

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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AMEREN ILLINOIS COMPANY	)	
d/b/a Ameren Illinois,	)	
Petitioner	)	Docket No. 15-0439
	)	
Proposed clarification of natural gas tariffs,	)	
particularly sections related to transportation	)	
of customer-owned natural gas.	)	

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**REPLY BRIEF OF THE STAFF  
OF THE ILLINOIS COMMERCE COMMISSION**

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NOW COME the Staff of the Illinois Commerce Commission (“Staff”), by and through its undersigned counsel, pursuant to Section 200.800 of the Illinois Commerce Commission’s (“Commission”) Rules of Practice (83 Ill. Adm. Code 200.800), and the direction of the Administrative Law Judge (“ALJ”), and respectfully submit its Reply Brief (“Staff RB”) in the above-captioned matter.

**I. INTRODUCTION**

Initial Briefs (“IB”) were filed by Staff; Ameren Illinois Company (“Ameren” or the “Company”); the Retail Energy Supply Association (“RESA”); and Caterpillar, Inc., Archer-Daniels-Midland Company, Tate & Lyle Ingredients Americas, Inc. and Viscofan USA, Inc., collectively as Illinois Industrial Energy Consumers (“IIEC”) on January 27, 2016. The absence of a response to a specific issue raised in a party’s IB in this Staff RB does not constitute a change of position from the Staff IB. Staff’s RB follows.

## II. ARGUMENT

### A. Chicago Citygate Price is Most Equitable Means of Pricing Cashouts

Ameren raises three arguments against Staff's recommendations in this docket. First, Ameren argues that Staff mistakenly believes Ameren routinely buys and sells commodity gas in the spot market to alleviate imbalances. (Ameren IB, 10.) Ameren discusses the various ways it balances its system besides buying gas in the spot market. In its opinion, this justifies its proposal to use the current PGA<sup>1</sup> rate to value cashouts. Id. at 10-11. RESA also points out the variety of methods that Ameren has available to it to balance transportation customers' load that do not involve buying spot gas. (RESA IB, 9.)

However, Ameren apparently fails to understand Staff's position. Dr. Rearden recognizes that Ameren does not necessarily purchase gas on the spot market when the overall imbalance is negative, nor does Ameren necessarily sell gas on the spot market when the overall imbalance is positive. The fact is, however, that regardless of the manner in which Ameren balances its system, the Chicago Citygate price is the best proxy for the current market value of the gas. As a result, it is a more equitable method to cashout imbalances than utilizing PGA rates as Ameren proposes. (Staff IB, 7.)

In its IB, Staff also addressed the fact that Ameren does not balance each customer on an individual basis, but instead balances the system as a whole (including sales customers). There is diversity in individual customer's imbalances that make up the whole. Some suppliers are likely to be long while others are likely to be short, so that when Ameren balances transportation customers as a whole, these variations, all else

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<sup>1</sup> Gas utilities in Illinois recover their gas commodity and interstate transportation and leased storage costs from customers through the Purchased Gas Adjustment or PGA.

equal, tend to cancel each other out. When imbalances cancel out, the cashouts are not a net cost to ratepayers, but instead transfer payments between suppliers. Id. at 8. RESA also points out that, with diversity, many individual customer imbalances impose almost no costs on Ameren. (RESA IB, 9-10.) In addition, the effect of cashouts on the PGA can only be assessed by determining what Ameren would have paid (or costs it would have avoided) absent an imbalance between total transportation customers' deliveries and their usage. (Staff IB, 8.) Finally, Ameren does not pay (or avoid purchases at) the current PGA rate for any single action to balance its system during the current month. Rather it incurs (or avoids) costs that depend on current market values. As noted above, Staff argues that this is one reason that the current Chicago Citygate price is the best price to use for cashouts. Id. at 7.

**B. Rider TBS Does Not Eliminate Cross Subsidies**

Ameren's second argument is that Staff fails to consider the potential use of Rider TBS<sup>2</sup>. (Ameren IB, 11.) Ameren states, "Staff does not address Ameren Illinois' Rider TBS in its direct testimony as a way to mitigate supplier imbalances and subsidization caused by supplier deliveries." Id. Ameren points out that Rider TBS is a banking service available to Rider T customers that enables them to store and retrieve gas to balance their load and reduce the need to use cashouts. In Ameren's view, Rider TBS allows suppliers to avoid cashouts and the potential for subsidy. Further, Ameren notes that Staff concurs that Rider TBS can help suppliers minimize cashouts and that suppliers can also reduce cashouts by keeping deliveries closer to their customers' usage. Id. at 11-12. While Rider TBS does provide a method for transportation customers to reduce

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<sup>2</sup> Rider TBS is a storage banking service for transportation customers.

imbalances, it does not remove the potential cross subsidy that Ameren's proposal creates. As Staff stated in its IB, there are alternative methods used by other Illinois gas utilities that remove the incentive to arbitrage cashouts that do not rely on the PGA. Id. at 9-11.

**C. There are Other Cashout Methods Available Which Don't Use PGA**

Ameren's third argument against Staff's position is that Staff fails to consider its system integrity. (Ameren IB, 12.) Ameren states in its IB, "System integrity was not directly addressed in Staff's testimony. Maintaining system integrity is of the utmost importance to AIC". Id. This argument is something of a red herring. While reliability is Ameren's first and most important task, Ameren has introduced no evidence that it is not capable of physically balancing its system under its current cashout regime. Instead, Ameren has asserted that the actions that it needs to take have resulted in the PGA increasing unnecessarily. That is, according to Ameren, sales customers are cross-subsidizing transportation customers. Id. at 17. The issue in this docket is what charge Ameren should be able to impose on Rider T customers if those customers are in imbalance when Ameren acts to alleviate the system's imbalance.

Staff offered up the cashout methods of Peoples Gas and Nicor Gas as alternative cashout methods for Ameren to consider using, rather than using the PGA. Ameren rejects this suggestion, stating,

"...Staff's proposed suggestions are unworkable under Ameren Illinois' current system and services for two (2) reasons. First, Nicor and Peoples Gas transportation services are different than AIC's, and given the transportation services offered by Ameren Illinois, the cashout methods that Peoples Gas and Nicor utilize will not provide the desired incentives for customers and suppliers to deliver gas in volumes that are consistent with customers' usage. ... Second, both utilities that Staff suggested AIC use as

guides to designing cashout provisions require daily metering *for all* of their transportation customers.  
Id. at 13-14.

Ameren's physical infrastructure differs from other Illinois gas utilities. However, no one has proposed simply grafting the tariffs of either Peoples Gas or Nicor Gas onto Ameren's cashout method. Peoples Gas' and Nicor Gas' tariffs demonstrate that there are other cashout methods available to Ameren that could serve as a model in developing a cashout method to accommodate its particular needs. Those methods do not rely upon the PGA rate as Ameren proposes. (Staff IB, 9.)

### III. CONCLUSION

Staff respectfully requests the Illinois Commerce Commission approve its recommendations in this docket.

Respectfully submitted,

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