

Docket No.: 02-0168
Bench Date: 03-26-03
Deadline: N/A

MEMORANDUM

TO: The Commission
FROM: Larry Jones, Administrative Law Judge
DATE: March 3, 2003
SUBJECT: Illinois Commerce Commission
On Its Own Motion
-vs-
Central Illinois Public Service Company

Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean-up expenditures.

RECOMMENDATION: Entry of the attached draft order approving the proposed reconciliation, as adjusted by Staff, for the reconciliation year in question.

In the Order initiating the instant proceedings, Central Illinois Public Service Company ("CIPS" or "Company") was directed to present evidence reconciling the revenues collected under its coal tar riders, also known as its environmental adjustment clauses ("EACs"), with prudent costs associated with coal tar clean-up expenditures for the 2001 reconciliation year.

As explained in the draft order, CIPS has identified 14 manufactured gas plant ("MGP") sites for which it has incurred or expects to incur environmental cleanup costs as a potentially responsible party ("PRP") under state and federal law. These MGP sites are in or near the following towns: Taylorville, Beardstown, Paris, Charleston, Macomb, Hoopston, Pana, DeQuoin, Mattoon, Shelbyville, Canton, Quincy and Murphysboro.

EAC costs incurred in 2001 were reflected in the reconciliation filing that is the subject of the instant dockets. These costs are reconciled with EAC revenues from ratepayers and proceeds from insurance companies.

CIPS' witnesses testified that under the standards set forth in federal and state law, CIPS is legally responsible for the investigation and remediation of the 14 sites. CIPS asserts that all phases of the MGP site investigations have been subject to review and approval by the Illinois Environmental Protection Agency, and that the Taylorville

site has been subject to United States Environmental Protection Agency oversight due to its status as a Federal "Superfund" site.

EAC costs and recoveries, including insurance recoveries, were shown for the 2001 reconciliation year and on a cumulative basis as of December 31, 2001. After Staff adjustments, CIPS' EAC expenditures in the reconciliation year were \$5,697,186. Of this amount, CIPS incurred \$4,702,423 in connection with remediation activities at Beardstown, mainly for actual site remediation and restoration. At the Taylorville site, CIPS continues to incur annual costs related primarily to the operation and maintenance of the groundwater "pump and treat" facility and to the monitoring and sampling of groundwater. Such costs were \$337,709 in 2001. CIPS also incurred costs in 2001 for personal injury litigation relating to remediation at Taylorville.

For sites still requiring remediation, CIPS provided a tentative schedule for future MGP site investigation and remediation work.

The Staff reviewed the prudence of the costs incurred by CIPS for the reconciliation year. As part of that review, Staff examined responses to Staff data requests regarding the need for and reasonableness of the Company's MGP remediation activities and expenditures. In performing its prudence review, Staff applied the prudence standards enumerated in the Commission's Order of September 30, 1992 in Docket Nos. 91-0080 through 91-0095 at 78-81. Subject to the Staff adjustments, Staff witnesses found no indication that any of the MGP remediation costs incurred by CIPS, during the reconciliation year, failed to meet those standards of prudence.

The attached draft order would approve the reconciliation in question, subject to the Staff adjustments.

LMJ/js