 column? Do you see a dollar amount shown there,
19 without stating what it is?

20 A. Yes, I do.

21 Q. In the Volume column though it shows a
22 zero?

1 DENNIS L. ANDERSON
2 called as a witness on behalf of the Staff of the
3 Illinois Commerce Commission, having been first
4 duly sworn, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. FEELEY:

7 Q. Could you please state your name for the
8 record?

9 THE WITNESS:

10 A. Dennis L. Anderson.

11 Q. And by whom are you employed?

12 A. The Illinois Commerce Commission.

13 Q. Mr. Anderson, do you have in front of
14 you a document which the Court Reporter has marked
15 for identification as ICC Staff Exhibit 2.00 which
16 is the Direct Testimony of Dennis L. Anderson?

17 A. Yes, I do.

18 Q. Was that document prepared by you or
19 under your direction, supervision, and control?

20 A. Yes, it was.

21 Q. Do you have any additions, deletions, or
22 modifications to make to ICC Staff Exhibit 2.00?

1 A. No.

2 Q. If I were to ask you today the same
3 series of questions set forth in ICC Staff Exhibit
4 2.00, would your answers be the same as set forth
5 in that document?

6 A. Yes, they would be.

7 MR. FEELEY: At this time I'd move to admit
8 ICC Staff Exhibit 2.00, Direct Testimony of Dennis
9 L. Anderson, which consists of eight pages of
10 narrative text.

11 JUDGE ALBERS: Any objection?

12 MS. NORRINGTON: No.

13 MR. SEIDEL: No.

14 JUDGE ALBERS: Staff Exhibit 2.00 is admitted.

15 (Whereupon Staff Exhibit
16 2.00 was received into
17 evidence.)

18 JUDGE ALBERS: Any questions for Mr. Anderson?

19 MR. SEIDEL: No, we have no questions.

20 JUDGE ALBERS: Okay. Thank you.

21 MR. FEELEY: Thanks.

22 (Witness excused.)

1 JUDGE ALBERS: And is Exhibit 2.00 on
2 e-Docket?

3 MR. FEELEY: Yes.

4 JUDGE ALBERS: Okay.

5 MR. FEELEY: And the e-Docket one is accurate
6 and consistent with this one.

7 JUDGE ALBERS: All right.

8 MR. FEELEY: At this time Staff would call its
9 next witness, Bonita A. Pearce.

10 BONITA A. PEARCE

11 called as a witness on behalf of the Staff of the
12 Illinois Commerce Commission, having been first
13 duly sworn, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. FEELEY:

16 Q. Could you please state your name for the
17 record?

18 THE WITNESS:

19 A. Bonita A. Pearce.

20 Q. And by whom are you employed?

21 A. The Illinois Commerce Commission.

22 Q. Ms. Pearce, do you have in front of you

1 a document which the Court Reporter has marked for
2 identification as ICC Staff Exhibit 1.0, Direct
3 Testimony of Bonita A. Pearce? It consists of
4 eight pages of narrative text and three schedules.

5 A. Yes, I do.

6 Q. Was that document prepared by you or
7 under your direction, supervision, and control?

8 A. Yes.

9 Q. Do you have any additions, deletions, or
10 modifications to make to ICC Staff Exhibit 1.0?

11 A. No.

12 Q. If I were to ask you today the same
13 series of questions set forth in ICC Staff Exhibit
14 1.0, would your answers be the same as set forth in
15 that document?

16 A. Yes.

17 Q. Ms. Pearce, do you have in front of you
18 a document which the Court Reporter has marked for
19 identification as ICC Staff Exhibit 3.0, the
20 Rebuttal Testimony of Bonita A. Pearce dated
21 September 2001?

22 A. Yes.

1 Q. Was that document prepared by you or
2 under your direction, supervision, and control?

3 A. Yes.

4 Q. Are there any additions, deletions, or
5 modifications to make to ICC Staff Exhibit 3.0,
6 your rebuttal testimony that was previously filed
7 with the Commission?

8 A. Yes. I made some minor modifications
9 based on the fact that the Company had accepted the
10 second adjustment proposed by Mr. Anderson.

11 Q. Okay. Could you briefly go through
12 those changes?

13 A. Yes. On the cover page I changed the
14 date, and on page 2, line 26, starting after
15 "reconciliation" with "Mr. Anderson", I deleted
16 that entire sentence.

17 Going down to line 35, I changed the
18 wording there. I deleted the words -- after the
19 sentence that begins "CILCO", I deleted words "has
20 agreed to one of", and I replaced that with "does
21 not contest", and then on line 38 I deleted the
22 part that said "issue and one of the overrun

1 penalty charge", and then I deleted the "s" on
2 "adjustments".

3 Q. And are those all the changes that were
4 made to your prefiled testimony?

5 A. Yes.

6 Q. And those changes are reflected in
7 copies provided to the Court Reporter?

8 A. Yes.

9 Q. Okay. If I were to ask you today the
10 same set of questions set forth in ICC Staff
11 Exhibit 3.0, the Rebuttal Testimony of Bonita A.
12 Pearce, would your answers be the same as set forth
13 in that document?

14 A. Yes.

15 MR. FEELEY: At this time Staff would move to
16 admit ICC Staff Exhibit 1.0, the Direct Testimony
17 of Bonita A. Pearce, and ICC Staff Exhibit 3.0, the
18 Rebuttal Testimony of Bonita A. Pearce.

19 JUDGE ALBERS: Is Exhibit 1.0 on e-Docket?

20 MR. FEELEY: Yes.

21 JUDGE ALBERS: There's no changes between
22 what's on e-Docket and what we have today?

1 MR. FEELEY: 1.0, no.

2 JUDGE ALBERS: And Schedules 1, 2, and 3 are
3 all public?

4 MR. FEELEY: Yes.

5 JUDGE ALBERS: Okay. And is the Revised 3.0
6 on e-Docket?

7 MR. FEELEY: Yes, it is.

8 I have one other thing.

9 JUDGE ALBERS: The Revised 3.0 is on e-Docket.

10 MR. FEELEY: Oh, I'm sorry; no.

11 JUDGE ALBERS: Okay. And 3.1, the proprietary
12 attachment, has that been submitted on e-Docket as
13 far as the Clerk's Office having a copy of it?

14 MR. FEELEY: Yes.

15 JUDGE ALBERS: Okay.

16 MR. SEIDEL: Just for clarification, to me
17 e-Docket means you can go to the Web site and pull
18 it up. I don't think it is on the Web site because
19 it --

20 MR. FEELEY: I can explain.

21 JUDGE ALBERS: Well, I think if you go to
22 e-Docket, you're going to see this.

1 MR. SEIDEL: Oh, you get that. Okay.

2 MR. FEELEY: The proprietary section of
3 e-Docket, which is my understanding only computer
4 personnel have access to, they would see 3.1, but
5 myself and most everyone else can't get to that.

6 JUDGE ALBERS: Even me.

7 MR. FEELEY: So I believe I overlooked Staff
8 Exhibit 3.1. I'd also move to admit Staff Exhibit
9 3.1, both the proprietary and public version.

10 JUDGE ALBERS: Okay. Any objection to any of
11 these Staff exhibits?

12 MR. SEIDEL: No.

13 JUDGE ALBERS: Okay.

14 MS. NORRINGTON: No objection.

15 JUDGE ALBERS: Then all these Staff exhibits
16 are admitted.

17 (Whereupon Staff Exhibits
18 1.0, 3.0 Revised, 3.1, and
19 3.1P were received into
20 evidence.)

21 JUDGE ALBERS: Any questions for Ms. Pearce?

22 MR. SEIDEL: Yes, I have a few.

1 JUDGE ALBERS: Okay. Go ahead.

2 MR. SEIDEL: Thank you.

3 CROSS EXAMINATION

4 BY MR. SEIDEL:

5 Q. Ms. Pearce, according to your direct
6 testimony, one of the adjustments that you sponsor,
7 specifically on page 4, and I believe it's around
8 line 90 in the original testimony before you made
9 the corrections, but basically am I correct that it
10 involves a reclassification of management fee
11 revenues?

12 A. I'm sorry. Are you in the direct
13 testimony or the rebuttal testimony?

14 Q. Yes, the direct.

15 A. Yes, I see where you are.

16 Q. And is the amount of your proposed
17 adjustment for the reclassification of management
18 fee revenues \$49,120?

19 A. Yes, it is.

20 MR. SEIDEL: Your Honor, at this point I have
21 a short series of questions that break down that
22 amount, and they pertain to specific agreements

1 with customers, so I'd like to have that portion of
2 the transcript marked confidential.

3 JUDGE ALBERS: Okay. We'll go in camera at
4 this point then.

5 (Whereupon at this point
6 the parties agreed the
7 proceedings would be
8 considered proprietary and
9 are contained in the
10 separate in camera
11 transcript.)

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1 CONTINUATION OF PUBLIC RECORD

2 CROSS EXAMINATION (Cont'd)

3 BY MR. SEIDEL:

4 Q. At page 3 of your direct testimony, line
5 49, and it may be your rebuttal. I stand
6 corrected. Strike that. Let me start over.

7 At page 3 of your rebuttal testimony,
8 line 49, you state: "83 Illinois Administrative
9 Code 525.40(d) requires that the margin offset the
10 gas costs."

11 MR. FEELEY: I don't see that in her
12 testimony.

13 A. I don't either.

14 MR. SEIDEL: Isn't it rebuttal?

15 MR. FEELEY: Not exactly.

16 A. I say: "83 Illinois Administrative Code
17 Part 525.40(d) states that:", and then I actually
18 quote that section.

19 MR. SEIDEL: Well, we might be reading
20 different lines here. I'm looking at line 49 of
21 your rebuttal.

22 MR. FEELEY: Hold on a second.

1 A. Is that the revised version?

2 MR. FEELEY: Maybe it's the difference between
3 what you got off -- you know, she revised that.

4 MR. SEIDEL: It is still my line 49.

5 JUDGE ALBERS: What language are you looking
6 for, Mr. Seidel?

7 MR. SEIDEL: My 49 -- actually it begins on
8 line 48.

9 MR. FEELEY: Wait. Are we in --

10 MR. SEIDEL: Rebuttal.

11 JUDGE ALBERS: Wait. What language though are
12 you referring to?

13 MR. SEIDEL: It begins on line 48, the end of
14 line 48, and continues on line 49.

15 JUDGE ALBERS: Well, what are the actual
16 words?

17 MR. SEIDEL: The words I'm looking at are 83
18 Illinois Administrative Code 525.40(d) requires
19 that the margin offset the gas costs.

20 A. That's actually on lines 46 and 47 of
21 this version.

22 Q. Oh, I see. I'm looking at the redlined

1 version, so that probably throws the lines off.

2 Okay. Well, we're at the same page now anyway.

3 A. Yes.

4 Q. So you do see where that phrase appears.

5 Am I correct that the word "margin" does not appear
6 in Section 525.40?

7 A. In any part of Section 525.40?

8 Q. Correct.

9 (Pause in the proceedings.)

10 A. I don't see it.

11 Q. On page 4 of your rebuttal -- it's a
12 little confusing. The revised version has got my
13 numbers all messed up, so I apologize.

14 It's in the question that states: "Did
15 Mr. Davidson make any other arguments related to
16 your off-system sales adjustment that you found
17 convincing?" That's on page 4, but the answer is
18 on page 5. Have you found that place in your
19 testimony?

20 A. Yes.

21 Q. Actually, it's right above the question
22 on page 4. It's the top line, line 74, where you

1 say "CILCO also believes the supply of gas and the
2 associated services..." Have you found that part
3 yet?

4 A. Yes.

5 Q. And specifically I'm focusing on the
6 supply of gas. Would you agree that to obtain the
7 gas that CILCO supplies, CILCO must make payments
8 to pipelines and gas suppliers?

9 A. Yes.

10 Q. Are the costs of associated services,
11 such as salaries and overheads for CILCO employees,
12 and the depreciation and return on investment for
13 CILCO assets utilized to provide the services,
14 recoverable gas costs as prescribed by subsection
15 (a) of Section 525.40?

16 MR. FEELEY: Could you re -- could you give
17 the question again? It was a long question.

18 MR. SEIDEL: Sure.

19 Q. Are the costs of associated services,
20 such as salaries and overheads for CILCO employees,
21 and the depreciation and return on investment for
22 CILCO assets utilized to provide the services,

1 recoverable gas costs as prescribed by subsection
2 (a) of Section 525.40?

3 MR. FEELEY: I guess I object to the question
4 as such as. Is that meant to be an exclusive list
5 or are you specifically just referring to those
6 items, depreciation, the two or three items that
7 you list, or are you -- is that just an example of
8 some of the costs? Or are you specifically
9 addressing depreciation and the other items that
10 you listed there?

11 MR. SEIDEL: I guess my question is with
12 respect to the witness's testimony regarding or use
13 of the words associated services, to the extent
14 that the associated services would include costs
15 such as salaries and overheads for CILCO employees
16 and the depreciation and return on investment for
17 CILCO assets utilized to provide the associated
18 services, are these costs recoverable gas costs as
19 prescribed by subsection (a) of Section 525.40?

20 MR. FEELEY: Okay. I guess my objection is
21 that I think the question is vague, if costs is
22 meant to mean something more than what you're

1 specifically listing there, or are you just
2 specifically meaning those costs?

3 MR. SEIDEL: Just those costs.

4 MR. FEELEY: The depreciation and those other
5 items that you list.

6 MR. SEIDEL: Right.

7 MR. FEELEY: Okay.

8 JUDGE ALBERS: You're okay?

9 MR. FEELEY: Yeah.

10 JUDGE ALBERS: Okay. Do you still have the
11 question?

12 A. Are those recoverable gas costs as
13 defined by section (a) of 525.40? Is that the
14 question?

15 Q. Correct.

16 A. I don't see those here.

17 Q. Also on page 4 at approximately the same
18 location, you state that these activities are
19 similar to service performed to supply gas to
20 jurisdictional customers. Are the costs of these
21 activities performed for jurisdictional customers
22 recovered through the PGA?

1 A. The same types of costs that you just
2 mentioned previously, salaries, overhead,
3 depreciation?

4 Q. I wouldn't limit it to that because what
5 I'm focusing on is your statement that the
6 activities are similar, and I'm wondering -- my
7 question specifically is are these similar services
8 that you're referring to, are the costs of those
9 similar services performed for jurisdictional
10 customers recoverable through the PGA?

11 A. No.

12 Q. So, for example, is the cost of metering
13 services provided to jurisdictional customers
14 recovered through the PGA?

15 A. I don't believe so.

16 Q. If CILCO used meter technicians to
17 maintain meters under the contracts that you
18 propose to make adjustments for, is your position
19 that the revenues for meter maintenance should be
20 included in the PGA?

21 A. Is this a hypothetical question or
22 related directly to one of the contracts?

1 Q. A hypothetical question.

2 A. I would have to see what document it was
3 contained in, how the contract was written and how
4 the transaction was actually put together before I
5 could answer that.

6 Q. Well, would this help the hypothetical
7 if we assumed for the purposes of the hypothetical
8 that the contract included a separate meter charge?
9 Would it be your position that the revenues for
10 meter maintenance should be included in the PGA?

11 A. So it's a contract that includes the
12 sale of gas along with these other services?

13 Q. Correct.

14 A. It's all part of one document?

15 Q. Yes.

16 A. Again, I really wouldn't feel
17 comfortable answering that unless I could see the
18 documents at hand that were presented.

19 Q. Maybe to give some more substance to the
20 hypothetical, could you look at the Riverton
21 contract? And on the signature line there's a
22 heading in bold print called Future Value-added

1 Services. Do you see that point?

2 A. I see it.

3 Q. And the first bullet point is conduct a
4 feasibility study to eliminate Riverton's odorizer.
5 Do you see that provision?

6 A. Yes, I do.

7 Q. Would it be your view that any charges
8 collected to conduct that feasibility study should
9 be passed through the PGA?

10 A. Any of the revenues collected by CILCO
11 as relates to this contract, should those be run
12 through the PGA?

13 Q. Well, specifically with respect to the
14 feasibility study.

15 A. I can't really address items piecemeal.
16 I'm addressing them in my testimony based on this
17 document which includes the sale of gas and these
18 other services.

19 Q. But am I correct that --

20 A. And my position is that those items
21 should go through the PGA, those revenues.

22 Q. There's no revenue in this contract that

1 you would exclude from the PGA. Is that correct?

2 A. Yes.

3 Q. And is there any -- am I correct that
4 the cost of providing that feasibility would not be
5 collected through the PGA or you would not support
6 the collection of the cost to provide the
7 feasibility study through the PGA?

8 A. Well, I'm assuming that it would be
9 performed by CILCO employees.

10 Q. Correct.

11 A. And that those salaries would be items
12 that would be recovered through base rates
13 typically.

14 Q. Just to take it a step further, and you
15 would not support the recovery of those costs
16 through the PGA.

17 A. If the costs relate to salaries of CILCO
18 employees, that is correct. Those would go through
19 base rates.

20 Q. CILCO has described the revenues that
21 you propose to adjust as management fees. Is it
22 your position that CILCO has not provided services

1 in connection with these contracts that use CILCO
2 employees and assets to help the customer manage
3 their gas supply?

4 A. That's not my position.

5 Q. How do you define transaction?

6 A. In this particular case, if you're
7 referring to the Riverton contract, I'm defining it
8 by this contract. I'm treating this contract as a
9 transaction.

10 Q. So this is -- the Riverton is an example
11 of a transaction.

12 A. Yes.

13 Q. Is there a general definition that you
14 use to help the Commission or CILCO understand what
15 constitutes a transaction beyond this example?

16 A. A general definition? I don't think so.

17 Q. If CILCO provided management services
18 without supplying gas commodities, would the
19 revenues that CILCO collected as charges for its
20 management services be passed through the PGA?

21 A. Again, that's a hypothetical example,
22 and in my testimony I'm addressing this particular

1 transaction that's occurring where it's part of a
2 sale of gas. It's all part of one transaction.

3 Q. In terms of a hypothetical, if when this
4 contract was renewed CILCO entered into a contract
5 that said -- that contained the same provision for
6 provision of management services described in the
7 contract for the same charges but deleted all the
8 provisions with respect to the supply of gas and
9 the customer obtained its supply of gas from
10 Panhandle Eastern Pipeline, for hypothetical
11 purposes, in that instance would the revenues
12 collected for the management services be passed
13 through the PGA?

14 A. I would have to evaluate it at the time
15 based on the documents that were presented to me at
16 that time.

17 Q. Well, I'm trying to make your evaluation
18 less complicated by proposing hypothetically that
19 the only difference between the contract you did
20 review and the contract that I'm proposing
21 hypothetically is that the hypothetical contract
22 has no provision for the supply of a commodity of

1 gas and simply contains those provisions related to
2 the management services for the charge stated in
3 that contract.

4 MR. FEELEY: Okay. You know, I think this is
5 the third time that Mr. Seidel has asked that
6 question, and she's given her answer, so I'd object
7 as being asked and answered.

8 JUDGE ALBERS: You had some leeway with
9 Mr. Davidson. I'm going to grant Mr. Seidel one
10 more attempt.

11 A. My response would be that in this
12 particular case those services were rendered in
13 conjunction with a sale of gas, and Section
14 525.40(d) states that the -- that if any of the
15 associated costs are recoverable gas costs, then
16 the recoverable gas cost should be offset by the
17 revenues derived from the transactions, and I think
18 that is -- the application of that provision is
19 what gave rise to this adjustment, and so to try to
20 split it out, I really can't comment on a
21 hypothetical.

22 Q. So, in other words, it's the existence

1 of the recoverable gas costs in that contract that
2 make those revenues an item that should be passed
3 through the PGA. Is that what you're explaining?

4 A. That would be my understanding of
5 Section 525.40(d).

6 Q. And so if the contract did not contain
7 any provisions for the sale of the commodity of
8 gases, you wouldn't be proposing an adjustment.

9 A. I would think not.

10 Q. Let's say if CILCO had two separate
11 agreements, one for the provision of the management
12 services in that contract and another document that
13 provided for the sale of gas, in that case what
14 would be your opinion as to whether the revenues
15 ought to be a separate contract for management
16 services?

17 MR. FEELEY: I'd object to this question on
18 relevance and foundation. There's been no
19 foundation laid that that's actually in existence
20 in this case, and if that's not the case, then it's
21 not relevant in this proceeding.

22 JUDGE ALBERS: Do you want to respond?

1 MR. SEIDEL: Well, the relevance is I'm trying
2 to get a better understanding of what the witness's
3 recommendation is to the Commission as to what
4 constitutes a transaction on the -- with respect to
5 the operation of the PGA, Part 525, and I may
6 disagree with her interpretation, but it would also
7 be helpful to know for purposes of future
8 transactions whether we're going to run afoul of
9 the witness's proposal regarding adjustments.

10 JUDGE ALBERS: The objection is overruled.

11 A. Okay. I thought I had stated this
12 already, but in this particular case it was a
13 transaction that included a sale of gas, and I
14 believe Section 525.40(d) states that the
15 recoverable gas cost shall be offset by the
16 revenues derived from the transaction at rates that
17 are not subject to the gas charges if any of the
18 associated costs are recoverable gas costs as
19 prescribed in subsection (a) of this section, so in
20 this instance there was a sale of gas. This
21 contract, in my opinion, is a transaction, and that
22 is why these revenues have been offsetting the gas

1 costs in the PGA. I really don't feel like I can
2 comment on a hypothetical situation that I haven't
3 seen.

4 Q. Just one last attempt at this that may
5 help clarify it for us in the future. If there
6 were two separate contracts, one for management --
7 one that provided for the management fees in this
8 contract and another one that provided for the
9 charges for the gas supplied, if this document was
10 split into two contracts, would that be two
11 transactions or would that be one transaction? And
12 the reason I ask this is to understand what you
13 mean by transaction.

14 A. And I would say, again, that I think
15 that would depend on how the contracts are worded.
16 It's hard to say without actually seeing something
17 in writing.

18 Q. Now turning your attention to Staff
19 Cross-Examination Exhibit Number 1.0, would you
20 accept, subject to check, that in the column for
21 volumes of gas supplied to CESI, the entries on
22 those lines where a management fee margin included

1 in your adjustment was made contained zero?

2 MR. FEELEY: I guess can you restate the
3 question again? It's hard to follow.

4 MR. SEIDEL: Okay.

5 Q. On any line for CESI where you propose
6 an adjustment for management fees contained in the
7 Margin column, sometimes it's described as -- a
8 further description is contained of Keith, are
9 there any volumes being supplied on those lines?

10 A. The only one I see is the third item
11 down, that CESI - Nicor. That also has an amount
12 in the Margin column.

13 Q. Okay. Directing your attention to the
14 Riverton agreement, what did Staff mark that
15 exhibit?

16 MR. FEELEY: Number 2.

17 Q. Staff Cross Exhibit Number 2. Are you
18 aware of any costs incurred by CILCO to provide the
19 management fee services described in that contract
20 that are paid to pipelines or gas suppliers?

21 MR. FEELEY: I guess I'd object to the
22 question, just lack of foundation. I don't know if

1 this witness is in a position to answer that
2 question.

3 JUDGE ALBERS: I'm going to overrule that. He
4 asked if she's aware of it, and if she's not aware
5 of anything, that will be her answer.

6 A. Could you state the question again?

7 Q. Are you aware of any of the costs being
8 incurred by CILCO to provide the management fee
9 services described in the Riverton contract that
10 are being paid to pipelines or gas suppliers?

11 A. I'm not aware of any.

12 Q. In the particular contract, isn't there
13 a separate charge to the customer for gas commodity
14 supplied?

15 A. I'm sorry. Could you say that again?

16 Q. In the contract, isn't there a separate
17 charge to the customer for gas commodity supplied?

18 A. There's a commodity, yes.

19 Q. And that charge is in excess of the cost
20 CILCO pays for gas, is it not?

21 A. I don't know.

22 Q. Is there a record you reviewed that

1 suggests to you that the revenues from the separate
2 charge did not exceed the cost of gas paid by
3 CILCO?

4 A. Is there a record I reviewed?

5 Q. Correct.

6 A. I reviewed this agreement.

7 Q. In connection with your audit, did you
8 review any record that suggested or showed you that
9 the charges collected for the gas sold were less
10 than the cost of the gas that CILCO paid for in
11 order to supply the gas?

12 A. I'm not aware of it.

13 Q. Would you agree that to the extent that
14 the revenues collected pursuant to the gas charge
15 in the contract were in excess of costs, that
16 benefits PGA customers?

17 A. If the revenues are run through the PGA
18 to offset the costs and those exceed the costs,
19 that should benefit the PGA customer.

20 Q. If CILCO is not permitted to defray the
21 costs of providing the management services because
22 the revenue derived from the services must be

1 passed through the PGA, wouldn't you expect the
2 company to avoid these unrecoverable costs by
3 terminating the contract?

4 MR. FEELEY: I'll object to that question. It
5 calls for speculation on the part of this witness.

6 JUDGE ALBERS: Sustained.

7 MR. SEIDEL: Let me ask it in a way possibly
8 that won't call for speculation.

9 Q. What incentive would CILCO have to
10 continue to provide these management services if it
11 is unable to defray the cost of providing these
12 services because the revenue derived from the
13 services must be passed through the PGA?

14 MR. FEELEY: I'll object to the question. It
15 still calls for speculation on, you know, what's an
16 incentive to CILCO. She's not in a position to
17 know.

18 JUDGE ALBERS: Sustained.

19 Q. Is the electricity that Central Illinois
20 Light Company provides to the Village of Riverton
21 -- would revenues collected by CILCO for
22 electricity provided to the Village of Riverton be

1 passed through the PGA if they were part of this
2 contract?

3 MR. FEELEY: I guess I object to that question
4 on relevance. If they were part of this contract?

5 MR. SEIDEL: Correct. I guess the relevance
6 is I'm trying to understand what transactions or
7 what about this particular contract makes all the
8 revenues collected under it something that should
9 be passed through the PGA, and, in particular, I'm
10 saying if the next time we renew this particular
11 contract with the Village of Riverton, if we add an
12 Exhibit A which includes the Company's electric
13 services and we collect our -- the document
14 contains this agreement and our agreement for
15 electric services, would it be the witness's
16 position that the revenues we collected for
17 electricity need to be passed through the PGA?
18 Because we don't want to do that if that's the
19 case.

20 JUDGE ALBERS: I'll sustain that objection as
21 well.

22 MR. SEIDEL:

1 Q. Turning your attention to the adjustment
2 for the PG&E ANR parking transactions, could
3 parking service be fairly described as the
4 temporary use of CILCO's gas supply system or, in
5 other words, a situation where the customer
6 delivers its gas to the CILCO Citygate and CILCO
7 subsequently redelivers the gas to the original
8 customer?

9 A. I believe so.

10 Q. In order for CILCO to provide that
11 service, is it necessary for CILCO to have
12 employees to verify receipt availability, perform
13 nominations, and calculate fuel loss?

14 A. I'm not an engineer, and I don't know
15 what all goes into the services that are necessary.

16 Q. Do you know whether CILCO could perform
17 this service if it did not have a storage field and
18 related assets to facilitate intraday volumetric
19 swings?

20 A. I can't really answer that question.

21 Q. Do you know whether there are costs
22 incurred by CILCO related to parking service that

1 are not paid to pipelines or gas suppliers?

2 A. I don't know.

3 Q. I think this might be my last question.
4 If you're not familiar with the costs that CILCO
5 incurred, may have incurred to provide the parking
6 service, what led you to conclude that the parking
7 service revenues should be recovered or flowed
8 through the PGA?

9 A. I was given a summary of off-system
10 sales by the Company, and in that summary in the
11 column headed up Margin, those are the amounts that
12 are contained in my adjustment.

13 Q. Isn't it correct -- so you're relying
14 principally on this Staff Cross Exhibit 1.

15 A. As the basis for my adjustment, yes.

16 Q. And doesn't that exhibit show that no
17 volumes of gas were supplied to PG&E under the
18 parking service arrangement?

19 A. It shows zero volume.

20 MR. SEIDEL: I think we may be finished.

21 That concludes our cross.

22 JUDGE ALBERS: Okay.

1 Mr. Feeley, any redirect?

2 MR. FEELEY: Maybe a brief redirect, if I can
3 have a few minutes.

4 (Whereupon a short recess
5 was taken.)

6 JUDGE ALBERS: Okay. What have you got?

7 MR. FEELEY: I've got a few, brief redirect
8 questions.

9 REDIRECT EXAMINATION

10 BY MR. FEELEY:

11 Q. Ms. Pearce, do you recall the questi on
12 from Mr. Seidel regarding what you relied on to
13 make the PG&E adjustment? Do you recall those
14 questions?

15 A. Yes.

16 Q. And you stated that you relied on the
17 off-system sales which has been marked as Staff
18 Cross Exhibit 1. Is that what you answered?

19 A. That as well as the attachment to my...

20 Q. Is there anything else besides the
21 off-system sales spreadsheet which you relied on?

22 A. Yes. I relied --

1 Q. Okay. And what is that?

2 A. Exhibit 3.1, which was attached to my
3 rebuttal testimony.

4 MR. FEELEY: That's all I have.

5 JUDGE ALBERS: Okay. Any recross?

6 MR. SEIDEL: No.

7 JUDGE ALBERS: Okay. Thank you, Ms. Pearce.

8 (Witness excused.)

9 MR. FEELEY: That would concludes Staff's case
10 consisting of witness testimony. However, we also
11 would request that the ALJ take administrative
12 notice of certain parts of the record in ICC Docket
13 No. 94-0403, which was a rulemaking addressing
14 Section 525.40.

15 We request administrative notice of the
16 following from that record: The Commission's
17 order; the direct testimony of Staff, CILCO, and
18 CIPS; the rebuttal testimony of Staff, CILCO, and
19 CIPS.

20 JUDGE ALBERS: Hang on. Staff, CILCO, and
21 CIPS direct, and the rebuttal of?

22 MR. FEELEY: Staff, CILCO, and CIPS.

1 JUDGE ALBERS: Okay.

2 MR. FEELEY: The briefs, initial briefs of
3 Staff, CILCO, and CIPS; the reply brief of Staff,
4 CILCO and CIPS.

5 JUDGE ALBERS: Okay.

6 MR. FEELEY: And the brief on exceptions and
7 reply brief on exceptions of Staff and CILCO.

8 And it's our position that it's
9 necessary to take administrative notice of those
10 certain parts of that record because Staff's
11 position that the arguments that CILCO is making
12 here in this docket were made in that proceeding,
13 which deals with this Section 525.40, and that
14 those arguments have already been rejected by the
15 Commission, and the Commission in that docket
16 adopted Staff's position which is the position
17 Staff has consistently opined in this docket here,
18 and we believe it's necessary and would be
19 appropriate for the Commission to take
20 administrative notice of certain parts of that
21 record, and it would be beneficial to them in their
22 reaching a decision in this proceeding.

1 JUDGE ALBERS: Mr. Seidel, do you want to
2 reply to that?

3 MR. SEIDEL: I would make strenuous objection
4 to this procedure. I don't think he has followed
5 the procedure for taking administrative notice of
6 these documents. I don't think that we need to
7 take administrative notice of the Commission's
8 order in that particular docket. In that
9 particular docket the order can be cited, and it's
10 available for all, and he can cite it up and down.
11 The order speaks for itself as to what arguments
12 the Commission considered and what arguments the
13 Commission didn't consider. If the order discusses
14 a brief of the party, the order's language is its
15 own best evidence of what the Commission did or did
16 not do in that order, and the fact that somebody
17 may have said something in a brief that -- you
18 know, if somebody said something in a brief and the
19 Commission order doesn't refer to it, I don't think
20 you can draw any conclusion as to whether the
21 Commission accepted or rejected that particular
22 position, especially if it's not referred to.

1 With respect to the testimony, that is
2 certainly not an appropriate matter to take
3 administrative notice because, first of all, I
4 wasn't notified that that testimony was -- that the
5 Staff was seeking to take administrative notice of
6 that particular testimony. I had no opportunity to
7 cross-examine the particular witnesses from CIPS or
8 the Staff or any other party whose testimony he may
9 be seeking to have the Commission take
10 administrative notice of, so that's highly
11 prejudicial and unfair to us at the conclusion of
12 the hearing. Certainly the Staff witnesses could
13 have presented testimony in this docket that said
14 we believe that we testified to this effect in that
15 prior docket and that the Commission rejected it,
16 and I would have had an opportunity to present
17 witnesses to respond to that testimony.

18 With respect to the administrative
19 notice of Central Illinois Light Company witnesses,
20 I can't begin to imagine what our witnesses said in
21 that particular docket, so there could be question
22 and answer and question and answer after question

1 and answer that has no relevance whatsoever to the
2 particular issue in this case, and the witness
3 [sic] was certainly free to cross-examine our
4 witnesses with respect to statements that our
5 witnesses or company representatives may have made
6 of the documents or made data requests of us or
7 submitted testimony as to what we say, and we would
8 have had an opportunity to respond to the evidence
9 that Staff sought to admit against us, but as it
10 is, to be informed on the day of the hearing that
11 there's testimony in other dockets that we should
12 have or need to respond to in a brief I think is
13 prejudicial and unfair.

14 So I would strenuously object to taking
15 administrative notice of anything other than the
16 Commission's order in the docket.

17 MR. FEELEY: And can I respond?

18 Staff's request at this point in time
19 during our case in chief is consistent with the
20 Commission's rules. Notice can be given prior to,
21 during, or even after the hearing, and to the
22 extent that something is in the witness's

1 testimony, it's there, and we believe it's
2 necessary for testimony, rebuttal testimony, to
3 also be taken administrative notice of because the
4 Commission's order, in fact, may -- it adopts
5 Staff's position, but perhaps failed to fully lay
6 out a Staff witness's testimony, and there's
7 nothing better than what that Staff witness
8 actually testified to, and therefore it's necessary
9 to take administrative notice of it.

10 JUDGE ALBERS: I'm inclined to agree with
11 Mr. Seidel. Certainly a party can always cite to a
12 Commission order without having to have to take
13 administrative notice of it.

14 As far as the rest of the documents,
15 there's a lot -- I think the question of relevancy
16 was a good point, and there may be many instances
17 in those documents where there's irrelevant
18 material to this particular proceeding.

19 And as far as wanting me to take
20 administrative notice of everything without
21 directing my attention to anything in particular --

22 MR. FEELEY: Well, I guess I am directing you

1 to specific witnesses' testimonies. I'm not asking
2 you to take notice of the whole record. However,
3 those witnesses specifically testified what's at
4 issue here in this docket, what is a revenue that's
5 offsetting these costs, and that was the subject of
6 that proceeding. People testified about that. The
7 Commission reached a decision on it.

8 JUDGE ALBERS: You asked me to take notice of
9 the direct testimony of Staff, CILCO, and CIPS
10 witnesses. Presumably that testimony addresses the
11 entire Part 525. Correct?

12 MR. FEELEY: That testimony went to this
13 525.40.

14 JUDGE ALBERS: All the testimony in that case?

15 MR. FEELEY: It's my -- there was one Staff
16 witness who testified about this issue in there. I
17 don't see how that is overburdening the record.

18 JUDGE ALBERS: How many Staff witnesses were
19 in that rulemaking?

20 MR. FEELEY: It's my understanding there's
21 just one Staff witness.

22 JUDGE ALBERS: The entire rulemaking was

1 focused solely on this 525.40?

2 MR. McQUIRE: No.

3 MR. SEIDEL: I don't believe so either. I can
4 remember discussions that there was a difference of
5 opinion on Staff, so it would seem to me that
6 there's more than one witness.

7 I would also point out that there would
8 be cross-examination transcripts in connection with
9 that direct testimony. That particular file, if
10 it's from 1994, may have been destroyed by -- and
11 he hasn't provided any of the copies of these
12 documents that I could even look at to begin to
13 address at any time.

14 MR. FEELEY: There is one, one Staff witness,
15 Richard Zuraski, who testified about 525.40(d).
16 That's all we're asking you to take administrative
17 notice of.

18 JUDGE ALBERS: What about the rest of the
19 parties' testimonies?

20 MR. FEELEY: Only that testimony which goes to
21 525.40(d).

22 JUDGE ALBERS: No. I'm going to deny the

1 request to take administrative notice of all that
2 stuff.

3 MR. FEELEY: How about -- well, then I
4 specifically ask for Mr. Zuraski's testimony, a
5 witness whose --

6 JUDGE ALBERS: Just the testimony?

7 MR. FEELEY: The order, the briefs, brief and
8 reply brief that go to that issue, and specifically
9 his testimony on this issue.

10 JUDGE ALBERS: No. Without having the benefit
11 of the cross and the rest of the witnesses'
12 testimony, which absent knowing what the Commission
13 relied on in the order, I'm not sure what value or
14 how much weight to give that information.

15 MR. FEELEY: Well, I think that's something
16 that will come out in the briefs. You'll see our
17 arguments that we have made. We'll cite to the
18 record in that proceeding, and you'll be able to
19 see -- you'll have the benefit of the Commission's
20 order, the benefit of Mr. Zuraski's testimony, and
21 it's something that the Commission would surely
22 benefit them in this proceeding in reaching a

1 decision here.

2 JUDGE ALBERS: Why not the transcript then?

3 MR. FEELEY: The Commission's order refers to
4 Staff witness Zuraski's, Staff's position in there.
5 The transcript would not be necessary.

6 JUDGE ALBERS: Do you know the Commission did
7 not rely on the transcript in that order?

8 MR. FEELEY: No. I couldn't answer that
9 question.

10 JUDGE ALBERS: Okay. I'm going to stick with
11 my initial decision, and if you want to take it to
12 the Commission under interlocutory review, by all
13 means that's your right.

14 Is there anything else?

15 MR. FEELEY: No. I would rest Staff's case.

16 JUDGE ALBERS: Okay. I think the only thing
17 left then is to address the briefing dates.

18 MR. FEELEY: I guess Staff would ask -- just
19 hold on one second.

20 MR. SEIDEL: Can we go off the record for the
21 discussion?

22 JUDGE ALBERS: Off the record.

1 (Whereupon at this point in
2 the proceedings an
3 off-the-record discussion
4 transpired.)

5 JUDGE ALBERS: Okay. Back on the record.

6 It appears that November 2nd as a due
7 date for initial briefs and November 16th as the
8 due date for reply briefs will coincide with
9 everyone's schedules.

10 Are there any other matters to address
11 today?

12 MR. SEIDEL: Other than whether the record is
13 to be marked Heard and Taken, I don't believe so.

14 JUDGE ALBERS: Okay. Actually, off the
15 record.

16 (Whereupon at this point in
17 the proceedings an
18 off-the-record discussion
19 transpired.)

20 JUDGE ALBERS: Okay. We're back on the
21 record.

22 CILCO and Staff have indicated that no

1 additional information is needed for the purposes
2 of this record, and does anyone have anything else
3 to add? Hearing nothing, then the record is marked
4 Heard and Taken.

5 MR. SEIDEL: Thank you.

6 MR. FEELEY: Thanks.

7 HEARD AND TAKEN

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1 STATE OF ILLINOIS)
)SS
 2 COUNTY OF SANGAMON)
 3 CASE NO.: 00-0710
 4 TITLE: ILLINOIS COMMERCE COMMISSION
 On Its Own Motion
 5 -vs-
 6 CENTRAL ILLINOIS LIGHT COMPANY

9 CERTIFICATE OF REPORTER

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 11 I, Cheryl A. Davis, do hereby certify that I
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 above-entitled case on the 25th day of September,
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17 Dated at Springfield, Illinois, on this 4th
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