STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION On Its Own Motion -vs- Central Illinois Public Service Company d/b/a AmerenCIPS Reconciliation of revenues collected under gas adjustment charges with actual costs.	: : : : : : : : : :	01-0698

PROPOSED FORM OF ORDER

By the Commission:

Procedural History; Section 9-220 and Code Part 525

On November 7, 2001, the Illinois Commerce Commission ("Commission") entered an Order Commencing PGA Reconciliation Proceedings, which directed Central Illinois Public Service Company, doing business as AmerenCIPS ("AmerenCIPS;" "CIPS," "Respondent" or "Company"), to present evidence in this docket at a public hearing to show the reconciliation of revenues collected under its Purchased Gas Adjustment ("PGA") tariff with the actual cost of gas supplies prudently incurred and recoverable under said PGA for the period from January 1, 2001 through December 31, 2001 (the "Reconciliation Period").

Notice of the filing of Respondent's testimony and exhibits with the Commission was posted in Respondent's business offices and was published in newspapers having general circulation in Respondent's service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's Order Commencing PGA

Reconciliation Proceedings in this docket. On April 3, 2002 Respondent filed the direct testimony and schedules of Thomas M. Golden and Julianne J. Heins. Ms. Heins' testimony was filed in both public and confidential forms. Also on April 3, 2002, Respondent filed a Motion for Protective Order asking that the confidential information contained in Ms. Heins' testimony, consisting of details of specific gas supply, transportation and storage transactions, be protected from disclosure for a five-year period, in accordance with 83 Ill. Adm. Code 200.430.

Pursuant to notice given in accordance with the law and the rules and regulations of the Commission, a prehearing conference was held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois, on May 7, 2002. At the prehearing conference, the Administrative Law Judge established a procedural schedule for this case and granted the Motion for Protective Order filed by the Respondent.

On July 16, 2002, the Commission Staff filed the direct testimony of Dianna Hathhorn and Mark Maple. On July 30, 2002, Respondent filed a letter with the Commission indicating that it would not be filing rebuttal testimony in this proceeding.

This matter came on for an evidentiary hearing at the Commission's Springfield offices on August 28, 2002. Appearances were entered by counsel for Respondent and by representatives of the Accounting and Engineering Departments of the Commission Staff. Respondent's evidence—the Direct Testimony, including Schedules TMG-1 through TMG-2 of Thomas M. Golden (Exhibit No. TMG-CIP-1) and the Direct Testimony, including Schedules JJH-CIP-1 and JJH-CIP-2 of Julianne J. Heins (Exhibit No. JJH-CIP-1)—as well as the Commission Staff's evidence—the Direct Testimony of

Dianna Hathhorn (ICC Staff Exhibit 1.00) and Direct Testimony of Mark Maple (ICC Staff Exhibit 2.0)—were admitted into evidence. At the conclusion of the August 28, 2002 hearing, the record was marked "Heard and Taken". On October 9, 2002, Respondent filed a proposed form of order that reflected the agreement of Respondent and the Commission Staff.

The record contains a detailed description of Respondent's practices and procedures for reconciling the revenues collected under its PGA with the actual costs recoverable under such tariff during the Reconciliation Period. All participants were afforded the opportunity to cross-examine all witnesses and to offer evidence with respect to all issues in this proceeding.

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

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

Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual Reconciliation procedures are described in Section 525.70.

Respondent's Evidence

Mr. Thomas M. Golden, the Fuel Accounting Supervisor in the Accounting Department of Ameren Services Company, an affiliated service company of Respondent, testified as to his responsibility for supervising the calculation and filing with the Commission of Respondent's monthly PGA and annual reconciliation required by Respondent's PGA tariff. Mr. Golden sponsored Schedule TMG-1 to his direct testimony (Exhibit No. TMG-CIP-1) which identified and reconciled all components of the Company's 2001 gas costs and recoveries. Schedule TMG-1 showed that Respondent had under recovered gas costs from its customers during 2001 by the amount of $4,714,464. Finally, Mr. Golden testified that an independent auditor, PricewaterhouseCoopers LLP, had audited the revenue and cost data presented in the schedules to his testimony. Mr. Golden submitted a copy of the audit report as Schedule TMG-2 to his direct testimony.

Ms. Julianne J. Heins, who is a Gas Supply and Transportation Director for Ameren Fuels and Services Company, testified as to her responsibility for the purchase of gas supply, transportation and storage services for AmerenCIPS' gas distribution system, and described the Company's gas procurement activities for the Reconciliation Period. Ms. Heins also described the hedging and price control methods used by the Company during the Reconciliation Period to mitigate the impact of natural gas price increases on its customers. Ms. Heins testified that AmerenCIPS' procurement of natural gas was prudent during 2001.

Commission Staff's Evidence

Ms. Dianna Hathhorn of the Accounting Department of the Financial Analysis Division of the Commission testified that she had taken the following steps to review the Company's PGA Reconciliation and underlying documents supporting the calculations:

1. Traced gas costs and revenues from the annual reconciliation to the monthly PGA reports filed with the Commission to verify that the amounts reported on the annual reconciliation were the amounts actually flowed through the PGA clause;

2. Traced gas costs and therm sales from the annual reconciliation to the annual report filed by CIPS to the Illinois Commerce Commission (ILCC Form 21) to verify that the amounts reported in the annual reconciliation were the amounts recorded in the financial records of the Company;

3. Traced 100% of the gas costs for a randomly selected month to supplier invoices to ensure that only eligible costs are recovered through the PGA clause;

4. Recalculated the PGA charge for a sample of customer bills from each billing cycle during a randomly selected month for customers in the residential, commercial and industrial classes to ensure that the PGA rate has been properly billed;

5. Verified gas revenue for a randomly selected month by applying that month's gas charge to the total therms sold for the month to ensure that the reported PGA monthly revenues is appropriately stated;

6. Traced revenues from the CIPS PGA annual reconciliation to the Company's sales summary to ensure that the annual PGA revenues reported in the reconciliation is supported by the sales summary;

7. Reviewed the Company's methodology used to cost injections and withdrawals to and from storage fields to ensure that storage activity was appropriately calculated in accordance with an acceptable and consistently applied accounting method;

8. Reviewed workpapers developed by the Company's external independent auditors for their audit of the Company's PGA reconciliation to determine whether there were any findings from the external audit that should be considered in her review; and

9. Reviewed workpapers developed by the Company's internal auditors for their audits of 1) the Company's natural gas supply and transportation operations support and 2) the Company's purchased gas adjustment to determine whether there were any findings from the internal audits that should be considered in her review.

Ms. Hathhorn concluded that the Staff had found no reason to object to Respondent's reconciliation of PGA revenues collected under its PGA tariff with the actual cost of gas supplies. In addition, Ms. Hathhorn recommended that the Commission accept the reconciliation of revenues collected under the purchased gas adjustment clause with actual costs as reflected on Company Schedule TMG-1. Finally, Ms. Hathhorn stated that the reconciliation in this proceeding does not require an Ordered Reconciliation Factor (Factor O), and that the under/(over)-recovery balance at the end of the reconciliation year has been carried over to the following year through the Adjustment Factor (Factor A) in accordance with 83 Ill. Adm. Code 525.50.

Mr. Mark Maple of the Engineering Department of the Commission's Energy Division also provided testimony on behalf of the Staff. Mr. Maple testified that he had reviewed the Company's direct testimony and responses to numerous data requests that directly addressed issues related to the prudence of the Company's natural gas purchases during the Reconciliation Period. In addition, Mr. Maple testified that he reviewed the Company's many gas supply contracts and supporting workpapers at the Company's headquarters in St. Louis. Mr. Maple testified that he had determined that the Company's natural gas purchasing decisions made during the Reconciliation Period were prudent under the Commission's standards.

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

(1) Respondent is a corporation engaged in the distribution of natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Public Utilities Act;

(2) The Commission has jurisdiction over Respondent and of the subject matter of this proceeding;

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

(4) The evidence shows that during the calendar year 2001 Reconciliation Period, Respondent acted reasonably and prudently in its purchases of natural gas;

(5) For the calendar year 2001 Reconciliation Period, the Commission accepts the proposed reconciliation of revenues collected under Respondent's PGA tariff with the actual cost of gas supplies during that year as described in Company Schedule TMG-1, attached hereto;

(6) All motions, petitions, objections or other matters in this proceeding which remain undisposed of should be disposed of consistent with the conclusion herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the reconciliation submitted by Central Illinois Public Service Company d/b/a AmerenCIPS of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2001 are, subject to Findings (5) and (6), hereby approved.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-112 of the Public Utilities Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this _____ day of ________________, 2002.

Docket No. 01-0698
SCHEDULE TMG-1

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

Reconciliation of Purchased Gas Adjustment Clause
for the Twelve Months Ended December 31, 2001

Line		COMMODITY	DEMAND	TPC	Total
1	Unamortized Balance as of 12/31/00 Per 2000 Reconciliation	$ 4,220,582	$ -	$ -	$ 4,220,582
2	Factor A Adjustments Amortized to Schedule 1 at 12/31/00	2,718,148	(1,575,983)	(1,013)	1,141,152
3	Factor O Collected/(Refunded) During 2001	(665,148)	-	-	(665,148)
4	Balance to be Collected/(Refunded) During 2001 from prior periods	6,273,582	(1,575,983)	(1,013)	4,696,586
	(sum of lines 1 - 3)				-
5	2001 Gas Costs	91,380,763	23,514,111	-	114,894,874
6	2001 PGA Revenues	(91,425,251)	(17,258,500)	120	(108,683,631)
7	Pipeline Surcharges/(Refunds)	(1,586,086)	-	-	(1,586,086)
8	Other Adjustments (Rounding)	1	(2)	(4)	(5)
9	Interest	65,509	23,802		89,311
10	2001 Under/(Over) Recovery (sum of lines 5-9)	(1,565,062)	6,279,410	116	4,714,464
11	Under/(Over) Recovery balance at 12/31/01 (line 4 + line 10)	4,708,520	4,703,427	(897)	9,411,050
12	Factor A Adjustments Amortized to Schedule 1 at 12/31/01	3,342,343	4,703,427	(897)	8,044,873
13	Unamortized Balance at 12/31/01	1,366,177			1,366,177
14	Requested Factor O (line 11 - line 12 - line 13)	(0)	0	0	0

h:\excel50\illpga\cip\CIPS Testimony 2001
03/21/20028:12 AM