Docket No: 15-0439
ROM: 4/12/16
Deadline: 5/13/16

M E M O R A N D U M

TO: The Commission

FROM: Jan Von Qualen, Administrative Law Judge

DATE: March 28, 2016

SUBJECT: Ameren Illinois Company d/b/a Ameren Illinois

Proposed clarification of natural gas tariffs, particularly sections related to transportation of customer-owned natural gas.

RECOMMENDATION: Enter the attached Order approving the uncontested and cancelling the contested tariff revisions.

I. PROCEDURAL HISTORY

On June 12, 2015, Ameren Illinois Company d/b/a Ameren Illinois ("AIC" or "Company") filed with the Illinois Commerce Commission ("Commission") revisions to its natural gas tariffs, Gas Service Schedule Ill. C.C. No. 2, Customer Terms and Conditions, Supplier Terms and Conditions, Rate GDS-4 - Large General Gas Delivery Service, Rate GDS-5 - Seasonal Gas Delivery Service, and Rider T - Transportation Service ("Rider T") to be effective August 1, 2015. Through its revised rate sheets (2nd Revised Sheet No. 3.006, 4th Revised Sheet No. 3.007, 2nd Revised Sheet Nos. 3.012 - 3.014, 4th Revised Sheet No. 3.016, 2nd Revised Sheet Nos. 3.021 & 3.022, 2nd Revised Sheet No. 5.008, 1st Revised Sheet No. 5.012, 8th Revised Sheet No. 14.003, 9th Revised Sheet No. 15, 3rd Revised Sheet No. 15.003, 2nd Revised Sheet Nos. 15, 3rd Revised Sheet No. 15.003, 2nd Revised Sheet Nos. 25.002 - 25.004, and 4th Revised Sheet Nos. 25.005 - 25.014), the Company seeks a clarification of natural gas tariffs, particularly sections related to transportation of customer-owned natural gas. On July 28, 2015, the Commission entered a Suspension Order ("Suspension Order"). A Resuspension Order was issued on October 21, 2015.

Petitions to Intervene filed by Archer-Daniels-Midland Company; Caterpillar Inc.; Tate & Lyle, Ingredients Americas, Inc.; and Viscofan, Inc., as the Illinois Industrial Energy Consumers ("IIEC") and the Retail Energy Supply Association ("RESA") were granted. Commission Staff ("Staff") participated. A Proposed Order was issued on March 4, 2016. AIC filed a Brief on Exceptions ("BOE"). IIEC, RESA, and Staff filed Reply Briefs on Exceptions ("RBOE").

II. ISSUES

A. Uncontested Tariff Revisions

1. Analysis

There are no objections to the bulk of the tariff proposals set forth in the June 12, 2015 tariff filing. AIC proposes to define Gas Day to clarify that the timeframe of a “day” starts at 9:00 a.m. The Company proposes revisions to the Maximum Daily Contract Quantity Determination to reflect the Company's practice of using historic usage data. It proposes to add Retail Gas Suppliers to the late Payment Charge section to conform to current practice. It proposes changes to the Switching Rules and Procedures to allow successor and new customers immediate access to transportation service. AIC proposes to change the definition of Maximum Daily Nomination ("MDN") from 200% of a Rider T Customer's MDCQ to 120% of the customer’s MDCQ. It proposes changes to reflect the Company’s long standing and current practice of adjusting deliveries of customer-owned gas to reflect the British Thermal Unit ("BTU") content of the gas. It proposes changes to conform the tariff to the Company’s process for notifying those customers directly affected by the issuance of an Operational Flow Order ("OFO") or Critical day. The Company proposes revisions to set the Unauthorized Gas Use Charge at $6.00 per therm in addition to all other Monthly or Daily cashout charges. AIC proposes changes to allow successor and new customers immediate access to transportation service as required in Docket No. 14-0097.

Generally, these tariff proposals will clarify existing terms in the Company’s natural gas tariffs, assist in outlining existing natural gas practices, and fulfill a commitment regarding the immediate access to transportation service for successor businesses and new customers. No party objects to these proposals.

2. Recommendation

I recommend that the Commission approve these proposed tariff revisions and direct the Company to adopt them.

B. Natural Gas Cashout Provisions

1. Analysis

AIC proposes to modify its current cashout provisions in Rider T for Transportation Customers, so they would receive the lower of the PGA cost or the market price when the they over-deliver and the higher of the PGA cost or the market price when they under-deliver. AIC asserts that the current gas balancing cashout provisions do not create enough of an incentive to deter some Transportation Customers from arbitrage, creating system imbalances. AIC bases its argument on the activity of a single Transportation Customer who, for the January through March period in 2014, received a total cashout payment of $3,208,570, which was ultimately passed on to PGA Customers. AIC argues that imbalances could impact the integrity of its natural gas system and says that its proposed revisions would encourage Transportation Customers to match gas deliveries with gas usage.

Staff, IIEC, and RESA oppose AIC’s proposed change to its cashout provisions. Although Staff agrees with the goals of preventing arbitrage, it is concerned that the

Company's proposed cashout procedure could be unfair to Transportation Customers with imbalances. Staff says that the cashouts should be based upon market prices to reduce the likelihood of Transportation Customers or PGA Customers subsidizing each other. Staff, IIEC, and RESA dismiss AIC's system integrity argument, stating that AIC provided no evidence that Transportation Customers' imbalances have resulted in any system integrity problems. Staff, IIEC, and RESA state that there are alternative, market based methods to address AIC's concerns.

IIEC/RESA complain that the changes would degrade the availability and quality of the Transportation Customers' existing balancing service and result in unjust and unreasonable rates. They opine that there are other steps that AIC can take to prevent financial arbitrage. IIEC/RESA argue that AIC did not provide evidence of the long-term net impact that it says justifies its proposal. RESA states the changes would result in AIC recovering imbalance transaction charges from Transportation Customers for costs that it does not actually incur. IIEC/RESA point out that AIC made the same proposal in previous rate cases. They note that most recently in Docket No. 11-0282, the Commission rejected the proposed revision and invited AIC to revisit this issue in future rate cases with a more extensive analysis.

It is not clear that a change to the cashout provisions is necessary as AIC provides only one example of the arbitrage it seeks to prevent. The record does not contain an extensive analysis of the effect of the arbitrage on PGA Customers, the need for a change in the cashout provisions, or a comparison of how the various suggested changes would affect Transportation or PGA Customers. A change to the cashout provisions will affect the economies of transportation service and the PGA rate. Any change to the current cashout provision, which has been found to be just and reasonable, must consider and balance the net effect it would have on Transportation and PGA Customers. This record does not support changing the cashout provisions.

2. Recommendation

I recommend that the Commission reject AIC's proposed revisions to the cashout provisions in Rider T for Transportation Customers.

III. CONCLUSION

The attached Order approves the uncontested tariff revisions filed on June 12, 2015. The attached Order finds that the current cashout provisions of Rider T are sufficient at this time and rejects the proposed changes. It encourages AIC to work with Staff and Transportation Customers to develop an alternative which would not result in cross subsidization between Transportation and PGA Customers. I recommend that the Commission enter the attached Order approving the uncontested tariff revisions and rejecting the proposal to revise the cashout provisions for Rider T Transportation Customers.

JVQ:fs