
ILLINOIS COMMERCE COMMISSION



**ANNUAL
REPORT**

**ON ELECTRICITY, GAS,
WATER AND SEWER
UTILITIES**

2012

**ILLINOIS
COMMERCE COMMISSION**

**ANNUAL REPORT
ON ELECTRICITY, GAS, WATER
AND SEWER UTILITIES**

2012

ICC Annual Reports

This report is one of four annual reports issued by the Illinois Commerce Commission.

Annual Report on Electricity, Gas, Water and Sewer Utilities

(issued 1985—1995 as Annual Report on Public Utilities)

This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434

Also on: www.icc.illinois.gov

Annual Report on Telecommunications

This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434

Also on: www.icc.illinois.gov

Annual Report on the Transportation Regulatory Fund

This report may be obtained from:
Illinois Commerce Commission
Transportation Division
Walk-In Center
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-4654

Annual Report on the Use of the Grade Crossing Protection Fund

This report may be obtained from:
Illinois Commerce Commission
Transportation Division
Walk-In Center
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-4654

The ICC Online

Agendas for Commission meetings, selected Commission orders, annual reports, and other information are available on line from the Commission's Web Site: www.icc.illinois.gov

ICC's Electronic Docketing System

<http://eweb.icc.illinois.gov/e-docket>

Plug In Illinois—Choosing an Electric Supplier

<http://www.pluginillinois.org/>

Contacting the ICC

Springfield and Chicago Offices

Illinois Commerce Commission
527 E. Capitol Avenue
Springfield, Illinois 62701

Illinois Commerce Commission
160 N. LaSalle, Suite C-800
Chicago, Illinois 60601

For any public utility service issue, for assistance, or information, or to file an informal complaint, please contact the ICC's Consumer Services Division.

Toll-free: 800/524-0795 (In Illinois only)
800/858-9277 (TTY)

Chicago:

Illinois Commerce Commission
Consumer Services Division
160 N. LaSalle Street
Suite C-800
Chicago, Illinois 60601

Springfield:

Illinois Commerce Commission
Consumer Services Division
527 E. Capitol Avenue
Springfield, Illinois 62701

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.

217/782-4654
217/782-4915 (TTY)

For railroad safety issues, please contact:
217/782-7660

For relocation towing issues, please contact:
Illinois Commerce Commission
Des Plaines Compliance Office
847/294-4326

For collateral recovery issues, please contact:
217/782-6447



ILLINOIS COMMERCE COMMISSION

January 31, 2013

The Honorable Pat Quinn
Governor, State of Illinois
State Capitol, Springfield, Illinois

Chairman and Members, Joint Committee on Legislative Support Service
313 State Capitol, Springfield, Illinois

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2012 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2012 through December 31, 2012.

The Annual Report is submitted in compliance with the Public Utilities Act and specifically addresses the items cited in Section 4-304 of that Act, which requires the Commission to report on the following subjects: a general review of agency activities; a discussion of the utility industry in Illinois; a discussion of energy planning; the availability of utility services to all persons; implementation of the Commission's statutory responsibilities; appeals from Commission orders; studies and investigations required by state statutes; impacts of federal activity on state utility service; and recommendations for proposed legislation.

Among other Commission reports provided to the Governor and General Assembly each year are the following:

- Annual Report on Telecommunications
- Annual Report on the Transportation Regulatory Fund
- Annual Report on the Use of the Grade Crossing Protection Fund

Additional information about the Commission and its activities is available from the Commission's web site listed on the previous page.

Sincerely,



Douglas P. Scott
Chairman

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ILLINOIS COMMERCE COMMISSION

YEAR IN REVIEW

2012

ENERGY ISSUES: Electricity

Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002. At the end of 2012, 79 alternative suppliers were certified to serve non-residential customers; however, 12 of those suppliers had secured Commission approval only to serve themselves or their affiliates. Forty-nine suppliers were eligible to serve residential customers. To assist customers who may be considering switching to an alternative provider for electric service, the ICC website provides a list of the names, addresses, contact personnel, and telephone numbers of those companies providing alternative retail electric service.

Office of Retail Market Development

Pursuant to Public Act 94-1095 (the "Retail Electric Competition Act of 2006"), the Commission established the Office of Retail Market Development in 2008. Section 20-102 of the Public Utilities Act requires the Commission to promote the development of an effectively competitive retail electricity market that is effective and beneficial to all Illinois consumers. The Office of Retail Market Development focused its initial efforts on the implementation of Public Act 95-0700, which became effective in November 2007 and required Commonwealth Edison and Ameren Illinois to provide consolidated billing to retail customers and purchase the receivables of electric suppliers. These requirements are designed to alleviate barriers to competition for residential and small commercial customers in Illinois. Ameren Illinois' consolidated billing and purchase of receivable program has been available since October 17, 2009 and Commonwealth Edison's program has been available since January 2011. Public Act 95-0700 also requires ComEd and Ameren Illinois to implement a purchase of uncollectibles program. The Commission approved Ameren Illinois' program Nov. 8, 2011 and it has been implemented. ComEd's program was approved in March, 2012. On December 5, 2012 the Commission entered a Final Order adopting Illinois Administrative Code Part 412 Obligations of Retail Electric Suppliers. Part 412 contains requirements for consumer education and protection involving programs for electric customer choice.

Alternative Retail Electric Supplier Service

As of November 30, 2012, more than 1.6 million residential customers in Illinois were purchasing power and energy from an Alternative Retail Electric Supplier and approximately 243,000 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area. The percentage of RES usage among all non-residential customers in the service territories of Ameren Illinois and Commonwealth Edison continues to exceed 90 percent. Customer switching increased significantly in 2012 as more and more communities approved municipal aggregation for their electricity needs. More than 400 communities in Illinois have chosen to negotiate electricity pricing with ARES on behalf of their residents. Detailed electric customer switching statistics can be viewed on the Commission's web page at <http://www.icc.illinois.gov/electricity/switchingstatistics.aspx>

Electric Rate Proceedings

During 2012, the Commission issued a series of orders implementing terms of the Energy Infrastructure Modernization Act for ComEd and Ameren Illinois. ComEd filed the first case 11-0721. The Commission entered an order in May, 2012 establishing new rates, then allowed rehearing on several issues. In its final order on rehearing the Commission determined the ComEd could earn a return on pension assets. In addition to the first formula rate case, the Commission also approved ComEd's smart grid proposal, 12-0298, and granted the company's request to defer the start of the program until 2015. The Commission also approved new rates for ComEd customers effective in 2013 under the first annual update to formula rates, 12-0321.

The Commission set new rates for Ameren Illinois customers under the Modernization Action Plan, 12-0001. Ameren Illinois will invest more \$625 million over ten years to upgrade its electric system, modernize training and other facilities and invest in smart grid improvements. In related cases, the Commission approved Ameren Illinois smart grid implementation plan and the annual update to its formula rates, setting new rates which become effective in January, 2013.

In Feb. 2012 the Commission entered an order on remand in ComEd Docket 07-0566, recalculating ComEd's rate base consistent with an Appellate Court decision on accumulated depreciation. The new order directed ComEd to refund \$36.7 million to customers.

CONSUMER EDUCATION PROGRAMS

Electric Customer Choice –"Plug in Illinois"

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electricity utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights and responsibilities. The ORMD continually updates the content on the Commission's electric choice website, PluginIllinois.org, including a list of municipalities pursuing aggregation, the residential price to compare for both Ameren Illinois and Commonwealth Edison, and monitors the offers posted by Alternative Retail Electric Suppliers.

Natural Gas Choice

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be licensed by the ICC. At the end of 2012, 25 companies were licensed as alternative gas suppliers in Illinois. Public Act 95-1051, which took effect April 10, 2009 expanded consumer rights and protections. The Commission website includes consumer education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for addressing complaints.

The Commission received a final report on the audit of Just Energy's management practices in 2012. The audit of the alternative gas supplier was the result of a 2008 complaint filed against Just Energy. Just Energy petitioned the Commission to recognize its compliance with the audit recommendations and to remove the Commission's requirement that Just Energy continue reporting complaints to the ICC daily. The request was pending at the end of 2012.

ENERGY ISSUES: Gas

Gas Price Increases

The Commission continued in 2012 to review the commodity cost of natural gas through annual reconciliation dockets looking at Purchase Gas Adjustment filings submitted by the gas utilities.

Gas Rate Proceedings

In 2012 the Commission issued orders setting new gas delivery rates for Ameren, North Shore and Peoples Gas, Light and Coke Company.

On Jan. 5, 2012 the Commission entered an order in Ameren Illinois' rate case, 11-0282, granting an increase in natural gas delivery service rates for each of its three rate zones.

Peoples Gas filed a rate case, 12-0512, in July citing Section 9-220 of the Public Utilities Act. The company opted out of participation in a long-term sourcing agreement with Chicago Clean Energy and therefore was required to file biennial rate cases beginning in 2012. The company indicated it also would need additional revenue to pay for continued capital projects including its main replacement program.

FERC

In 2012, the Federal Energy Regulatory Commission (FERC) continued to focus on efficiency and transparency in the electricity and natural gas markets. FERC launched several rulemakings and inquiries intended to improve the transparency of prices in wholesale natural gas markets and to update the rules and regulations of certification for natural gas pipeline companies seeking to extend existing facilities or construct new ones. On the electricity side, FERC continued to focus on transmission planning, cost allocation of new transmission facilities, ensuring electric reliability and the interdependence of the natural gas and electric industries. The production and transmission of renewable energy continue to be a major issue at the FERC. While the ICC has supported the integration of renewable energy resources into the wholesale electricity markets, it remains concerned about how the costs are spread to Illinois ratepayers, and participated in appeals of recent FERC decisions.

WATER AND SEWER ISSUES

Illinois-American Water Company ("IAWC"), the state's largest investor-owned water and sewer utility, filed a request to increase rates in 2011. The Commission entered an order in 2012 approving new water and sewer rates for customers in the Chicago, Peoria, Champaign, Metro East and other areas in Illinois.

Aqua Illinois, Inc. ("Aqua") is the state's second largest investor-owned water and sewer utility. In April 2011, Aqua filed tariffs requesting a general increase in water and sewer rates for all of its divisions, except for the Kankakee Division.

In May 2012, the Commission entered an order allowing rates increase for customers of Charmar Water Company, Cherry Hill Water Company, Clarendon Water Company, and Killarney Water Company. Ferson Creek Utilities Company and Harbor Ridge Utilities, Inc. also filed tariffs requesting a general increase in water and sewer rates. All six utilities are subsidiaries of Utilities, Inc. Included in the orders was the option for customers to phase in the rate increases over time, although interest would be charged on the balance.

Small water utilities filing requests in 2012 for water rate increases using the Simplified Rate Case Procedures were Lake Marian, Holiday Hills and Wildwood Water Service Company.

COMMISSION ACTIVITIES

As of the end of December 2012 the Commission had approved licenses for 243 agents, brokers or consultants who sought authority to procure or sell retail electricity to utility customers in Illinois. Seven were approved early in 2013. Five applications for licenses are pending. Sample applications for licensing, bond information and administrative code parts outlining the licensing requirements, as well as a code of conduct are available on the ICC's website. Agents, brokers and consultants applying for licenses to sell or market electricity in Illinois must adhere to the rules and provide the Commission with evidence of managerial, technical and financial capability. Each application must be reviewed within 90 days in compliance with the Public Utilities Act.

The Commission's Electric Policy and Natural Gas committees met with electric and natural gas utility, and energy executives to discuss energy supply issues, demand forecasts for 2012-2013. The Commission also reviewed and approved the Illinois Power Agency's procurement plan for ComEd and Ameren Illinois' residential and small commercial customers for 2013-2014. Part of that procurement plan was a sourcing agreement with FutureGen 2.0, a retrofit clean-coal project scheduled for development near Meredosia in Morgan County. The sourcing agreement requires the state's electric utilities to purchase electricity from FutureGen 2.0 for 20 years, with the utilities then permitted to collect costs for the project on a pro rata basis from alternative retail electric suppliers.

Two major electric transmission projects were filed with the ICC in 2012: Clean Line Energy Partners filed a petition seeking a certificate to develop, construct and operate the Rock Island Clean Line, a multi-state, high voltage transmission line that will connect renewable energy resources, such as wind in the upper Midwest, to other parts of the country where the energy is needed. The full

proposal is found in Docket 12-0560. ATXI, a subsidiary of Ameren Illinois, also filed a petition seeking a certificate to construct, operate and maintain a 375 mile long, 345 kV electric transmission line that will cross portions of 18 central Illinois counties. The case is 12-0598. Both cases were pending at the end of the year.

INTRODUCTION

The following report for calendar year 2012 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

Nine specific sections on which the Commission is asked to report are cited in the Act. The report is therefore divided into nine main parts, as follows:

- A general review of agency activities;
- A discussion of the utility industry in Illinois;
- A discussion of energy planning;
- The availability of utility services to all persons;
- Implementation of the Commission's statutory responsibilities;
- Appeals from Commission orders;
- Studies and investigations required by state statutes;
- Impacts of federal activity on state utility service; and
- Recommendations for proposed legislation.

For the convenience of the reader, each part is given the same number designation as the corresponding subsection of the Public Utilities Act that it addresses.

Other information about the Commission and its activities is available from the Commission's web site, www.icc.illinois.gov.

During 2012, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

John T. Colgan

Sherman J. Elliott

Lula M. Ford

Erin M. O'Connell-Diaz

Ann McCabe

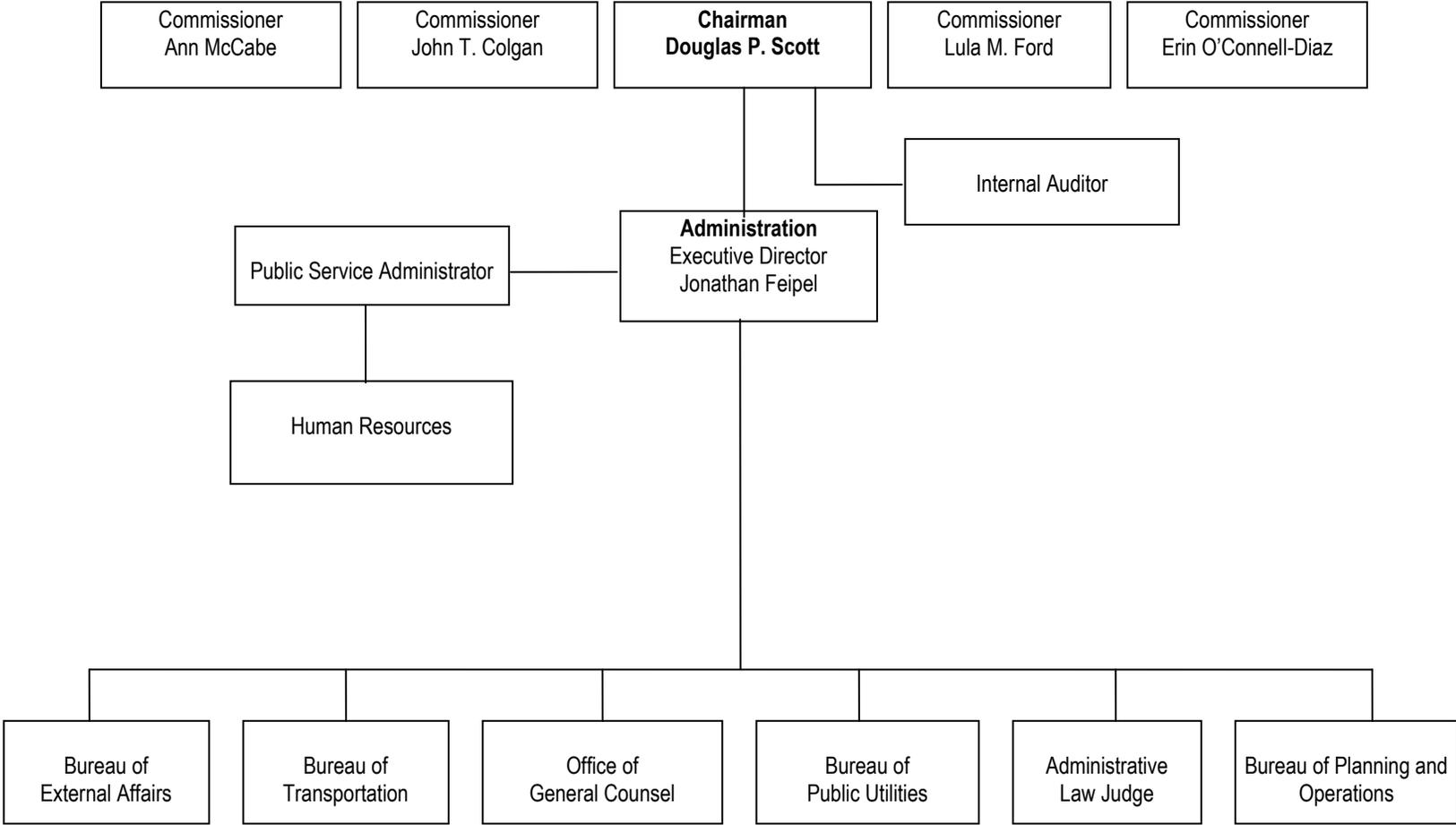
Doug Scott

ILLINOIS COMMERCE COMMISSION

STATEMENT OF MISSION

The Illinois Commerce Commission, in a period of emerging reliance on the marketplace to ensure fairly-priced, reliable, and adequate utility services, will protect consumer interests and manage the transition of network industries from regulation to efficient competition through the use of innovative regulatory practices. Through its actions, the ICC shall generally promote effective competition in utility and transportation industries, enhanced consumer choice, efficient and effective dispute resolution, and the sharing of impartial and comprehensive information within its jurisdiction as provided by law.

ILLINOIS COMMERCE COMMISSION
ORGANIZATION CHART



SECTION 1

General Review of Agency Activities

Public Utilities Act Section 4-304 requires:

(1) A general review of agency activities and changes, including:

(a) a review of significant decisions and other regulatory actions for the preceding year, and pending cases, and an analysis of the impact of such decisions and actions, and potential impact of any significant pending cases;

(b) for each significant decision, regulatory action and pending case, a description of positions advocated by major parties, including Commission staff, and for each such decision rendered or action taken, the position adopted by the Commission and reason therefore;

REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2012. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

Copies of these documents are available free of charge to public officers; others may obtain copies upon payment of the fee established in Section 2-201 of The Public Utilities Act. Selected orders and other Commission documents may be found on the Commission's web page (www.icc.illinois.gov) or in the Commission's electronic docketing system (<http://eweb.icc.illinois.gov/e-docket>).

PENDING CASES

As noted above, Section 4-304 of the Public Utilities Act also requires a review of pending cases, including an analysis of the potential impact and a description of positions advocated by staff and major parties. The Commission feels that it is precluded from entering into discussions of pending issues or characterizing positions advocated by staff and parties in pending cases. The dangers of acting otherwise include the possibility of violating restrictions on ex parte communications (see Section 10-103 of the Public Utilities Act and 83 Ill. Adm. Code 200.710) and the possibility of later being held to have prejudged issues pending before the Commission as of the date of this report. The Commission's record in pending cases is available for examination through the Chief Clerk's Springfield office.

SIGNIFICANT REGULATORY ACTIONS

Significant actions taken by the Commission during 2012 are described in the summary statement, "The Year in Review," immediately preceding this section.

(1-c) a description of the Commission's budget, caseload, and staff levels, including specifically:

(i) a breakdown of type of case by the cases resolved and filed during the year and of pending cases;

CASES FILED DURING 2012

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2009, 2010, 2011 and 2012. This table also shows the totals by type for the year.

e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM

To aid both the Commission staff and the public at large, the Illinois Commerce Commission has developed an electronic filing, reporting, and case management system called e-Docket that is accessible on the World Wide Web.

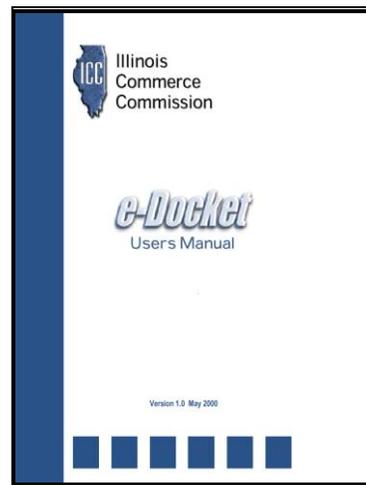
e-Docket is a Web-based, automated information and records-keeping system. It was developed to process and manage public information about the Commission's official cases and rulemaking proceedings. A person using e-Docket may conduct searches in two ways:

- **Search for cases:** permits searches by case types, service types, companies, and/or a date range as parameters.
- **Search for documents:** permits searches by document types, docket numbers, and/or a date range.

e-Docket has a variety of practical uses. Anyone interested in case proceedings conducted by the ICC may visit the e-Docket web site at <http://web.icc.illinois.gov/e-docket> and view a wealth of information about active and closed cases initiated on or after January 1, 2000.

e-DOCKET USERS MANUAL PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS

A twenty-four-page e-Docket users manual is available on the e-Docket web site to assist viewers in finding information about cases. It is important to remember, however, that e-Docket was first used as a way to store electronic documents in January 2000. Documents created prior to January 1, 2000, were filed with the Commission in paper format only. These are available for viewing in the Commission's Chief Clerk's Office.



**Table 1-1
Utility Cases Monthly Report**

MONTHLY TOTALS	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calander Year To Date
Filings:														
New Cases	2012	82	72	101	61	53	41	51	45	38	46	53	56	699
	2011	91	100	127	63	76	51	49	53	58	36	42	64	810
	2010	84	70	99	64	42	65	56	48	41	56	54	65	744
	2009	61	64	59	40	37	35	51	52	38	45	109	32	623
Filings/Reports (SPI)	2012	740	757	970	771	797	575	730	653	494	773	563	587	8,410
	2011	797	522	625	706	515	553	494	614	644	745	460	652	7,327
	2010	845	219	704	631	519	446	674	783	551	706	529	588	7,195
	2009	575	585	454	574	444	384	604	689	548	599	657	752	6,865
Filings/Reports (CHI)	2012	-	-	-	-	-	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-	-
	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	-	-	-	-	-	-	-	-
Hearing & Commission Action Notices	2012	181	203	213	208	185	88	171	182	138	200	173	137	2,079
	2011	143	142	237	209	176	151	142	177	179	156	156	160	2,028
	2010	148	166	189	177	170	161	220	201	152	173	159	138	2,054
	2009	107	106	115	119	106	116	160	136	163	130	135	159	1,552
Supplemental/Reopen Petitions	2012	-	-	3	-	-	-	2	-	-	-	-	-	5
	2011	-	1	-	-	-	-	-	-	1	1	-	-	3
	2010	-	-	-	-	-	-	-	-	-	-	-	-	-
	2009	-	-	-	-	-	1	-	-	1	-	3	-	5
Petitions for Rehearing	2012	2	14	3	-	3	10	2	2	1	5	2	4	48
	2011	8	-	4	1	1	11	1	1	1	1	-	-	29
	2010	1	9	-	2	14	13	4	-	-	6	-	7	56
	2009	-	-	1	5	4	-	3	2	-	-	2	-	17
Notice of Appeals	2012	-	-	3	-	-	-	2	1	1	3	-	1	11
	2011	6	-	1	-	-	1	2	6	2	-	-	-	18
	2010	2	2	2	1	-	1	5	1	-	1	2	2	19
	2009	-	-	1	-	2	-	-	3	2	-	-	-	8
Cases Closed (Orders/Commission Actions)	2012	56	55	63	61	91	88	45	55	59	70	71	57	771
	2011	33	84	77	77	107	73	72	48	49	49	41	51	761
	2010	48	72	83	82	59	86	56	52	69	56	33	89	785
	2009	24	65	75	41	52	38	46	42	36	34	50	59	562
Tariff Filings	2012	154	102	165	170	245	252	130	158	157	114	85	108	1,840
	2011	142	148	99	106	137	114	102	105	101	104	93	163	1,414
	2010	122	115	157	118	175	197	122	122	115	100	122	160	1,625
	2009	131	109	140	116	237	139	144	95	121	116	92	131	1,571

(ii) a description of the allocation of the Commission's budget, identifying amounts budgeted for each significant regulatory division, or office of the Commission and its employees.

(iii) a description of current employee levels, identifying any change occurring during the year in the number of employees, personnel policies, and practices or compensation levels; and identifying the number and type of employees assigned to each Commission regulatory function and to each department, bureau, section, division, or office of the Commission.

The following table shows the Commission's budget and authorized headcount by divisions and funding source.

TABLE 1-3
Budget and Headcount by Division
For Fiscal Year 2013

	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$	Head Count	Budget \$
Public Utility Fund	11	1,513,900	185	29,729,200	0	0	196	31,243,100
Transportation Fund	1	130,300	0	0	74	18,103,100	75	18,233,400
Capital Development Fund	0	0	0	0	0	52,857	0	52,857
Underground Utilities Damage Prevention Fund	0	0	0	126,000	0	0	0	126,000
Wireless Carrier Reimbursement Fund	0	0	0	7,300,000	0	0	0	7,300,000
Wireless Services Emergency Fund	0	0	0	76,000,000	0	0	0	76,000,000
Totals	12	1,644,200	185	113,155,200	74	18,155,957	271	132,955,357
Headcount is shown at the authorized level for FY13								
Budget \$ shown represents the FY13 appropriation.								

(1-d) a description of any significant changes in Commission policies, programs or practices with respect to agency organization and administration, hearings and procedures or substantive regulatory activity.

AGENCY ORGANIZATION AND ADMINISTRATION

The ICC's Public Utilities Bureau was reorganized, effective February 16, 2012, in response to the changing nature of work in the bureau. The reorganization, which increased the ICC's flexibility in responding to current mandates, resulted in three divisions: Financial Analysis, Safety and Reliability and Policy. Sections under the umbrella of the Financial Analysis Division include Rates, Finance and Accounting. The Policy sections include Policy Programs and Federal Policy Programs. The new Safety and Reliability Division includes the 9-1-1 program, Reliability Assessment, Energy Engineering, Water Engineering, Telco Engineering, JULIE Enforcement and Pipeline Safety.

SECTION 2

**A Discussion of
the Utility
Industry in
Illinois**

2. A discussion and analysis of the state of each utility industry regulated by the Commission and significant changes, trends and developments therein, including the number of types of firms offering each utility service, existing, new and prospective technologies, variations in the quality, availability and price for utility services in different geographic areas of the State, and any other industry factors or circumstances which may affect the public interest or the regulation of such industries.

SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT

Many of the developments in the electric industry came in the aftermath of the end of the rate reductions and freeze originally set forth in the Electric Service Customer Choice and Rate Relief Law of 1997 (“the 1997 Law”). Concern over higher rates subsequent to the end of the rate freeze culminated in the Illinois Power Agency Act, P.A. 095-0481 (“the IPAA”). The IPAA created a state agency, the Illinois Power Agency, to procure power and renewable energy resources for Commonwealth Edison Company (“Commonwealth Edison”) and the three Illinois Ameren Companies (AmerenCILCO, AmerenCIPS, and AmerenIP). In addition, the IPAA required that major utilities meet goals for energy efficiency and demand response programs.

Public Act 96-0033 (Senate Bill 1918), which became effective in 2009, produced significant changes for Illinois electric and gas public utilities, their customers, and the Commission. This Act directed electric and gas utilities serving more than 100,000 customers to offer percentage of income payment plans to their customers; these plans would provide assistance to customers paying more than 6% of their income for electric and gas utility bills combined. The Act also directs the same electric and gas utilities to offer their customers on-bill financing for the purchase of cost-effective energy efficiency measures. It allows all electric and gas utilities to recover excess bad debt expenses through an automatic rate adjustment mechanism generally known as a “rider.” The Act clarified the deadline for the electric utilities to file plans outlining energy efficiency and demand response measures, and required gas utilities with more than 100,000 customers to implement energy efficiency measures. The Act also added restrictions on the employment of former Commissioners and Commission employees, required the Commission to address specifically utility rate case expenditures for attorneys and experts in each general rate case, required transcripts of all Commission meetings to be a part of the record in each case, and expanded the scope of prohibited communications pertaining to rate matters. Finally, the Act imposed renewable portfolio standards on alternative retail electric suppliers and utilities operating outside their service territories.

Electric Power Procurement Obligations

Wholesale electricity purchased by Commonwealth Edison Company (“ComEd”) and Ameren Illinois Companies is subject to Section 1-75 of the Illinois Power Agency Act (“IPA Act”)¹ and Section 16-111.5 of the Public Utilities Act (“PUA”)². These laws include the following major features:

- An annual procurement plan is prepared by the Illinois Power Agency (“IPA”).
 - A draft plan is first submitted (by August 15) and subject to a 30-day public comment period.
 - At the end of the 30-days, the revised plan is filed with the Commission.
 - Parties have five days to raise objections with the filed plan.
 - The Commission has another five days to determine if hearings should be held.
 - A Commission order approving or modifying the plan must be entered within 90 days of the plan filing.³
- Procurement of “standard products” must be made through sealed-bid, pay-as-bid RFP processes.
- Procurement of “renewable energy resources” is also required according to the States’ renewable portfolio standard (“RPS”), consisting of a schedule and a set of restrictions and preferences detailed in Section 1-75(c) of the IPA Act⁴.
- The RFP process is conducted by an IPA-hired and Commission-approved “procurement administrator.”

¹ 20 ILCS 3855/1-75

² 220 ILCS 5/16-111.5

³ There is currently a procurement plan proceeding before the Commission (Docket 09-0373), and Ex Parte laws prevent any discussion of that case within this briefing.

⁴ 20 ILCS 3855/1-75(c)

- The RFP process is monitored by a Commission-hired “procurement monitor.” At present, the Commission’s procurement monitor is the consulting firm of Boston Pacific Company.
- The procurement administrator and monitor independently submit to the Commission confidential reports within two business days after the receipt of bids.
- The Commission reviews the confidential reports and either accepts or rejects the recommendations of the procurement administrator within two business days after receipt of the reports.
- If, by the above action, the Commission approves of utilities entering into contracts, then contracts with winning bidders are executed within three business days.

To date, the implementation of plans subject to the above-cited portions of the IPA Act and the PUA has concluded with a series of five separate bidding events in the spring for five types of contracts:

1. Financial energy swaps entered into by Ameren to establish fixed-quantity price hedges vis-à-vis MISO⁵ day-ahead and real-time spot prices over portions of a one to three-year period.
2. Analogous physical energy contracts entered into by ComEd, to establish fixed-quantity price hedges vis-à-vis PJM⁶ day-ahead and real-time spot prices over portions of a one to three-year period.
3. Contracts for a fixed quantity of renewable energy certificate (“REC”) generated during the upcoming 12-month plan year, in order to enable Ameren to satisfy the State’s RPS.
4. Analogous REC contracts to enable ComEd to satisfy the State’s RPS.
5. Capacity contracts to enable Ameren to satisfy resource adequacy requirements of MISO over portions of a one to three-year period.⁷

The results of previous procurements can be found on the Commission’s web site at <http://www.icc.illinois.gov/electricity/ElectricityProcurement.aspx>.

Shortly after the conclusion of the spring procurement events, Ameren and ComEd revise the base level of retail charges through which the costs of electricity and RECs are recovered from customers. Actual revenues and actual costs are monitored on a monthly basis, and rates are adjusted, as necessary, to minimize the accumulation of a revenue-cost imbalance. An annual audit and reconciliation proceeding is also held.

Retail Electric Choice

The Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state’s electric service industry to allow for competition among suppliers. The 1997 Law established a fixed timetable for the introduction of electric retail choice in Illinois, beginning with approximately 64,000 non-residential electric customers, or about one-seventh of all non-residential customers, on October 1, 1999. An additional 609,000 non-residential customers became eligible for retail choice on January 1, 2001. An estimated 4.4 million Illinois residential customers became eligible for the retail choice program in May 2002. All customer classes are now eligible to choose alternative suppliers. At the end of December 2012, 79 suppliers were certified to serve non-residential customers though 12 of those sought Commission authority to only serve themselves or affiliates. Forty-nine suppliers were certified to serve residential customers. As of November 30, 2012, over 1.6 million residential customers were purchasing power and energy from a Retail Electric Supplier (RES) and approximately 243,000 non-residential customers in Illinois were purchasing power and energy from a RES. The percentage of RES usage among non-residential customers with a peak demand above one megawatt in the service territories of Ameren Illinois and Commonwealth Edison continues to exceed 90 percent. Detailed electric customer switching statistics can be viewed on the Commission’s web page at <http://www.icc.illinois.gov/electricity/switchingstatistics.aspx>.

Since electric competition was beneficial to larger commercial customers but little competitive activity occurred in the residential and smaller commercial customer classes, the Illinois General Assembly passed Public Act 94-1095 (the “Retail Electric

⁵ MISO is the Midwest Independent Transmission System Operator. It is the regional transmission organization (“RTO”) to which Ameren belongs. MISO coordinates the movement of power in 13 U.S. states and the Canadian province of Manitoba. <http://www.midwestiso.org>

⁶ PJM is the PJM Interconnection, which is the RTO to which ComEd belongs. PJM coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia. Originally, it operated within Pennsylvania, New Jersey, and Maryland; hence the name, PJM. <http://www.pjm.com/>

⁷ ComEd has been authorized by previous approved procurement plans to satisfy resource adequacy requirements through payments directly to PJM, derived through PJM’s Reliability Pricing Model (“RPM”).

Competition Act”) in 2007 reiterating “its findings from the Electric Service Customer Choice and Rate Relief Law of 1997 that the Illinois Commerce Commission should promote the development of an effectively competitive retail electricity market that operates efficiently and benefits all consumers.” Public Act 94-1095 created the Office of Retail Market Development to actively seek out ways to promote retail competition in Illinois to benefit all consumers. The Office of Retail Market Development has spent much of its time with the implementation of Public Act 95-0700 (which became effective November 2007) requiring Commonwealth Edison and Ameren Illinois to provide utility consolidated billing and the purchase of RES receivables. The requirements of Public Act 95-0700 were designed to remove some barriers to competition for residential and small commercial customers in Illinois. Ameren implemented a utility consolidated billing and purchase of receivables program on October 17, 2009. ComEd’s consolidated billing and purchase of receivables program was implemented its program on December 21, 2010. Public Act 95-0700 also requires Ameren Illinois and ComEd to implement a purchase of uncollectibles or POU program. The Commission approved the Ameren Illinois program on November 8, 2011 and the program has since been implemented. ComEd filed its POU tariffs on May 15, 2011 and the Commission entered an order approving the program in March 2012.

In the Commission’s Order on August 19, 2009 approving the Ameren Illinois Utilities’ consolidated billing and purchase of receivables program, the Commission concluded that, “consumer education and protection are both very important to any program implementing customer choice, particularly for smaller customers.” Staff was ordered to submit a proposed First Notice Rule of consumer protections and education measures by the end of 2009. Staff submitted to the Commission proposed obligations of retail electric suppliers which include additional consumer protections and education measures. On December 2, 2009, the Commission entered a First Notice Rule and initiated a Docket to provide interested parties further opportunities to comment on Staff’s proposal. On November 22, 2011 the Commission entered a Second Notice Order and submitted the rule to the Joint Committee on Administrative Rules of the Illinois General Assembly, pursuant to Section 5-40(c) of the Illinois Administrative Procedure Act. Additional obligations of RESs included in the proposed rules include uniform disclosures, marketing requirements, a “Do Not Market List”, training requirements for sales agents, a longer rescission period, record retention and availability requirements, notification of contract renewal and dispute resolution procedures. On December 5, 2012, the Commission entered a final order adopting Illinois Administrative Code Part 412 Obligations of Retail Electric Suppliers.

On July 31, 2012, the Commission entered an order initiating a proceeding to develop rules regarding municipal aggregation to implement the appropriate provisions of the Illinois Power Agency Act and the Public Utilities Act. On November 1, 2012, Staff filed its comments including a draft rule. The municipal aggregation rulemaking proceeding is ongoing in ICC Docket No. 12-0456.

DISCUSSION OF THE QUALITY, AVAILABILITY, AND PRICE OF UTILITY SERVICES BY GEOGRAPHIC AREA

ELECTRICITY

Four investor-owned public utilities provide electric service to retail customers in the State of Illinois:⁸

- Ameren Illinois
- Commonwealth Edison Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company

Municipal systems and electric cooperatives also provide electric service in Illinois; these municipal systems and electric cooperatives are not subject to regulation by the Commission.⁹

A detailed presentation of the 2011 sales statistics presented below can be found in the Commission’s “Comparison of Electric Sales Statistics for Calendar Years 2010 and 2011” at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx>.

Northern Illinois

Two public utilities provide electric service in northern Illinois: Commonwealth Edison Company, and MidAmerican Energy Company. Commonwealth Edison Company is the largest investor-owned electric utility in Illinois, serving 3,818,690 customers in

⁸ On October 1, 2010, AmerenCILCO, AmerenCIPS, and AmerenIP merged into one operating company based in Peoria, called Ameren Illinois.

⁹ Data concerning quality, availability, and price for these municipal electric systems and electric cooperatives are not reported to the Commission and are not included in this report.

the northern Illinois including the Chicago metropolitan area. MidAmerican Energy Company provides service to 84,815 customers in northwestern Illinois.

For 2006 through 2011, these two utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2006	2007	2008	2009	2010	2011
Commonwealth Edison	7.74¢	10.30¢	11.06¢	10.91¢	11.44¢	11.77 ¢
MidAmerican Energy	6.17	6.07	6.06	6.07	6.19¢	6.21¢

Central Illinois and Southern Illinois

Two investor-owned public utilities provide electric service to central Illinois and southern Illinois: AmerenIL and Mt. Carmel Public Utility Company. AmerenIL serves 1,197,805 customers in central and southern Illinois. Mt. Carmel Public Utility Company serves 5,489 customers in southeastern Illinois.

For 2006 through 2011, these utilities charged the following average prices, shown in cents per kWh, for bundled service and full requirements service customers:

	2006	2007	2008	2009	2010	2011
AmerenCILCO	6.30¢	10.08¢	9.52¢	9.38¢		
AmerenCIPS	5.78	9.17	9.91	9.69		
AmerenIP	6.68	10.01	10.62	10.87		
AmerenIL				0.21	9.69	9.46¢
Mt. Carmel	7.75	9.29	12.36	12.82	12.45	12.53¢

Table 2-1

The bundled service price of electricity sold by the electric utilities varied between utilities and within utilities depending upon the class of customer served. Table 2-1 shows detailed price per kWh information for all six electric utilities under ICC Jurisdiction.

Table 2-1
Illinois Electric Utilities
Revenue in Cents per kWh for Bundled Service and Full Requirements Service by Class of Service and by Company
2011

Class of Service	<u>Ameren</u> <u>Illinois</u>	<u>ComEd</u>	<u>Mid-</u> <u>American</u>	<u>Mt.</u> <u>Carmel</u>
Residential Sales	10.14	12.57	8.32	13.03
Small (or Commercial) Sales	9.52	10.18	6.50	13.57
Large (or Industrial) Sales	3.96	6.84	4.18	11.25
Public Street & Highway Lighting	10.24	9.37	8.86	-
Other Sales To Public Authorities	9.44	8.06	5.12	9.52
Sales to Ultimate Customers	9.46	11.77	6.21	12.53

Electric Reliability

Pursuant to Section 16-125 of the Public Utilities Act and the Commission's electric reliability rules found in 83 Ill. Adm. Code 411, each of the electric utilities under the Commission's jurisdiction files an annual electric reliability report summarizing the utility's reliability performance, its actions to maintain or improve its reliability, and other electric system reliability issues that may be specific to the utility. Ameren Illinois Company (AIC), Commonwealth Edison Company (ComEd), MidAmerican Energy Company (MEC), and Mount Carmel Public Utility Company (MCPU) filed annual electric reliability reports in 2011.¹⁰ The annual electric reliability reports can be found on the Commission's web site at: <http://www.icc.illinois.gov/electricity/electricreliability.aspx>.

The following table presents the annual CAIDI each utility reported for the years 2007 through 2011. CAIDI, expressed in minutes, provides the average duration of interruptions that customers of each of the reporting electric utilities experienced. CAIDI is calculated by dividing the annual sum of all customer interruption durations by the total number of customer interruptions.

CAIDI					
	2007	2008	2009	2010	2011
AmerenCILCO	151	303	197	188	
AmerenCIPS	146	222	462	107	
AmerenIP	346	198	187	166	
Ameren Illinois Company ¹					234
Commonwealth Edison Company	193	180	112	181	366
MidAmerican Energy Company	291	880	106	172	87
Mt. Carmel Public Utility Company	63	69	76	121	154

The following table presents the annual SAIFI each utility reported for the years 2007 through 2011. SAIFI provides the average number of electric service interruptions that customers of each of the reporting electric utilities experienced. SAIFI is calculated by dividing the total number of customer interruptions that occurred on the utility's system by the total number of customers that the utility served (as with CAIDI, a lower value means better reliability).

SAIFI					
	2007	2008	2009	2010	2011
AmerenCILCO	1.16	1.75	1.37	1.33	
AmerenCIPS	1.46	1.88	1.51	1.13	
AmerenIP	1.38	1.41	0.99	1.08	
Ameren Illinois Company ¹					1.35
Commonwealth Edison Company	1.53	1.33	1.01	1.35	1.57
MidAmerican Energy Company	3.95	4.17	2.51	2.99	2.04
Mt. Carmel Public Utility Company	2.56	4.30	2.32	4.89	6.26

NATURAL GAS

Nine (9) investor-owned gas public utilities currently provide natural gas service in the State of Illinois:

AmerenIllinois

¹⁰ In October of 2010, the three separate Ameren electric and gas utilities in Illinois – Central Illinois Light Company (d/b/a AmerenCILCO), Central Illinois Public Service Company (d/b/a AmerenCIPS), and Illinois Power company (d/b/a AmerenIP) – merged into a single electric and gas utility called Ameren Illinois Company ("AIC"). For 2011, AIC reported electric reliability data for its single electric service area rather than separate data for each of its three legacy utilities.

Consumers Gas Company
 Illinois Gas Company
 Liberty Energy
 MidAmerican Energy Company
 Mt. Carmel Public Utility Company
 Nicor Gas Company
 North Shore Gas Company
 Peoples Gas Light and Coke Company.

Municipal gas systems and gas cooperatives also provide natural gas service in Illinois; these municipal gas systems and gas cooperatives are subject to regulation by the Commission.¹¹

During 2012, natural gas service was available without major interruption to all firm customers served by these 9 Illinois gas utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Additionally, residential customers served by Nicor Gas Company, North Shore Gas Company, Peoples Gas Light and Coke Company are allowed to purchase gas directly from wholesale suppliers. During 2013, sufficient supplies of natural gas are expected to be available to all customers.

A detailed presentation of the 2011 sales statistics presented below can be found in the Commission's "Comparison of Gas Sales Statistics for Calendar Years 2011 and 2010" at <http://www.icc.illinois.gov/publicutility/salesstatistics.aspx?type=g>.

Northern Illinois

Four public utilities distribute and sell natural gas in northern Illinois: MidAmerican Energy Company, Nicor Gas Company, North Shore Gas Company, and Peoples Gas Light and Coke Company.

Nicor Gas Company is the largest gas distribution company in the state and provides service to 1,932,591 customers in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, has 772,945 customers. North Shore Gas Company serves 146,484 gas customers in communities north of the Chicago area. Finally, MidAmerican Energy Company serves 65,334 customers in northwestern Illinois.

As with the price of electricity, the price of gas varies among utilities and is generally determined by the suppliers of natural gas that serve the local distribution company.

For 2007 through 2011, these four utilities charged the following average prices shown in cents per therm:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
MidAmerican	101.18¢	107.78¢	76.94¢	84.11¢	82.47¢
Nicor Gas	88.40	101.23	68.26	75.65	68.50
North Shore	114.96	118.71	89.93	89.86	82.56
Peoples Gas	127.01	128.48	96.14	96.54	87.85

Central Illinois

One public utility distributes and sells natural gas in central Illinois: AmerenIL. AmerenIL provides gas service to 810,049 customers, making it the second largest gas utility in the state.

For 2007 through 2011, these utilities charged the following average prices shown in cents per therm

¹¹ Data concerning quality, availability, and price for these municipal gas systems and gas cooperatives are not reported to the Commission and are not included in this report.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
AmerenCILCO	112.72¢	117.37¢	93.45¢		
AmerenCIPS	117.94	127.56	106.65		
AmerenIP	111.02	125.02	105.11		
AmerenIL			101.90	101.23	99.82

Southern Illinois

Gas distribution and sale of natural gas is provided in southern Illinois by AmerenIL as discussed above, and the following four smaller distribution companies: Consumers Gas Company, Illinois Gas Company, Liberty Energy, and Mt. Carmel Public Utility Company. Liberty Energy provides service to 22,537 customers in a number of distinct service areas in southern Illinois. Illinois Gas Company serves 9,693 customers in the Lawrenceville-Olney area. Consumers Gas Company serves 5,481 customers in the Carmi area. Finally, Mt. Carmel Public Utility Company serves 3,534 customers in the Mt. Carmel area.

For 2007 through 2011, these four utilities charged the following average prices shown in cents per therm

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Consumers Gas	112.18¢	127.28¢	102.27¢	90.97¢	81.48¢
Illinois Gas	120.40	131.81	91.05	89.15	84.04
Liberty Energy	107.94	126.50	91.08	88.26	91.53
Mt. Carmel	129.02	139.36	131.74	119.80	98.28

Table 2-2

The price of gas sold by the gas utilities varied between utilities and within utilities depending upon the class of customer served. A major portion of the price per therm of gas is determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 shows detailed 2011 price per therm information for all gas utilities under the Commission's jurisdiction.

Table 2-2
Illinois Gas Utilities
Revenue in Cents per Therm by Class of Service and by Company
2011

	<u>Ameren IL</u>	<u>Consumers Gas</u>	<u>Illinois Gas</u>	<u>Liberty Energy</u>	
Residential Sales	105.09	79.65	93.40	--	
Small (or Commercial) Sales	94.84	86.48	82.70	84.68	
Large (or Industrial) Sales	62.35	79.23	66.11	75.67	
Other Sales To Public Authorities	43.53	125.5	-	96.23	
Total Sales To Ultimate Customers	99.82	81.48	84.04	91.53	
	<u>Mid- American</u>	<u>Mt. Carmel</u>	<u>Nicor Gas</u>	<u>North Shore Gas</u>	<u>Peoples Gas</u>
Residential Sales	89.18	101.69	69.31	84.40	90.11
Small (or Commercial) Sales	73.35	90.81	66.42	74.17	77.39
Large (or Industrial) Sales	53.44	-	60.45	69.27	69.88
Other Sales To Public Authorities	-	-	-	-	-
Total Sales To Ultimate Customers	82.47	98.28	68.50	82.56	87.85

WATER AND SEWER UTILITIES

Overview

The Commission currently regulates 25 water, three sewer, and 12 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,755 public water suppliers and 850 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 921,000 people and sewer service to approximately 112,000 people. Investor-owned water utilities serve 7.5% of all persons in Illinois receiving water service from community public water supplies. These investor-owned water and sewer utilities serve customers in 35 counties and are primarily concentrated in the Chicago metropolitan area. The number of water and sewer customers served by each investor-owned utility ranges from 24 to 307,079. Only seven investor-owned water utilities and three investor-owned sewer utilities serve more than 1,000 customers. See Table 2-3 for a comparison of bills for investor-owned water utilities providing service to 1,000 customers or more.

The Commission has continued its efforts to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function efficiently as an investor-owned utility. The Commission has found that, in most cases, customers receive better service from larger utilities due to the economies of scale. The Commission has promoted acquisitions or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility exists of operating a small system as a mutual operation by a homeowners association. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems. This type of activity was evident during 2012:

- The Water Department continued to work with the owners of Colonial Meadows Water Company, Eastwood Manor Water Company, Nunda Utility Company, Crystal Clear Water Company, McHenry Shores Water Company, Woodlawn Utilities Corporation, Nordic Park Water and Sewerage Disposal Company, Inc., Rockvale Corporation, and Forestview Utilities Corporation, who expressed a desire to sell these small, struggling investor-owned water and sewer utilities in McLean, McHenry, Winnebago, Ogle, and Woodford Counties.
- In October, the Commission issued a Certificate of Public Convenience and Necessity to Aqua Illinois, Inc., which acquired the wastewater collection system of Tri-Star Estates from the Village of Bourbonnais, a small subdivision in Kankakee County (Docket No. 12-0219).
- In October, the Commission issued a Certificate of Public Convenience and Necessity to Aqua Illinois, Inc., which acquired the water system of the Moecherville Water District, a small public water district in Kane County (Docket No. 12-0467).

Regulatory Activities

The Commission issued Orders and approvals in the following rate cases:

- On February 16, 2012, issued an Order approving a water and sewer rates increase for all divisions of Aqua Illinois, Inc., except for the Kankakee Division (Docket No. 11-0436); an Order on Rehearing, which did not change the conclusions of the original Order, was issued on August 21, 2012
- On May 2, 2012, issued an Order on Rehearing approving a voluntary phase-in plan for a 2011 water rates increase for Great Northern Utilities, Inc. and Lake Holiday Utilities Corporation and a 2011 water and sewer rates increase for Camelot Utilities, Inc., three subsidiaries of Utilities, Inc. (Docket Nos. 11-0059/11-0141/11-0142 consolidated)
- On May 22, 2012, issued an Order approving a water rates increase for Charmar Water Company, Cherry Hill Water Company, Clarendon Water Company, and Killarney Water Company and a water and sewer rates increase for Ferson Creek Utilities Company and Harbor Ridge Utilities, Inc., six subsidiaries of Utilities, Inc. (Docket Nos. 11-0561 through 11-0566 consolidated); an Order on Rehearing, which did not change the conclusions of the original Order, was issued on November 28, 2012
- On June 6, 2012, approved revised tariffs increasing water rates for Bahl Water Corporation through the Simplified Rate Case Procedures
- On June 27, 2012, approved revised tariffs increasing water rates for Nunda Utility Company through the Simplified Rate Case Procedures
- On July 11, 2012, approved revised tariffs increasing water rates for Eastwood Manor Water Company through the Simplified Rate Case Procedures
- On September 19, 2012, issued an Order approving a water and sewer rates increase for all districts of Illinois-American Water Company (Docket No. 11-0767)

In addition to the above rate cases, in September 2012, Powers Water Company, Inc. filed an application for a general water rates increase using the Simplified Rate Case Procedures. Then, in October 2012, Utilities, Inc. filed tariffs requesting a general

increase in water rates for two of its subsidiaries, Apple Canyon Utility Company and Lake Wildwood Utilities Corporation (Docket Nos. 12-0603 and 12-0604 consolidated).

Some investor-owned utilities continue to use purchased water and sewage treatment surcharges and qualifying infrastructure plant surcharges. Purchased water and sewage treatment surcharges allow utilities to pass their cost of purchasing water or sewage treatment directly to the end-use customers. Qualifying infrastructure plant surcharges allow utilities to recover the cost of replacement mains, services, meters, and hydrants until such time that those investments are placed into rate base through the rate setting process. Currently, Harbor Ridge Utilities, Inc. and Illinois-American Water Company have purchased sewage treatment surcharges; Charmar Water Company, Del-Mar Water Company, Illinois-American Water Company, and Aqua Illinois, Inc., have purchased water surcharges; and Aqua Illinois, Inc. and Illinois-American Water Company have qualifying infrastructure plant surcharges.

Discussion of Water and Sewer Utilities

Water supplies for investor-owned water utilities were generally adequate in 2012. There was one drought-related incident for investor-owned water utilities in 2012. On October 13, Illinois-American Water Company reported that they experienced a drought-related water incident at its Cairo District. Due to low Ohio River levels in Cairo, the Cairo District water intake pumps had lost prime. A partially closed gate valve in the water intake was found to be the cause, and the valve was re-opened. On October 15, Illinois-American Water Company restored water service to customers in its Cairo District. A boil water order was issued due to the temporary interruption in water service. The boil water order was lifted on October 17.

Many of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers; these utilities use the rivers as their source of water supply. River supplies are generally adequate. When treated, the river water meets the standards established by the Illinois EPA.

Most of the smaller investor-owned water utilities serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state. Wells serve as the source of water supply for most small systems. Well water quality varies considerably, and well water can contain undesirable minerals such as iron, manganese, and calcium; these minerals, while not unsafe to health, do cause aesthetic problems. Aesthetic problems have led those served by well systems in the Chicago metropolitan area to obtain Lake Michigan water.

Bills for water service typically reflect a flat meter charge and a volumetric charge. Utilities that incorporate multiple volumetric charges use a declining block rate structure. Most of the large investor-owned water utilities also charge for providing fire protection service. The water rates vary considerably and depend on many factors, including the age of the water treatment plant and treatment process, the source of the water supply, and the need for infrastructure improvements. Overall, water bills for residential customers average \$40 to \$45 per month.

Of the 15 investor-owned utilities that provide sewer service, only three systems provide service to more than 1,000 customers. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest sewer systems have, where possible, sought treatment from nearby regional plants. For example, sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their wastewater to the MWRD for treatment. The investor-owned sewer utilities provide sewer service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service typically reflect flat rate charges or volumetric charges based on water usage, since metering of sewage flow is uneconomical and impractical for residential customers. The sewer rates vary considerably and depend on many factors, including the age of the sewage treatment plant and treatment criteria for the receiving stream. Overall, sewer bills for residential customers average \$35 to \$40 per month.

Table 2-3

Table 2-3 presents a comparison of monthly bills for residential customers of investor-owned water utilities providing service to 1,000 customers or more.

Table 2-3
Illinois Water Utility Rate Areas Serving 1,000 or More Customers
Comparison of Monthly Bills — Residential Customers with 5/8 Inch Meters
Based upon Rates in Effect on November 30, 2012

Area of State/ Utilities/ Service Areas	Total Number of Customers	Bill Comparison Based upon Water Usage		
		1,000 Gallons	5,000 Gallons	10,000 Gallons
NORTHERN				
Apple Canyon	2,681	\$ 24.43	\$ 47.25	\$ 75.77
Aqua Illinois				
Candlewick	1,836	20.71	39.59	63.19
Kankakee	28,778	25.16	47.32	75.02
University Park	2,408	19.89	32.99	49.37
Willowbrook	1,022	28.79	54.95	87.64
Galena Territory	2,254	19.59	46.47	80.07
Illinois-American				
Chicago Metro				
Well Water	1,541	28.17	48.63	74.22
Lake Water				
Chicago Suburban	4,316	41.04	63.61	91.83
DuPage County	6,182	36.70	64.63	99.55
Fernway	1,985	29.91	57.04	90.96
Sante Fe/SW & W Suburban	28,978	32.06	68.11	113.18
South Beloit	2,785	25.61	46.82	73.34
Sterling	6,483	25.17	45.69	71.35
Streator	7,414	25.73	46.19	71.78
Lake Holiday	2,058	9.98	29.02	52.82
Lake Wildwood	1,408	31.03	51.86	77.91
Whispering Hills	2,381	16.61	32.11	51.48
CENTRAL				
Aqua Illinois				
Vermilion	20,460	27.62	53.86	86.65
Illinois-American				
Champaign	51,729	25.20	45.72	71.38
Lincoln	5,764	25.97	44.90	68.56
Pekin	14,011	26.01	37.14	51.05
Peoria	52,069	25.91	46.37	71.96
Pontiac	4,287	25.25	45.71	71.30
SOUTHERN				
Illinois-American				
Alton	17,538	25.02	45.48	71.07
Cairo	1,062	33.70	54.16	79.75
Interurban	67,697	24.90	45.36	70.95

FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

Credit ratings are the single most comprehensive and widely accepted measure of the financial condition of a business enterprise. Several independent financial research firms provide rating services, which categorize corporate debt issues based on risk. All of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining credit ratings. In assigning ratings to a firm's debt, rating agencies consider both qualitative and quantitative factors. For a public utility, rating agencies review financial information, which can be separated into six categories: debt leverage, construction and asset concentration risks, earnings protection, financial flexibility and capital attraction, cash flow adequacy, and accounting quality. Non-financial rating criteria include service territory characteristics, fuel supply and generating capacity, operating efficiency, regulatory treatment, and management.

Standard and Poor's defines its highest issuer credit ratings as follows:

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

(Source: Standard & Poor's, RatingsDirect on the Global Credit Portal, August 20, 2010, pp. 3-4)

The following table shows the average nationwide electric utility industry credit rating, as well as the ratings for the three major electric utilities serving the State of Illinois. The majority of the operations of MidAmerican Energy Company are in other states.

Standard and Poor's Electric Utility Credit Ratings November 2007 through November 15, 2011

	2007	2008	2009	2010	2011
Electric Utility Industry Average	BBB	BBB	BBB	BBB	BBB
Ameren Illinois				BBB-	BBB-
AmerenCILCO	BB	BBB-	BBB-		
AmerenCIPS	BB	BBB-	BBB-		
AmerenIP	BB	BBB-	BBB-		
Commonwealth Edison	BB	BBB-	BBB	BBB	BBB
MidAmerican	A-	A-	A-	A-	A-

In October 2010, AmerenCILCO, AmerenCIPS and AmerenIP were merged into Ameren Illinois.

Like the electric utilities, natural gas distribution companies receive ratings on their debt, which reflect the individual company's financial condition. The table below presents credit ratings for the three major natural gas distribution utilities serving the State of Illinois and the average credit rating for the nationwide natural gas distribution industry.

**Standard and Poor's Gas Utility Credit Ratings
November 2007 through November 15, 2011**

	2007	2008	2009	2010	2011
Gas Distribution Industry Average	A-	A-	A-	BBB+	BBB
Atmos Energy	BBB	BBB	BBB+	BBB+	BBB+
Nicor Gas	AA	AA	AA	AA	AA
North Shore	A-	A-	BBB+	BBB+	BBB+
Peoples Gas	A-	A-	BBB+	BBB+	BBB+

Currently, no Illinois water utilities have ratings assigned to their debt.

SECTION 3

A Discussion of Energy Planning

(3) A Specific Discussion of the Energy Planning Responsibilities and Activities of the Commission and Energy Utilities Including:

(a) The extent to which conservation, cogeneration, renewable energy technologies and improvements in energy efficiency are being utilized by energy consumers, the extent to which additional potential exists for the economical utilization of such supplies, and a description of existing and proposed programs and policies designed to promote and encourage such utilization;

(b) A Description of each Energy Plan filed with the Commission pursuant to the Provisions of this Act and a copy or detailed summary of the most recent energy plans adopted by the Commission."

INTEGRATED RESOURCE PLANNING

Section 8-402 of the Public Utilities Act, which set forth the Commission's resource planning responsibilities, was repealed by P.A. 90-561, effective December 16, 1997. The Commission disbanded the Energy Programs Division immediately thereafter.

COGENERATION

Commission Rule

The rules, for the transfer of electric power between independent generating facilities and regulated electric utilities in Illinois, are established by 83 Ill. Adm. Code 430. All utilities operating in Illinois must abide by these rules except for cooperatives and municipal utilities, both of which are not regulated by the Commission.

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 lists the 2012 avoided costs as filed annually by Illinois electric utilities.

Special Rates

Cogeneration/self generation displacement and deferral rates can be in the form of special contracts or designed as tariffs. In each case, the Commission's position has been to promote economic cogeneration or self generation, while avoiding uneconomic bypass of a utility's system. When the cogeneration or self generation discount rate brings a customer's individual rate closer to the utility's marginal cost of providing service, uneconomic bypass is less likely to occur.

**Table 3-1
Illinois Electric Utilities
Avoided Cost Rate Structure
2012**

<u>Electric Utility</u>	<u>Summer Rates</u>	<u>Winter Rates</u>
AmerenIL		
On-Peak	3.730¢/kWh	3.650¢/kWh
Off-Peak	2.344¢/kWh	2.874¢/kWh
Commonwealth Edison		
On-Peak	3.469¢/kWh	3.254¢/kWh
Off-Peak	2.335¢/kWh	2.467¢/kWh
MidAmerican Energy		
On-Peak	2.440¢/kWh	1.440¢/kWh
Off-Peak	1.660¢/kWh	0.970¢/kWh
Mt. Carmel Public Utility		
On-Peak	5.5589¢/kWh	5.5589¢/kWh
Off-Peak	5.5589¢/kWh	5.5589¢/kWh

Source: Annual filings of Illinois electric utilities pursuant to 83 Ill. Adm. Code 430.110.

Please note: Time differentiated rate pricing is shown at transmission or subtransmission levels where possible; additional credits are available at lower voltages, loads, and times (except for Mt. Carmel). See each utility filing for exact avoided energy costs under specific conditions

SECTION 4

Availability of Utility Services to All Persons

(4) A discussion of the extent to which utility services are available to all Illinois citizens including:

(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.

(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.

The information necessary to determine the number of persons lacking utility service within the state is difficult to obtain. Part of the difficulty is that all utility companies within the state track accounts by residence and not by customer name. Thus, a utility could determine if a particular residence was disconnected and therefore no longer receiving service, but the utility would have no way of knowing whether that household regained service under another name in its own service territory or perhaps under the same name in a different service territory. In addition, persons disconnected might also move in with an acquaintance already receiving service or they might acquire service supplied by an electric co-operative or municipality over which we have no jurisdiction. Further, if the intent of the question is to ascertain the number of persons without access to a source of heat, the existence of non-utility sources such as wood stoves and kerosene heaters would further complicate the answer, thus the myriad of possibilities makes a truly accurate figure very elusive.

Although the Commission has limited resources available to determine the number of persons within the state lacking some type of utility service, and granting the uncertainty in accuracy of such a statistic, an estimate may be obtained by analyzing the disconnection and reconnection data provided to the Commission by all utilities.

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2011 through November 2012 are as follows.

The average heat related residential class customer base equaled 7,862,807 households. In this class, 289,282 accounts were disconnected and 198,599 were reconnected. This yields a 68.7 percent reconnection rate leaving 90,683 accounts not reconnected. The disconnected accounts represent 3.68 percent of the average residential customer base, while those accounts not reconnected represent a rate of 1.15 percent.

The Commission is aware of its obligations to minimize the dangers arising from unnecessary termination of gas and/or electric space heating service during the winter months. To minimize these dangers and be responsive to the needs of both Illinois consumers and the utilities that serve those consumers, the Commission has developed rules and regulations concerning the termination and reconnection of space heating service during the winter months. Many of these rules have since been enacted into law. In addition, the Commission has continued to refine its other rules regarding utility credit and collection activities to help Illinois utility consumers make timely payments on their obligations to utility companies and thus avoid termination of utility service. The following discussion is a synopsis of current regulations designed to promote and preserve the availability and affordability of residential utility services.

Temperature-Based Termination

If gas or electric service is the only source of space heating or if electricity is used to control the only space heating equipment such as an electric blower fan on a gas furnace, these services may not be disconnected on any day when the National Weather Service forecasts that the temperature for the next 24 hours will be 32 degrees or below, or on a day before a holiday or weekend when the weather is forecasted to be 32 degrees or below any time before the next business day.

If gas or electricity is used as the only source of space cooling or to control or operate the only space cooling equipment at a residence or master-metered apartment building, then a utility with over 100,000 residential customers may not terminate gas or electric utility service to the residential user, including all tenants of master-metered apartment buildings on a day when the

National Weather Service forecasts that the temperature for the next 24 hours will be 95 degree or above, or on a day before a holiday or weekend when the weather is forecasted to be 95 degrees or above any time during the holiday weekend.

Disconnection of Military Personnel on Active Duty

Utilities are prohibited from disconnecting gas and electric service to military personnel on active duty for non-payment.

Disconnection of Certain Customers During the Winter Heating Season

Customers Receiving LIHEAP funds

During the winter heating season (December 1 through March 31) residential customers who receive Low Income Home Energy Assistance Program funds may not be disconnected if the services are used as the primary source of heating or to control or operate the primary source of heating.

Certain Electric Space-Heating Customers

During the winter heating season (December 1 through March 31) a public utility serving more than 100,000 electric customers may not be disconnect electric service to a residential space heating customer for non-payment.

Preferred Payment Date

Current residential customers who receive certain types of benefit checks out of cycle with their utility bills are allowed up to ten days subsequent to the customer's regular due date to make payment without penalty. This has benefited the low-income, elderly, and unemployed customers since they are able to avoid late payment charges and, in many cases, avoid paying a deposit to the utility.

Deferred Payment Agreement

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2011-2012 and who were given a payment plan, 14.97 percent were allowed six months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

Reconnection

This rule provides that residential customers disconnected prior to the winter heating season and those customers disconnected during the winter heating season (December 1 through March 31) may be reconnected upon the payment of one third of the amount due to the company. If financial inability to pay this amount is shown, one-fifth of the amount owed may be paid. The customer then must enter into a payment plan to pay the balance of the outstanding amount owed to the utility. It should be noted that in many cases the amounts paid to have service restored are obtained through grants from community organizations or through the Low Income Home Energy Assistance Program (LIHEAP) administered by Department of Commerce and Economic Opportunity.

The reconnection rule further states that this provision is available between November 1 and April 1 of the current heating season; that reconnection under this provision cannot be used in two consecutive years; that the former customer must have paid at least one third of the amount billed subsequent to December 1 of the prior year; and that the program is not available if any evidence of tampering with the meter is discovered.

As required in the "winter reconnection" rule, on or about October 1, 2011, letters were sent to 53,175 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 18,570 former customers requested that their service be reconnected. Of these, 7,456 customers were reconnected upon payment of the total bill and 8,617 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 2,497 customers were denied. The reasons for denial are categorized as follows:

- 17 former customers failed to make a required down payment;
- 0 former customers failed to pay one-third of the amounts billed since December 1, 2010;
- 2,479 former customers had been reconnected under this rule last year; and
- 1 former customer resided where equipment tampering or diverted utility service was detected.

The above information indicates that 34,605 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

Financial Assistance

ICC-regulated utilities participate in the Low Income Home Energy Assistance Program (LIHEAP) administered by the Department of Commerce and Economic Opportunity (DCEO). LIHEAP provides a one-time grant to eligible low-income customers.

The Percentage of Income Payment Plan (PIPP) was implemented effective September 2011 and became available for LIHEAP eligible households who are customers of one of the following utilities: Ameren Illinois, ComEd, Nicor Gas and Peoples Gas/North Shore Gas. Under PIPP, a customer pays a percentage of income, receives a monthly benefit towards his or her utility bill and, arrearage reduction for every on-time payment the customer makes. DCEO administers this program.

(4-c) an analysis of the financial impact on utilities and other ratepayers of the inability of some customers or potential customers to afford utility service, including the number of service disconnections and reconnections, and cost thereof and the dollar amount of uncollectible accounts recovered through rates.

The Financial Impact of Uncollectible Expenses

Uncollectible expense for utilities represents revenue billed but not received for services rendered. Efforts are made to recover such revenue, but, after a certain period of time and effort, unpaid amounts are charged as an expense and recovered in the regular rates charged to all customers.

Public Act 96-0033 (SB 1918), signed into law on July 10, 2009, added Sections 16-111.8 (concerning electric utilities) and 19-145 (concerning gas utilities) to the PUA. These sections provide that an electric or gas utility shall be permitted to recover through an automatic adjustment clause the incremental difference between its actual uncollectible amount and the uncollectible amount included in rates. AmerenCILCO, AmerenCIPS, AmerenIP, ComEd, Peoples Gas, North Shore Gas, and Nicor Gas have tariffs on file with the Commission to enact the uncollectibles automatic adjustment clauses.

CONSUMER EDUCATION ACTIVITIES

Electric Customer Choice—“Plug In Illinois”

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 restructured the state's electric utility industry. Section 16-117 of the Public Utilities Act requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities.

The ICC Plug In Illinois website, located at www.pluginillinois.org, is updated as information changes and contains an overview of customer choice, guidelines for choosing an electric supplier including residential prices to compare for Ameren Illinois and Commonwealth Edison customers, a listing of RES offers for comparison and a list of municipalities pursuing aggregation programs.

Natural Gas Choice

In some parts of Illinois, natural gas utilities voluntarily offer their residential and small retail commercial customers the opportunity to choose their supplier of natural gas. Alternative Gas Suppliers offering service to these customers must be certified by the ICC. In accordance with Section 19-125 of the Public Utilities Act, the Commission website includes consumer

education information to help residential and small commercial customers understand their gas supply options and their rights and responsibilities. The educational information includes choices available, guidance for selecting an alternative gas supplier, comparisons of the prices and terms of products offered by alternative suppliers and procedures for consumers to address complaints.

SECTION 5

**Implementation of
The Commission's
Statutory
Responsibilities**

(5) A detailed description of the means by which the Commission is implementing its new statutory responsibilities under this Act, and the status of such implementation, including specifically:

(5-a) Commission reorganization resulting from the addition of an Executive Director and hearing examiner qualifications and review.

COMMISSION REORGANIZATION

During 2012, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports.

(5-b) Commission responsibilities for construction and rate supervision, including construction cost audits, management audits, excess capacity adjustment, phase-ins of new plant and the means and capability for monitoring and reevaluating existing or future construction projects.

CONSTRUCTION AUDITS

Statutory Requirements

Section 8-407(b) and 9-213 of the 1986 Public Utilities Act grants the Commission the authority to conduct construction audits. Pursuant to Section 8-407(b), the Commission, after granting a certificate of public convenience and necessity for the construction of a new electric generating facility, is granted the authority to perform construction cost audits at any time during construction whenever the Commission has cause to believe that such an audit is necessary or beneficial to the efficiency or economy of construction.

Section 9-213 requires the Commission to perform an audit of the cost of new electric utility generating plants and significant additions to electric utility generating plants to determine if the cost is reasonable prior to including such construction costs in rate base.

Section 8-407 (b) and 9-213 both grant the Commission the authority to engage independent consultants to perform these audits. If an independent consultant performs a construction audit, the cost will be borne initially by the utility, but shall be recoverable as an expense through normal ratemaking procedures.

Commission Responsibilities

In order to comply with the Public Utilities Act, the Commission must monitor the major construction activities of all electric utilities within the state to assure that such construction is efficient and economical. The Commission is also required (Sec. 8-407(a)) to reevaluate the propriety and necessity at least every two years of each certificate of necessity issued for the construction of a new electric generating facility. In order to comply with the above responsibilities, the Commission has the authority to conduct construction cost audits.

Section 8-407 (b) Activities

No activities were required during 2012.

Section 9-213 Activities

No activities were required during 2012.

MANAGEMENT AUDITS

Statutory Requirements

The Commission has authority under Section 8-102 of the Public Utilities Act to conduct management audits of public utilities. The Commission may choose to conduct the audits with its own staff or it may contract with independent consultants to perform the management audits. Prior to initiating an audit of a utility, the Commission must determine that reasonable grounds exist to believe an audit is necessary or cost-beneficial.

The statute allows for the costs associated with the use of independent consultants to be borne by the utilities with recovery provided through the normal ratemaking process.

Commission Responsibilities

Prior to initiating a management audit or investigation of a utility, the Commission must have "reasonable grounds to believe that such audit or investigation is necessary to assure that the utility is providing adequate, efficient, reliable, safe, and least-cost service and charging only just and reasonable rates therefore, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefore." The Commission shall "issue an order describing the grounds for such audit or investigation and the appropriate scope and nature of such audit or investigation."

On May 5, 2010, the Commission entered an Amending Order in Docket No. 09-0319, a proceeding involving Illinois-American Water Company's ("IAWC") proposed general increase in water and sewer rates, in which the Commission ordered that a management audit ("Audit") be performed to compare the cost of each service obtained from the Service Company to the costs of such services had the services been obtained through competitive bidding on the open market. The matter was docketed as Docket No. 10-0366. A request for proposal ("RFP") was issued September 17, 2010 but no qualified bids were received. The RFP was reissued November 19, 2010 for bids to be received December 23, 2010. Northstar was selected to conduct the management audit. Staff delivered the final management audit report to the Commissioners on January 11, 2012. Staff, the Attorney General's Office and IAWC have drafted a joint proposed Order and are working toward an audit report to include in the filing.

EXCESS CAPACITY, USED, AND USEFUL

Section 9-215 of the Public Utilities Act gives the Commission the "power to consider, on a case by case basis, the status of a utility's capacity and to determine whether or not such utility's capacity is in excess of that reasonably necessary to provide adequate and reliable electric service". The Commission is also authorized to make adjustments to rates if a finding of excess capacity is made. This section conditions this authority for generating units whose construction programs started prior to the effective date of the current Act, January 1, 1986. That is, for generating units whose construction started prior to the effective date of the current Act, the Act requires that a determination of excess capacity or utility plant used and useful will be made from that which is appropriate under prior law.

No activities were required during 2012.

RATE MODERATION PLAN

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan that would lessen rate impacts associated with new power plants coming into service. During 2012, no new power plants were placed in service in Illinois that fall under the Commission's jurisdiction. As a result, the Commission did not use its authority to adopt a rate moderation plan.

COST-BASED RATES

The Public Utilities Act considers cost-based rates an important component of equity for ratepayers. Specifically, the Act states that the cost of supplying public utility services should be allocated to those who cause the costs to be incurred [Section 1-102(d)(iii)]. The need to base rates on costs has increased as the utility environment becomes more competitive. A close relationship between rates and costs will discourage uneconomic bypass of the utility system by ratepayers. Uneconomic bypass is costly to the utility, ratepayers, and society as a whole.

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases that were concluded in 2012. The following is a list of the gas and electric rate cases handled by the Commission in 2012 (See Section 2 for list of water and sewer rate cases handled in this period:

Gas

In February 2011, North Shore Gas Company and Peoples Gas Company filed rate cases (Docket Nos. 11-0280 & 11-0281). These proposed tariffs were suspended by the Commission. An Order for these proceedings was approved in January 10, 2012.

In February 2011, Ameren Illinois filed a gas rate case (Docket No. 11-0282). The proposed tariffs were suspended by the Commission. An Order for this proceeding was approved in January 10, 2012.

In July 2012, North Shore Gas Company and Peoples Gas Company filed rate cases (Docket Nos. 12-0511 & 12-0512). These proposed tariffs were suspended by the Commission. An Order for these proceedings will be approved in June 2013.

In December 2012 Mt. Carmel Public Utility Co. filed a gas rate case. The proposed tariffs were suspended by the Commission. An Order for this proceeding will be approved in November 2013.

Electricity

In February 2011, Ameren Illinois filed an electric rate case (Docket No. 11-0279). These proposed tariffs were suspended by the Commission. An Order for this proceeding was scheduled to be issued in early January 2012. However, Ameren filed a motion to withdraw this filing in anticipation of a formula rate tariff that it filed pursuant to Public Act 97-0616. The Commission approved the motion to withdraw the rate case on January 10, 2012.

In December 2012 Mt. Carmel Public Utility Co. filed an electric (rate design only) rate case. The proposed tariffs were suspended by the Commission. An Order for this proceeding will be approved in November 2013.

SEC. 16-108.5 ELECTRIC FORMULA RATE CASES & RECONCILIATIONS

The Public Utilities Act was amended in 2011 by Public Act 97-0616 to include a new provision under Sec. 16-108.5 that provides for participating electric utilities to file performance-based formula rates, allows for annual updates to those formula rates, and annual reconciliations of those rates. The Commission handled four such proceedings in 2012.

In November 2011, Commonwealth Edison Co. (ComEd) filed its initial formula rate tariff (Docket No. 11-0721) for its distribution delivery services. The proposed tariffs were suspended by the Commission. The Commission entered an order on May 29, 2012. On June 22, 2012, it granted rehearing on three issues and issued an Order on Rehearing on October 3, 2012.

In January 2012, Ameren Illinois filed its initial formula rate tariff (Docket No. 12-0001) for its distribution delivery services. The proposed tariffs were suspended by the Commission. The Commission entered an order on September 19, 2012.

In April 2012, Ameren Illinois filed its first annual update to its formula rate tariff (Docket No. 12-0293) for its distribution delivery services. The proposed tariffs were suspended by the Commission. The Commission entered an order on December 5, 2012.

In April 2012, ComEd filed its first annual update to its formula rate tariff and its first revenue requirement reconciliation (Docket No. 12-0321) for its distribution delivery services. The proposed tariffs were suspended by the Commission. The Commission entered an order on December 19, 2012.

MERGERS

On January 18, 2011, Northern Illinois Gas Company filed an application to merge with and into a subsidiary of AGL Resources, Inc. The matter was docketed as Docket No. 11-0046. The Commission approved the transaction on December 7, 2011.

On August 1, 2011, Atmos Energy Corporation filed a petition for approval for the purchase by Liberty Energy Midstates of Atmos' Illinois natural gas utility operations. The matter was docketed as Docket No. 11-0559. The Commission approved the transaction on June 27, 2012. The transaction closed July 31, 2012.

On April 12, 2012, Corix Utilities (Illinois) LLC ("Corix"); Hydro Star, LLC ("HS"); Utilities, Inc. ("UI"); and each of the 23 Illinois Operating Subsidiaries of Utilities, Inc. ("UI Operating Subsidiaries") filed a Joint Application for approval of a proposed reorganization to change the ultimate owner of the membership interests of HS to Corix. UI would be a wholly-owned subsidiary

of Corix, and the separate corporate existence of UI would continue as would the separate corporate existence of each of the UI Operating Subsidiaries. The matter was docketed as Docket No. 12-0279 and was approved by Commission order on November 28, 2012.

On April 18, 2012, Forestview Utilities Corporation ("Forestview") and North Forestview Properties, LLC ("NFP") and Central Illinois Land Incorporated ("CIL") filed a Joint Application for approval of NFP acquiring one hundred percent (100%) ownership of Forestview. The matter was docketed as Docket No. 12-0290. Company rebuttal testimony was filed August 31, 2012. The case is continued generally until an Order in Docket 12-0487, a docket to address a related affiliated agreement, is entered. At that time, Forestview will file an amended petition.

On August 1, 2012, Coretec Communications, LLC ("Coretec, LLC") f/k/a Coretec Communications, Inc. ("Coretec, Inc.") filed for approval for Coretec, Inc. to transfer its certificates of service of authority to Coretec, LLC, or alternatively to cancel the certificates issued to Coretec, Inc. and reissue them to Coretec, LLC. The matter was docketed as Docket No. 12-0463. The Commission order entered August 21, 2012 found that the Certificate of Interexchange Service Authority and the Certificate of Exchange Service Authority issued to Coretec Communications, Inc. in Docket 11-0753, should be cancelled and reissued to Coretec Communications, LLC.

On September 13, 2012, ALEC, LLC f/k/a ALEC, Inc. ("ALEC" or "Petitioner") filed for approval for ALEC, Inc. to transfer its certificates of service of authority to ALEC, LLC, or alternatively to cancel the certificates issued to ALEC, Inc. and reissue them to ALEC, LLC. The matter was docketed as Docket No. 12-0520. The Commission order entered December 19, 2012 found that the Certificate of Service Authority and the Certificate of Exchange Service Authority issued to ALEC, Inc. in Docket 09-0424, should be cancelled and reissued to ALEC, LLC.

On September 21, 2012, The Crossville Telephone Company ("Crossville"), Leaf River Telephone Company ("Leaf River"), New Windsor Telephone Company ("New Windsor"), and Viola Home Telephone Company ("Viola") filed for approval of "reverse triangular mergers" of their respective companies. Each company merged with another company for the merger. For example, Crossville merged with Crossville Merger, Inc., with Crossville being the surviving corporation and retaining all telephone operating assets, rights and liabilities as it held prior to the merger. The stock of each merged company would be owned by a parent communications company. For example, Crossville Consolidated Communications, Inc. will own the stock in Crossville, Crosslink Long Distance and Crosslink Wireless, Inc. The shareholders of each company at the time of the merger would become shareholders of the company's consolidated communications company. For example, the shareholders of Crossville at the time of the merger would become shareholders of Crossville Consolidated Communications, Inc. These matters were docketed as Docket Nos. 12-0532 through 12-0535. The Commission entered orders approving the mergers on December 19, 2012.

ASSET TRANSFERS OR SALES

There were no asset transfers or sales during 2012.

INFORMATIONAL FILINGS

On February 28, 2012, ComEd filed a notice with the Commission to provide assets and services to an affiliate, ComEd Indiana. ComEd Indiana operates a transmission line in Indiana that is essential to ComEd's provision of service to Illinois customers. ComEd is the sole customer of the transmission services. ComEd's services to ComEd Indiana include site work, capital contributions, equipment installation and removal/relocation services related to a transformer failure and to Dominion Resources' plan to shut down the State Line Power Station.

DECOMMISSIONING

During 2012, no Illinois electric utility billed its customers any charges for decommissioning. The last billing of decommissioning charges by any Illinois electric utility ceased on December 31, 2006.

(5-c) Promulgation and application of rules concerning ex parte communications, circulation of recommended orders and transcription of closed meetings.

The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2012 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of the Public Utilities Act.

SECTION 6

**Appeals from
Commission
Orders**

(6) A description of all appeals taken from Commission orders, findings or decisions and the status and outcome of such appeals.

This section includes only appeals either filed in 2012 or upon which a judicial decision was received in 2012. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or *amicus*. However, federal cases taken under 47 USC 252(e)(6) are included.

I. APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2012

A. Under the Public Utilities Act, 220 ILCS 5

1. *Ameren Illinois Company d/b/a Ameren Illinois vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 2-12-0835
Ill.C.C. Docket No. 11-0710.

Appeal from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

Status: On November 29, 2012, the Appellate Court dismissed this appeal for lack of jurisdiction.
See the next item. See also Item II. A. 1. a. below.

2. *Ameren Illinois Company d/b/a Ameren Illinois vs. Illinois Commerce Commission, et al.*
Peoria County Court No. 12 MR 370 (Du Page County Court No. 2012 MR 1601)
Ill.C.C. Docket No. 11-0710

Appeal from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

Status: On October 16, 2012, the Circuit Court of Peoria County transferred Ameren Illinois Company's appeal to DuPage County for consolidation with the earlier filed appeal of Northern Illinois Gas Co.(2012 MR 1150). Ameren's appeal was renumbered as 2012 MR 1601 in Du Page County. On December 3, 2012, the Circuit Court of DuPage County consolidated the two appeals. Cause is pending status and briefing.

3. *Ameren Illinois Company d/b/a Ameren Illinois vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 4-12-1008
Ill.C.C. Docket No. 12-0001

Appeal from approved tariffs and charges established pursuant to Section 16-108.5 of the Public Utilities Act ("formula rates")

Status: Appeal record has been filed. Cause is being briefed.

4. *Commonwealth Edison Company vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 2-12-0334
Ill.C.C. Docket No. 07-0566

Appeal from remand order related to the grant or denial of electric rate changes for Commonwealth Edison Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

Status: Briefing completed. Awaiting oral argument and/or judicial decision.

5. *Commonwealth Edison Company vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 1-12-2860 and 1-12-3256
Ill.C.C. Docket No. 11-0721

Appeals from approved tariffs and charges established pursuant to Section 16-108.5 of the Public Utilities Act ("formula rates")

Status: Cause is being briefed.

6. *Northern Illinois Gas Company d/b/a Nicor Gas Company vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court Nos. 2-12-0734 and 2-12-0739
Ill.C.C. Docket No. 11-0710

Appeals from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

Status: On October 16, 2012, the Appellate Court dismissed the two unconsolidated appeals of Northern Illinois Gas Company for lack of jurisdiction.

See the next item. See also Item II. A. 1. d. below.

7. *Northern Illinois Gas Company d/b/a Nicor Gas Company (& Ameren Illinois Company d/b/a Ameren Illinois) vs. Illinois Commerce Commission, et al.*
DuPage County Court No. 2012 MR 1150 (& 2012 MR 1601)
Ill.C.C. Docket No. 11-0710

Appeal from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

Status: On December 3, 2012, the Circuit Court of DuPage County consolidated the transferred appeal of Ameren Illinois Company (redesignated 2012 MR 1601) with Northern Illinois Gas Company's earlier appeal. Cause is pending status and briefing.

8. *The People of the State of Illinois, ex rel. Lisa Madigan, Attorney General of the State of Illinois and Citizens Utility Board vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 2-12-0243 and 2-12-0349 (cons.)
Ill.C.C. Docket Nos. 11-0280 and 11-0281 (cons)

Appeals from grant or denial of general increase of natural gas rates for North Shore Gas Co. and Peoples Gas Light & Coke Co.

Status: Cause briefed. Awaiting oral argument and/or judicial decision.

9. *The People of the State of Illinois, ex rel. Lisa Madigan, Attorney General of the State of Illinois vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 1-12-2981
Ill.C.C. Docket No. 09-0151

Appeal from approval or denial of Illinois-American Water Company's annual reconciliation of its Purchased Water and Purchased Sewage Treatment Surcharges

Status: Cause is pending briefing.

B. Under Other Utility-Related Acts

Appeal under the Electric Supplier Act, 220 ILCS 30

Frederic D. Beasley and Connie S. Beasley vs. Illinois Commerce Commission, et al.
Sangamon County Court No. 2012 MR 000744
Ill.C.C. Docket No. 10-0711

Appeal from approval or denial of petition for authority to exercise the right of eminent domain pursuant to 220 ILCS 30/13 and 30/13.5 of the Electric Supplier Act

Status: Cause is being briefed.

II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2012

A. Cases dismissed without decision on the merits and with no further action expected

1. Under the Public Utilities Act, 220 ILCS 5

- a. *Ameren Illinois Company d/b/a Ameren Illinois vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court No. 2-12-0835
Ill.C.C. Docket No. 11-0710

Appeal from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

This is one of five appeals taken from the orders in the above Commission docket. This appeal was taken pursuant to Section 10-201 of the Public Utilities Act, 220 ILCS 5/100-201 and was not consolidated with the two appeals taken by Northern Illinois Gas Co. (Items II. A. 2. d. below).

On November 29, 2012, the Appellate Court dismissed this appeal for lack of jurisdiction. Pursuant to 220 ILCS 5/9-220(h-3) (7), this appeal is to be taken under the Administrative Review Law, 735 ILCS 5/3. (Ameren Illinois Company did file an appeal pursuant to this statute. See Item I. A. 2. above.)

- b. *Coalition to Request Equitable Allocation of Costs Together (REACT), et al., v. Illinois Commerce Commission, et al.*
Illinois Appellate Court Nos. 1-11-1874 and 1-11-2287
Ill.C.C. Docket No. 10-0467

Appeals from grant or denial of electric rate changes for Commonwealth Edison Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201

On February 14, 2012, the above two appeals of Abbott Laboratories, Inc. et al. (collectively known as IIEC) were severed from the other four appeals from this Commission docket and dismissed pursuant to IIEC's motion. (The other four appeals are still pending, with oral argument set for January 24, 2013.)

- c. *Commonwealth Edison Co. v. Illinois Commerce Commission, et al.,*

Illinois Appellate Court No. 1-11-2259
Ill.C.C. Docket No. 10-0527.

Appeal from grant or denial of an Alternative Rate Regulation Plan, pursuant to Section 9-244 of the Public Utilities Act, 220 ILCS 5/9-244.

On January 27, 2012, the Appellate Court granted ComEd's motion to dismiss.

- d. *Northern Illinois Gas Company d/b/a Nicor Gas Company vs. Illinois Commerce Commission, et al.*
Illinois Appellate Court Nos. 2-12-0734 and 2-12-0739
Ill.C.C. Docket No. 11-0710

Appeals from Approval of Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas under the Provisions of Illinois Public Act 97-0096

These are two of five appeals taken from the orders in the above Commission docket. These appeals were not consolidated but are shown together because the Petitioner and the result are the same in both appeals.

On October 16, 2012, the Appellate Court dismissed the two unconsolidated appeals of Northern Illinois Gas Company for lack of jurisdiction. Pursuant to 220 ILCS 5/9-220(h-3) (7), this appeal is to be taken under the Administrative Review Law, 735 ILCS 5/3. (Northern Illinois Gas Company did file an appeal pursuant to this statute. See Item I. A. 7. above.)

- e. *People of the State of Illinois, et al. v. Illinois Commerce Commission, et al.*,
Illinois Appellate Court Docket No. 2-11-0380 (formerly Docket Nos. 1-08-2055, 1-08-2056, 1-08-2189, 1-08-2304, 1-08-2451 (formerly 2-08-0364), 1-08-2452 (formerly 2-08-0713) and 1-08-2453 (formerly 2-08-0390) (cons.))
Ill.C.C. Docket Nos. 07-0241 and 07-0242 (cons.)

Appeals from grant or denial of natural gas rate changes for North Shore Gas Co. and Peoples Gas Light & Coke Co. under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

On December 17, 2010, the Illinois Appellate Court for the First District issued a twenty-six page Opinion, holding that the Second District had obtained exclusive jurisdiction through the first appeals (the ones filed during rehearing) and ordering that the appeals be transferred for further proceedings to the Second District. *People of the State of Illinois v. Illinois Commerce Commission*, 407 Ill. App. 3d 207 (1st Dist., 2010). The Appellate Court for the Second District placed all the pending appeals under one docket number (No. 2-11-0380).

On June 20, 2012, the Illinois Appellate Court dismissed these appeals as moot in view of the Appellate Court's decision, *The People of the State of Illinois, et al. v. Illinois Commerce Commission, et al.*, 2011 IL App (1st) 100654.

2. Under Other Utility-Related Acts

None

B. Cases in which decisions were rendered in 2011 but were pending rehearing or petitions for leave to appeal to the Illinois Supreme Court at the time of the annual report

1. Under the Public Utilities Act, 220 ILCS 5

- a. *People of the State of Illinois v. Illinois Commerce Commission, et al.; Illinois-American Water Co. v. Illinois Commerce Commission, et al. (cross-appeal)*,
Illinois Supreme Court No.114314
Illinois Appellate Court No. 1-10-1776
Ill.C.C. Docket No. 09-0319

Appeal from the grant or denial of general increase in water and sewer rates for Illinois-American Water Co.

On December 9, 2011, the Illinois Appellate Court affirmed in part and reversed in part the underlying Commission rate order. In addition, the Appellate Court denied dismissal of Illinois-American Water Company's cross-appeal as untimely.

The People of the State of Illinois ("People") challenged two aspects of the Commission's rate order. The People had challenged the recovery of the test-year portion of the previously approved rate case expense. The Appellate Court rejected the People's various contentions (test-year violation, retroactive ratemaking and single-issue ratemaking) that the recovery violated Illinois law. The Court found that the Commission has a long-standing practice of allowing the test-year amount of the previously approved rate case expense. The Court agreed that the recovery of the ratable portion of the previously approved rate case expense was not retroactive ratemaking. The Court further found that the recovery of the ratable portion of the previously approved rate case expense as part of a general rate case is not single-issue ratemaking.

The People also challenged the Commission's compliance with new Section 9-229 of the Public Utilities Act ("Act"), 220 ILCS 5/9-229, arguing, *inter alia*, that the Commission's findings were inadequate under this new statutory provision. The Appellate Court agreed with the People that the Commission needs more and different findings concerning attorney and expert compensation, related to the rate case expense, in order to meet the new statutory requirements contained in Section 9-229 of the Act, *supra*, than are necessary for informed judicial review. The Appellate Court held that more detailed findings are required by Section 9-229 of the Act, *supra*, in order to explain the Commission's decision, even though the Commission had fully addressed the issue as raised by the parties in the case. The Appellate Court did not reverse the award of rate case expense but did remand the issue for further consideration of the legal and expert fees.

Illinois-American Water Co. ("IAWC") had filed a cross-appeal, which the Commission had challenged as untimely and without jurisdiction under the time set by the General Assembly in Subsection 10-201(a) of the Public Utilities Act, 220 ILCS 5/10-201(a). The Appellate Court held that Section 10-201 of the Act, 220 ILCS 5/10-201, neither specifically forbids cross-appeals nor provides for cross-appeals and so there is no conflict with the Supreme Court Rule 303(a)(3), which allows for "appeals, separate appeals, and cross-appeals" beyond the statutory timelimit. Thus, for the first time in nearly 100 years, an appeal from the Commission was allowed beyond the statutory timelimit.

IAWC challenged the denial of roughly \$2.5 million of Service Company fees by the Commission because IAWC had not submitted a compliant cost study of Service Company fees as ordered in the previous rate case. The denial of the recovery of \$2.5 million of \$21.167 million in operating expenses, which was paid to its affiliated Service Company for various services provided to IAWC. The amounts being paid to the Service Company by IAWC have been escalating with each new rate case. The Commission, having expressed concern in the previous rate case that there was insufficient evidence that IAWC was doing everything possible to keep costs low, had ordered in the previous rate order that IAWC, *inter alia*, do a cost study comparing the Service Company costs with costs obtainable through competitive bidding on the open market. The Court agreed that IAWC had not met its burden of proof to justify its claim of more than \$21 million in Service Company fees, relying on the recent ComEd decision, *Commonwealth Edison Co. v. Illinois Commerce Commission*, 405 Ill. App. 3d 389, 399-402 (2nd Dist., 2010).

IAWC also claimed that the Commission gave inappropriate consideration to certain public comments and that certain oral comments made at Commission bench sessions should have been barred. The public comments are governed by new provisions of the Public Utilities Act, Section 2-107 (2nd, 3rd, and 5th pars.) and Subsection 8-306(n), 220 ILCS 5/2-107 and 8-306(n), which became law in 2007 and 2006 respectively. The Appellate Court agreed that there was no proof that the Commission had treated the public comments as evidence. The Appellate Court did not even address IAWC's claim that the status of a person would bar that person from making oral comments at a bench session. The persons whose oral comments were challenged had either submitted testimony as nonexpert, public witnesses or was a trustee of an intervening party.

IAWC sought review by the Illinois Supreme Court. On September 26, 2012, the Illinois Supreme Court denied leave to appeal. Cause was remanded to the Commission on December 7, 2012, for further proceedings consistent with the Appellate Court's December 9, 2011, Opinion.

- b. *People of the State of Illinois, et al., v. Illinois Commerce Commission, et al.*,
Supreme Court Docket Nos. 113288 and 113324
Illinois Appellate Court Nos. 1-10-0654, 1-10-0655, 1-10-0936, 1-10-1790,
1-10-1846, and 1-10-1852 (cons.),
Ill.C.C. Docket Nos. 09-0166 & 09-0167(cons.).

Appeal from grant or denial of general increase of natural gas rates for North Shore Gas Co. and Peoples Gas Light & Coke Co. ("Peoples Gas"), (collectively the "Utilities").

On September 30, 2011, the Illinois Appellate Court affirmed in part and reversed in part the Commission's decision concerning the rates of North Shore Gas Co. and Peoples Gas, Light & Coke Co. [2011 IL App (1st) 100654].

The People of the State of Illinois ("The People") and the Citizens Utility Board ("CUB") challenged the Commission's decision to approve Rider ICR (Infrastructure Cost Recovery). Said Rider was intended to encourage the expedited replacement of aging, low-pressure, cast iron/ductile iron mains in Chicago by providing direct recovery of the costs without delay and without over- and under-estimating of the costs involved. In the previous rate case, the Commission had established what Peoples Gas needed to show the Commission to justify the establishment of Rider ICR.

The Court agreed with The People and CUB that Rider ICR constituted single-issue ratemaking for, although the Rider would only recover the just and reasonable amounts expended on infrastructure replacement, the other costs of Peoples Gas are over- and under-recovered through aggregately set rates. The Court held that the Commission abused its discretion by creating Rider ICR because the safety concerns about aging gas mains are insufficient to justify accelerated direct recovery of expenditures. The Court agreed with the recent decision in the Illinois Appellate Court for the Second District, *Commonwealth Edison Co. v. Illinois Commerce Commission*, 405 Ill. App. 3d 389, 414 (2nd Dist., 2010) that riders can be established only for externally imposed expenses such as taxes and government-mandated environmental expenses. The Appellate Court did not consider the circumstances herein special enough to allow for rider recovery.

The Utilities challenged (1) the denial of a portion of their employee incentive compensation costs, (2) the reduction of the costs of capital because of the Utilities' approved riders, and (3) the recovery of the so-called pension asset. The Commission was affirmed by the Appellate Court on all these issues.

In this case, as well as in other recent cases, portions of the Utilities' claimed employee incentive compensation costs were denied recovery by the Commission because the evidence did not demonstrate a sufficient nexus between the expense and benefits to the ratepayers of the Utilities. The Appellate Court agreed with the reasoning of the Appellate Court in *Commonwealth Edison Co. v. Illinois Commerce Commission*, 398 Ill. App. 3d 510 (2nd Dist., 2009), among other cases, that Illinois law requires that recoverable voluntary expenses provide a benefit to ratepayers before ratepayers are obligated to reimburse the Utilities for the expenses. The employee incentive compensation costs, which were denied recovery, related to financial goals of unregulated affiliates or the shareholders of the Utilities' holding company. The Appellate Court agreed that the Utilities' evidence did not compel a different conclusion.

The Commission herein, as it has done in numerous past cases, denied the attempt of the Utilities to include the so-called pension asset in ratebase which, if allowed, would provide for a return on investment of the pension asset from ratepayers. The denial is based on the evidence which shows that the money invested in the pension asset is supplied by the ratepayers. The Utilities herein were unable to prove the Utilities' investors supplied the money contained in the pension asset, which would have allowed a return on investment. The Appellate Court agreed that the Commission's denial did not constitute retroactive ratemaking and was not against the manifest weight of the evidence.

The Commission had reduced the estimated return on equity (ROE) of the Utilities by 10 basis points each because of the existence of Riders VBA and UEA. (Two other ROE adjustments related to Section 9-230 of the Public Utilities Act, 220 ILCS 5/9-230, and Rider ICR assets were not challenged by the Utilities.) Both the evidence and the reasoned examination of the ROE proxy value prove that the Utilities are less risky because of the existence of the two Riders than the various entities studied to determine the ROE proxy. The Appellate Court rejected the arguments that the Commission decision was contrary to the evidence and that the ROE proxy adjustments due to the Riders constituted double-counting.

On November 4, 2011, the Petitions for Leave to Appeal of the Utilities and the Illinois Commerce Commission were filed with the Illinois Supreme Court. On January 25, 2012, the Illinois Supreme Court denied leave to appeal. Cause was remanded back to the Commission on March 8, 2012, for further proceedings consistent with the Appellate Court's September 30, 2011, Opinion.

2. Under Other Utility-Related Acts

None

C. Cases in which decisions were rendered either by opinion of the court or by an order issued under Supreme Court Rule 23 in 2012. (A Rule 23 order decides a case on its merits, but has limited effect as precedent on other cases.)

1. Under the Public Utilities Act, 220 ILCS 5

- a. *Ameren Illinois Co. d/b/a Ameren Illinois, et al., v. Illinois Commerce Commission, et al.*, Illinois Appellate Court Nos. 4-10-0962, 4-10-0976, and 4-11-0075 (cons.)
Ill.C.C. Docket Nos. 09-0306, 09-0307, 09-0308, 09-0309, 09-0310 & 09-0311 (cons.)

Appeal from grant or denial of general increase of electric and natural gas delivery rates for Ameren Illinois Co. d/b/a Ameren Illinois (successor to AmerenCIPS, AmerenCILCO and AmerenIP), pursuant to Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

On January 10, 2012, the Appellate Court affirmed the Commission on the merits and dismissed the third appeal (Docket No. 4-11-0075).

Ameren had challenged the Commission's adjustment of the rate base to include the accumulated depreciation of the test-year rate base to the date that Ameren had been allowed *pro forma* capital adjustments. This requirement had been established by Section 9-211 of the Public Utilities Act, 220 ILCS 5/9-211, as determined in *Commonwealth Edison Co. v. Illinois Commerce Commission*, 405 Ill. App. 3d 389 (2nd Dist., 2010). The Appellate Court held that the Commission's decision to obey the statute and the *Commonwealth Edison* judicial opinion was not unlawful, was not contrary to the applicable Commission rules, and its decision was supported by substantial evidence.

Air Products & Chemicals Co., et al. (collectively known as IIEC) challenged the allocation of Public Utility Revenue Act (PURA) tax, 35 ILCS 620/2a.1, which the Commission allocated to the various customer classes on the basis of kWh delivered for each customer class. IIEC had sought that the allocation be based on the former responsibility of the customer classes to utility generation plant investment, which was the basis for the repealed tax which the PURA tax replaced. IIEC also challenged the sufficiency of the findings, the Commission's decision to show the PURA tax as a separate line item on each customer's bill, and the sufficiency of the evidence supporting the Commission's allocation decision. The Court held that the Commission's allocation decision was consistent with the PURA tax statute and its authority over utility rate design, contained sufficient findings for review, and was supported by substantial evidence.

IIEC had also filed a second application for rehearing after the Commission issued its Order on Rehearing. IIEC then took a second appeal (Docket No. 4-11-0075) which was consolidated with the two other appeals over the Commission's objection. The Appellate Court agree that, in view of *Harrisonville Telephone Co. v. Illinois Commerce Commission*, 212 Ill. 2d 237, 243-247 (2004), neither the second application for rehearing nor the second IIEC appeal were proper and the appeal was without jurisdiction.

On March 13, 2012, the Appellate Court issued its Opinion with an effective date of January 10, 2012, (2012 IL App (4th) 100962). Thereafter, no further actions took place on these appeals.

- b. *People of the State of Illinois v. Illinois Commerce Commission, et al.*,
Illinois Supreme Court Docket Nos. 114206 and 114236
Illinois Appellate Court Docket No. 2-10-0024
Ill.C.C. Docket No. 09-0263

Appeal from the grant of an Advanced Metering Infrastructure Pilot Program and associated tariffs of Commonwealth Edison Co.

The underlying docket had established the Advanced Metering Infrastructure Pilot Program (AMP) and the cost recovery mechanism for said smart meters. The underlying docket had been ordered to be established by the Commission in ComEd's previous rate order. Because the People had appealed the intended establishment of the SMP rider program in ComEd's previous rate order, this appeal was held in abeyance until the judicial review of the ComEd's rate order was completed.

On March 19, 2012, the Illinois Appellate Court reversed the Commission (2012 IL App (2d) 100024). The Court held that its adverse decision of the proposed SMP rider program in the earlier ComEd rate order (*Commonwealth Edison Co, et al., v. Illinois Commerce Commission, et al.*, 405 Ill. App. 3d 389,409-415 (2nd Dist., 2010)) barred the later AMP program and its cost recovery tariffs under the theories of collateral estoppel and law of the case. In addition, even if the collateral estoppel and law of the case did not apply, the Commission decision allowing for cost recovery constituted prohibited single-issue ratemaking.

On September 26, 2012, the Illinois Supreme Court denied the petitions for leave to appeal of Commonwealth Edison Co. and the Illinois Commerce Commission. The Appellate Court issued its mandate on November 9, 2012.

2. Under Other Utility-Related Acts

- a. *Frances Kreutzer, et al., v. Illinois Commerce Commission, et al.*,
Illinois Appellate Court Docket No. 2-11-0619
Ill.C.C. Docket No. 07-0310

Appeal from the grant or denial of certificate of public convenience and necessity under Section 8-406 of the Public Utilities Act, 220 ILCS 5/8-406, and the direction to construct, operate, and maintain a new transmission line in Kane and McHenry Counties, Illinois, including, when necessary, the taking of property by eminent domain under Sections 8-503 and 8-509 of the Public Utilities Act, 220 ILCS 5/8-503 and 8-509.

The instant case is an appeal from the Order on Remand of April 15, 2011. On November 30, 2012, the Illinois Appellate Court issued its opinion and affirmed the Commission Order on Remand (2012 IL App (2d) 110619). The Appellate Court held that the Commission had properly complied with the earlier judicial remandment of this cause.

Currently, the parties have until January 4, 2013, to seek leave to appeal to the Illinois Supreme Court or to take other actions before then.

SECTION 7

**Studies and
Investigations
Required by
State Statutes**

(7) A description of the status of all studies and investigations required by this Act, including those ordered pursuant to Sections 4-305, 8-304, 9-242, 9-244, and 13-301 and all such subsequently ordered studies or investigations.

Section 4-305: Emission Allowance Reports

Section 4-305 of the Public Utilities Act reads as follows:

Sec. 4-305. Emission allowances. Beginning with the first quarter of 1993, the Commission shall collect from each public utility and each affiliated interest of a public utility owning an electric generating station information relating to the acquisition or sale of emission allowances as defined in Title IV of the federal Clean Air Act Amendments of 1990 (P.L. 101-549), as amended. The information collected shall include the number of emission allowances allocated to each utility, by statute or otherwise, and the number of emission allowances acquired or sold by each utility. The Commission shall establish quarterly requirements for reporting the information specified under this Section. Beginning with the annual report due January 31, 1994, the Commission shall include the information collected under this Section in the annual report required under this Act.

Appendix B presents information that the Commission has collected under Section 4-305 of the Public Utilities Act since the last Annual Report. Appendix B contains fourth quarter 2010 reports and third quarter 2011 reports. The third quarter 2011 reports present a running total of all allowance allocations and transactions during the first three quarters of 2011.

Section 8-304: Estimated Billing Practices

This section, added September 19, 1985, required the Commission to perform a comprehensive of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services. The study was conducted in 1987. No activities were performed in 2012, and no further activities are anticipated.

Section 8-403: Cogeneration/Small Power Production

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies. This study was completed in 1987. No activities were required in 2012, and no further activities are anticipated in the future.

Section 8-405.1: Feasibility of Wheeling in Illinois

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly. No activities were required in 2012, and no further activities are anticipated in the future.

Section 9-202: Temporary Rate Increase

On October 1, 1987, 83 Ill. Adm. Code 330 became effective. Among other things, 83 Ill. Adm. Code 330 put forth the necessary conditions for a temporary rate increase pursuant to Section 9-202(b) and provided for refunds with interest if the temporary rate increase granted exceeded the permanent rate increase granted.

Section 9-214: Study of CWIP

The study was completed and sent to the General Assembly on December 29, 1988. Please see the Commission's 1992 annual report, page 56, for details.

Section 9-216: Rulemaking for Cancellation Costs

The regulated utilities currently have no generation or production plant under construction and have not made any requests for authority to construct new generation or production plant. Given that there is no due date for either the initiation or completion of this rulemaking, the Commission will initiate rulemaking as soon as practical, given the Commission's current workload and resources.

Section 9-223: Evaluation of the Fire Protection Charge

Section 9-223(b) directs the Commission to evaluate the purpose and use of each fire protection charge imposed under Section 9-223. Section 9-223(b) was added to the Public Utilities Act as part of Public Act 94-0950 with an effective date of June 27, 2006. The Commission submitted a report containing its findings to the General Assembly prior to the last day of the 2008 veto session.

Economic Development Program

A summary of the Commission's economic development program and its activities since its inception may be found in the 1996 and previous Commission annual reports.

The Commission coordinates its economic development activities with other state agencies, including the Department of Commerce and Economic Opportunity. Commission staff members represent the agency on interagency task forces that relate to the Commission's economic development activities. Individual economic development project proposals are reviewed in conjunction with appropriate staff from utilities, state and local government, and private businesses. Staff comments on tariff and/or rate filings by utilities and testimony in rate case proceedings serve to further articulate Commission policies in the area of economic development.

As the implementation of customer choice continues, the Commission will assess its impact on economic development through an ongoing evaluation of rulemakings and decisions in the following areas: requirements for alternative electric suppliers, consumer-education materials, delivery services tariffs, distributed resources, and real-time pricing.

Investigation of Ameren's Illinois Utilities' Storm Outage

On July 19 and 21, 2006, windstorms struck the service areas of all three Ameren utilities in Illinois resulting in a loss of service to more than 300,000 electric customers in Illinois. Restoring service to AmerenCILCO, AmerenCIPS, and AmerenIP customers took over a week. On November 30, 2006, an ice storm struck central Illinois interrupting electric service to more than 200,000 Ameren Illinois customers. The Ameren utilities took about nine days to restore service to all their Illinois customers. The Commission had previously adopted assessments of Ameren's Illinois utilities' electric service reliability that contained criticism of Ameren utility tree trimming, other distribution line maintenance issues, and the placement of lightning arrestors and tap fuses. These assessments had suggested that the condition of Ameren electricity delivery facilities could contribute to the effects of storms on service to Ameren's customers.

Recognizing the above facts, the Commission began an investigation of Ameren's service restoration response to learn if it was adequate and appropriate and to investigate the condition of Ameren's electricity delivery facilities to learn if it contributed to the large numbers of service interruptions during the storms. On August 29, 2007, the Commission signed a contract with The Liberty Consulting Group ("Liberty") to perform the Ameren investigation. Liberty began working under the contract immediately and delivered its investigation report one year later on August 15, 2008. Liberty's investigation report includes 157 recommendations for improving service reliability and shortening service restoration times after major storms. Liberty's report is available on the Commission's web site at <http://www.icc.illinois.gov/electricity/electricreliability.aspx>; the file is labeled, "Liberty's Ameren Outage Investigation Report."

Since the conclusion of the investigation, Liberty has been examining Ameren's efforts to implement the recommendations from the investigation report. The Commission intended to conclude its verification work on or before September 30, 2011. However, Ameren announced to the Commission Staff in April 2009, that due to the economic downturn, it intended to lengthen its implementation timetable for Liberty's recommendations. With that announcement, Ameren's lengthened timetable no longer matched Liberty's contracted verification timetable. In response, the Commission entered into a new contract with Liberty on September 1, 2011, that extended Liberty's verification timetable to December 31, 2012. Liberty continued the Commission's verification work uninterrupted and completed a final verification report on November 29, 2012. The ICC has not yet reviewed Liberty's final verification report, but when it does, it will post the report on the Commission's web site with the Liberty investigation report mentioned above.

Analysis of Initial Clean Coal Facility's Cost Report

The State of Illinois enacted Public Act 95-1027, the Clean Coal Portfolio Standard Law. This new law added Subsection 1-75(d)(4) to the Illinois Power Agency Act [20 ILCS 3855] and required the Commission to submit a report to the General Assembly setting forth its analysis of a facility cost report filed by the initial clean coal facility in Illinois. By law, the Commission was required to provide its analytical report to the General Assembly within six months after the initial clean coal facility filed its facility cost report.

The initial clean coal facility in Illinois is Tenaska's planned Taylorville Energy Center. The Taylorville Energy Center's Facility Cost Report is dated February 26, 2010, and is available on the Commission website at <http://www.icc.illinois.gov/electricity/tenaska.aspx>. The Commission delivered its Analysis of the Taylor Energy Center Cost Report to the Illinois General Assembly on September 1, 2010. The Commission's report is also available on the Commission's web site at the same address as the facility cost report.

The Commission listed its key findings in the front of the executive summary of its report.

With respect to the topics over which the General Assembly specifically requested feedback, the commission finds the following: The cost associated with electricity generated by the TEC is substantially higher than that which is associated with other types of general facilities – as described more fully herein, the TEC's expected base case electricity cost of \$212.73 per MWh (or over 21 cents per kWh) would cost significantly more than wind (\$88.80 to \$121.97), nuclear (\$101.45 to \$128.03), traditional coal (\$141.08 to \$153.03) or combined cycle combustion turbine (\$154.05 to \$160.78) facilities.

The rate impacts on residential and small business customers will likely approach or meet the full 2.015% rate impact cap – should the rate impact cap be met, because there is no concurrent rate impact cap for alternative retail electric suppliers (ARES), additional project costs and cost overruns would be disproportionately borne by ARES and their largely commercial and industrial customer base. This scenario would make ARES less cost-competitive and could have a significant adverse impact on the retail competition model adopted by the General Assembly in 1997.

The likelihood that the plan could be commercially operable by 2016 is uncertain – missing elements and details from Tenaska's construction schedule cause the Commission to question the company's proposed timeline, and the start of construction is contingent on whether and when the Illinois General Assembly passes authorizing legislation. If the start of the construction is delayed beyond August 2011, the TEC might not commence commercial operation before 2016. After careful review of the FCR, the Commission concludes that the TEC facility features high costs to ratepayers with uncertain future benefits, and uncertainties that potentially add to already-significant costs.

Section 8-103: Electric Energy Efficiency and Demand Response Program Spending Limits

Section 8-103 of the Public Utilities Act ("PUA") sets forth requirements for electric utilities to create and implement ratepayer-funded energy efficiency and demand response programs. The statute also provides for a limitation on the amount of spending on such programs, if the result of the spending would be to increase retail rates of retail customers by more than certain prescribed percentages. Subsection (d) of Section 8-103 concludes by stating,

No later than June 30, 2011, the Commission shall review the limitation on the amount of energy efficiency and demand response measures implemented pursuant to this Section and report to the General Assembly its findings as to whether that limitation unduly constrains the procurement of energy efficiency and demand response measures.¹²

The report was sent to the General Assembly on June 29, 2011. It is available on the Commission's web site in the Reports section: <http://www.icc.illinois.gov/reports>.

Illinois Power Agency Act, Section 1-75(c): Renewable Energy Resource Procurement Spending Limits

Subsection (c) of Section 1-75 of the Illinois Power Agency Act ("IPA Act") sets forth a renewable portfolio standard ("RPS") pertaining to electric utilities that on December 31, 2005 provided electric service to at least 100,000 customers in Illinois. The

¹² 220 ILCS 5/8-103(d)

statute also provides for a limitation on the amount of renewable energy resources that shall be purchased, if the result of such purchases would be to increase retail rates of eligible retail customers by more than certain prescribed percentages. Paragraph (2) of 1-75(c) concludes by stating,

No later than June 30, 2011, the Commission shall review the limitation on the amount of renewable energy resources procured pursuant to this subsection (c) and report to the General Assembly its findings as to whether that limitation unduly constrains the procurement of cost-effective renewable energy resources.¹³

The report was sent to the General Assembly on June 29, 2011. It is available on the Commission's web site in the Reports section: <http://www.icc.illinois.gov/reports>.

¹³ 20 ILCS 3855/1-75(c)(2)

SECTION 8

**Impacts of
Federal Activity
on State Utility
Service**

(8) A discussion of new or potential developments in federal legislation, and federal agency and judicial decisions relevant to State regulation of utility service

COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS

The Federal Energy Regulatory Commission (“FERC”) regulates, among other things, the rates for wholesale electricity sales by public utilities and transmission of electricity in interstate commerce, the transmission and sale of natural gas for resale in interstate commerce, and the transportation of natural gas by interstate pipelines. The primary goal of the ICC’s Federal Energy Program is to ensure that the rules, policies, rates, and terms and conditions of service that the FERC establishes for electric transmission service, bulk power sales, and natural gas pipeline transportation are fair and reasonable for Illinois energy consumers. The activities of the Commission’s Federal Energy Program are discussed in more detail below.

DEVELOPMENTS IN THE NATURAL GAS INDUSTRY

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by the FERC in 1992. In recent years, the FERC’s focus in the natural gas arena has been to hone its interstate natural gas transportation policy through incremental modifications with the implementation of Order 637. FERC’s gas policy continues to focus on improving the efficiency and transparency of the natural gas market, encouraging the development of new natural gas storage capacity and infrastructure, increasing competition, and protecting consumers against excessive pipeline transportation rates. To that end in 2012, the FERC launched several proposed rulemakings and inquiries, including a notice of inquiry (“NOI”) intended to improve the transparency of prices in wholesale natural gas markets. It is FERC’s objective to use the NOI as a means to identify additional areas of the natural gas market where increased transparency may be helpful for market participants to better understand the market activities that produce wholesale natural gas prices and to assist the FERC in detecting and ultimately deterring market manipulation. The FERC also issued a notice of proposed rulemaking (“NOPR”) intended to update the FERC’s rules and regulations concerning the certification process for natural gas pipeline companies seeking to extend existing, or construct new, pipeline facilities. The FERC also issued numerous orders addressing pipeline infrastructure, including an application by the Natural Gas Pipeline Company of America requesting authorization to construct and operate compression facilities in both Iowa and Illinois, and to abandon certain compression facilities in Illinois. The application was part of Natural’s “Storage Optimization Project” and is designed to replace aging compressor units with new equipment, optimize its market-area storage withdrawal and injection capabilities and improve the flexibility and reliability of its Gulf Coast mainline system.

DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

In the last decade, the FERC has initiated several sweeping reforms concerning the regulation of the transmission grid. In particular, Order 888 opened the nation’s transmission grid through open access transmission tariffs. Order 2000 called for the voluntary creation of regional transmission organizations (“RTOs”) which are intended to bring about increased efficiency through both improved grid management and increased access to competitive power supplies by end-users. The FERC has also spent a significant amount of time and resources trying to improve the efficiency and transparency of electricity markets through the implementation of the Energy Policy Act of 2005 and Orders 890, 890-A, and 890-B. Order 1000 reforms the FERC’s electric transmission planning and cost allocation requirements for public utility transmission providers by building on the reforms of Order No. 890 and correcting the remaining deficiencies with respect to transmission planning processes and cost allocation methods.

In 2012, the FERC continued to focus on issues such as transmission planning, cost allocation of new transmission facilities, ensuring electric reliability and the interdependence of the natural gas and electric industries. As noted above, the FERC issued Order No. 1000 in 2011 and the implementation of those reforms was a significant effort for the FERC in 2012. With respect to electric reliability, FERC issued several initiatives and orders with the intent to ensure continued reliable operation of the nation’s bulk power system, including revising the FERC’s vegetation management standards and issuing orders clarifying the level of transmission facilities that are considered as part of the bulk power system. The FERC also initiated proceedings to address the increasing interdependence between the natural gas and electric industries. In this regard, the FERC’s efforts are focused on whether the natural gas and electric industries are prepared to work together seamlessly in an environment of increasing reliance on the use of natural gas as a fuel for electric generation. The production and transmission of renewable energy continues to be a major topic of emphasis for the FERC. While the ICC generally supports the integration of renewable energy resources into established wholesale electricity markets, these efforts typically require the construction of high voltage transmission facilities to move wind power from the Dakotas and Iowa to customers on the East coast. These super-high voltage projects are also

constructed for the purpose of addressing transmission constraints in the East. In the case of the Midwest ISO, the FERC approved the socialization of costs incurred to construct a portfolio of “Multi-Value Projects” that originate in Western Midwest ISO and interconnect with PJM on the Midwest ISO’s Eastern border with PJM. In the case of PJM, the FERC approved the socialization of costs incurred to construct 500 kV and above facilities across the PJM footprint. The FERC’s willingness to approve socialized cost allocation approaches continues to concern the ICC, as the cost of constructing such infrastructure will likely result in billions of dollars of costs being allocated to Illinois ratepayers, without a comparable benefit. The ICC has appealed these FERC decisions to the U.S. Court of Appeals for the Seventh Circuit. The Midwest ISO case is pending before the Court and in the case of PJM, the court remanded the order back to the FERC. The ICC has been actively involved in both appeal cases, providing the Illinois Attorney General’s office with required technical analysis and/or policy guidance.

The Illinois Electric Service Customer Choice and Rate Relief Law of 1997 (220 ILCS 5/16-101, et seq.), enacted on December 16, 1997, introduced the concept of delivery services and required Illinois utilities to provide open access to delivery services on a phased-in basis. However, in adopting that statute, the Illinois General Assembly recognized that certain components of delivery service may be subject to FERC jurisdiction. Therefore, the statute states:

An electric utility shall provide the components of delivery services that are subject to the jurisdiction of the Federal Energy Regulatory Commission at the same prices, terms and conditions set forth in its applicable tariff as approved or allowed into effect by that Commission [FERC]. The Commission [ICC] shall otherwise have the authority pursuant to Article IX to review, approve, and modify the prices, terms and conditions of those components of delivery services not subject to the jurisdiction of the Federal Energy Regulatory Commission. (220 ILCS 5/16-108(a))

Furthermore, Section 16-101A(d) of the Public Utility Act mandates:

The Illinois Commerce Commission should act to promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers.

Accordingly, the ICC continues to be actively engaged at the FERC, working to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois’ retail direct access program. Similarly, the ICC has been advocating transparent wholesale electricity markets, believing that a transparent wholesale market is a prerequisite that must be developed in order for Illinois’ open access retail program to provide greater benefits to retail customers. All of the issues discussed in the previous sections have the potential to impact the price and reliability of electric service in Illinois. As such, the ICC has been, and will continue to be, engaged in the processes before the FERC to ensure that Illinois’ interests are adequately represented.

NATIONAL DEVELOPMENTS

The Federal Energy Regulatory Commission (“FERC”) continues to focus on improving the efficiency and transparency of the electricity and natural gas markets. With respect to natural gas, FERC launched several proposed rulemakings and inquiries intended to improve the liquidity and transparency of prices in wholesale natural gas markets.

With respect to electricity, the allocation of costs for transmission projects constructed by PJM and the Midwest ISO for the purpose of addressing transmission constraints in the East and moving renewable energy from the Dakotas and Iowa to customers in Eastern PJM through a socialized approach continues to be a concern for the ICC. While the ICC continues to generally support such initiatives, these projects routinely have price tags that are in the hundreds of millions of dollars. The ICC is also concerned that under the FERC’s current cost allocation approach for such projects, Illinois electricity customers could end up paying a disproportionate share of the costs for these projects. Accordingly, the ICC continues to actively pursue its appeals of the FERC orders approving these cost allocation approaches before the U.S. Court of Appeals for the Seventh Circuit, with the objective that these types of costs are allocated in a fair and equitable manner.

SECTION 9

**Recommendations for
Proposed
Legislation**

(9) All recommendations for appropriate legislative action by the General Assembly.

The Commission's legislative agenda for the 98th General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.

Appendix A

Summary of Significant Commission Decisions

SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

Electric

07-0566 Commonwealth Edison Company

Proposed general increase in electric rates. (Tariffs filed October 17, 2007)

This matter concerns a rate case on remand from the Appellate Court. The Commission was required to recalculate Commonwealth Edison's rate base consistent with the Appellate Court's decision regarding accumulated depreciation. The Commission determined that a refund was due ratepayers in the amount of \$36.7 million in an Order dated February 23, 2012.

09-0592 Illinois Commerce Commission On Its Own Motion

Adoption of 83 Ill. Adm. Code 412 and amendment of 83 Ill. Adm. Code 453.

On December 2, 2009, the Illinois Commerce Commission ("Commission") entered an order authorizing submission to the Secretary of State of the first notice of the proposed adoption of 83 Ill. Adm. Code 412 entitled, "Obligations of Retail Electric Suppliers" ("RES") and amendment of 83 Ill. Adm. Code Part 453, entitled "Internet Enrollment Rules" to be submitted to the Secretary of State pursuant to Section 5-40 of the Illinois Administrative Procedure Act.

Several intervenors filed initial, reply and surreply comments, as well as initial briefs. Due to the heavily contested nature of the proceedings, the Commission entered an Interim Order of Withdrawal on October 26, 2010 to withdraw the initial draft of Part 412 and Part 453 and the docket remained open for further adjudication. A proposed First Notice Order was issued on February 18, 2011 followed by a corrected First Notice Order on March 18, 2011. The parties filed Briefs on Exception and Reply Briefs on Exception and a Second Notice Order was issued on November 22, 2011.

The Rulemaking was submitted to the Joint Committee on Administrative Rules ("JCAR") on March 19, 2012. At the end of the second notice period, the Joint Committee issued its certification of no objection to Part 453 and the Commission entered a final adopting order on July 11, 2012 followed by an amendatory order dated July 31, 2012.

On June 12, 2012, JCAR at its meeting voted to object to and prohibit the filing of the Commission's rulemaking titled Obligations of Retail Electric Suppliers (83 Ill. Adm. Code 412; 35 Ill. Reg. 12996). JCAR found that unresolved issues remain in the rulemaking and was deemed by JCAR a serious threat to the public interest. A Certification of Objection and a Filing Prohibition of Proposed Rulemaking was served on the Commission on June 12, 2012. The Administrative Law Judge held status hearings on August 16, 2012 and August 22, 2012.

The Administrative Law Judge issued a Post Prohibition Proposed Order on August 22, 2012. To comply with JCAR's Objection and Prohibition of Filing, the Commission determines that the Proposed Revisions to Part 412 as set forth in the Second Notice Order were attached to the Post Prohibition Proposed Order and the Parties were directed to file comments in the form of Briefs on Exceptions and/or Reply Briefs on Exceptions. The Commission entered the Post Prohibition Order on October 3, 2012. On November 1, 2012, RESA filed a Motion for Clarification of the Post Prohibition Order followed by an Application for Rehearing filed by Dominion on November 2, 2012. The modified proposed rules were submitted to the Joint Committee and were considered at its meeting of November 13, 2012. The Joint Committee voted to withdraw the filing prohibition contingent upon and effective with the adoption of the rules with the agreed modifications. The Commission denied the Application for Rehearing on November 20, 2012. The Commission entered a final order adopting Part 412 as modified on December 5, 2012. As such, the Motion for Clarification was rendered moot. Following the adoption of Part 412, the Commission directed the Office of Retail Market

Development to work with interested parties to develop the uniform disclosure statement referenced in the Part 412.

10-0141 Commonwealth Edison Company

Petition pursuant to Section 7-101 of the Public Utilities Act for Consent to Enter into a Credit Agreement to which Affiliated Interests may be Parties.

**10-0142
(Reopen) Commonwealth Edison Company**

Petition pursuant to Section 7-101 of the Public Utilities Act to Engage in Transactions with Affiliated Interests.

10-0143 Commonwealth Edison Company

Application for authority pursuant to Section 6-102 of the Public Utilities Act: (1) to enter into one or more loan Agreements with one or more banks or other lending institutions or authorities and to incur loans, borrowings or extensions of credit thereunder; (2) to issue and sell First Mortgage Bonds in one or more series; (3) to issue and sell Notes in one or more series; (4) to enter into, issue or incur other evidences of indebtedness; and (5) to issue evidences of indebtedness payable at periods of not more than 12 months for an aggregated period of longer than two years; all in an aggregate principal amount not to exceed \$1,008,000,000.

On January 30, 2012, Commonwealth Edison Company ("ComEd" or "Company"), filed verified petitions with the Illinois Commerce Commission requesting the Commission reopen Dockets 10-0141 and 10-1042 and enter Orders to extend the authority previously granted by Order entered in this docket on March 24, 2010 to enter into a credit agreement to which affiliated interests may be parties. The Petitions were filed pursuant to section 7-101 of the Public Utilities Act. Similarly, on March 9, 2012, Commonwealth Edison filed an amended verified petition with the Commission pursuant to Section 200.900 of the Commission's Rules of Practice requesting the Commission reopen Docket 10-0143 and enter an Order to extend the unused authority previously granted by Order entered in this docket on March 24, 2010 to enter into loan agreements, and to incur loans there under, on or after March 28, 2012, but not later than the term of such Loan Agreement (as it may be extended by its terms) or 5 years from the date of such Loan Agreement and to extend the previously granted authority for the Securities from the current expiration date of March 24, 2013 to March 28, 2015. The amended verified petition was filed to supplement the verified petitions filed on March 2, 2012 and January 30, 2012, respectively. Commonwealth Edison subsequently filed a Motion to consolidate the dockets on February 21, 2012 which was granted by the Administrative Law Judges on March 8, 2012. Commission Staff ("Staff") filed a consolidated answer to the petitions on March 13, 2012.

The Commission initially entered Orders granting Commonwealth Edison the authority to: (a) to enter into a credit agreement to which affiliated interest may be parties (Docket 10-0141); (b) engage in transactions with affiliated interests (Docket 10-0142); and (c) enter into loan agreements through the term of the loan agreement (as it may be extended by its terms) or 5 years from the date of such loan agreement and through March 24, 2013 for all other requested authority (Docket 10-0143).

In addition, in Docket 10-0143, the Company sought to (i) extend the Company's authority to enter into loan agreements and continue to incur financing on or after March 28, 2012, but not later than the term of the Loan Agreement (as it may be extended by its terms) or 5 years from the date of the Loan Agreement (ii) extend the previously granted authority for securities from the current expiration date of March 24, 2013 to March 28, 2015 and (iii) permit Commonwealth Edison to take any other action as is appropriate, reasonable and proper for its purposes as set forth in the March 24, 2010 order. In addition, ComEd stated it would continue to file reports pursuant to 83 Ill. Adm. Code 240 and maintained is should not be assessed additional fees under Section 6-108 of the Act as stated in the Orders in Dockets 02-0750; 03-0638 and 04-0423.

In all cases, Commonwealth Edison stated the consent to carry out the transactions proposed in the petition, coupled with the authority previously granted in this docket is also necessary for ComEd's business interests as a public utility, and is in the best interest and convenience of the public overall. The Company maintains that the extension of its authority in these matters will improve its financing alternatives and flexibility and would continue to allow ComEd to respond to changing market conditions, manage risk and control, as well as reduce its costs overall.

After a review of the Verified Petitions, supporting documentation, and witness testimony, Staff did not object to the extension of the Company's authority in any of the dockets.

The Commission entered a consolidated Order on Reopening on March 21, 2012.

**11-0546 Illinois Commerce Commission
On Its Own Motion
-vs-
Commonwealth Edison Company**

Evaluation of experimental residential real-time pricing program.

On May 29, 2012, the Commission entered an Order finding that Commonwealth Edison Company's ("ComEd") residential real-time pricing program provides overall benefits to ComEd's customers. The Order directed ComEd to continue with the program. The review of ComEd's program was conducted under Section 16-107(b-20) of the Public Utilities Act, 220 ILCS 5/1-101 et seq.

**11-0547 Illinois Commerce Commission
On Its Own Motion
-vs-
Ameren Illinois Company d/b/a Ameren Illinois**

Evaluation of experimental residential real-time pricing program.

On November 8, 2012, the Commission entered an Order finding that Ameren Illinois Company d/b/a Ameren Illinois' ("AIC") residential real-time pricing program provides overall benefits to AIC's customers. The Order directed AIC to continue with the program. The review of AIC's program was conducted under Section 16-107(b-20) of the Public Utilities Act, 220 ILCS 5/1-101 et seq.

11-0588 Commonwealth Edison Company

Verified Petition to determine the applicability Section 16-125(e) liability to events caused by the Summer 2011 storm systems.

This docket deals with whether ComEd is liable for damages caused by the outages during the summer of 2011 storms. Hearings were held from July 10, 2012 to July 12, 2012. A proposed order will be issued soon and the Commission should vote on a final order in early 2013.

11-0662 Commonwealth Edison Company

Verified Petition to determine the applicability of Section 16-125 (e) liability to the events caused by the February 1, 2011 storm system

This docket deals with whether ComEd is liable for damages caused by the outages during the February 1, 2011 winter storm system. Hearings were held from July 10, 2012 to July 12, 2012. A proposed order will be issued soon and the Commission should vote on a final order in early 2013.

11-0721 Commonwealth Edison Company

Tariffs and charges submitted pursuant to Section 16-108.5 of the Public Utilities Act.

This is the first of 10 electric rate cases that are required, on an annual basis, pursuant to the new Energy Infrastructure Modernization Act. (Section 16-108.5 of the Public Utilities Act). This docket made several determinations construing this statute and determining on a procedural basis as to how these electric rate cases will be handled in the future. It should also be noted that rehearing was granted and the Order on Rehearing in this docket made several determinations construing this statute that will have an impact on the rest of the rate cases going forward, such as the meaning of the phrase "pension asset" in the statute," the amount of statutory interest and other matters.

11-0742

SVT, LLC d/b/a Ultra Foods -vs- Commonwealth Edison Company

Complaint pursuant to Sections 4/5-101, 5/8-101 and 1/10-109 of the Public Utilities Act.

SVT, LLC d/b/a Ultra Foods filed a complaint against ComEd alleging that in both Count I and Count II, ComEd failed to adhere to various provisions of the Act and 411 Ill. Adm. Code 100 during an electrical interruption at Complainant's store that began on November 3, 2010. Complainant stated that ComEd's violation of the Act and various provisions of the Code caused damages totaling \$81,970.57. Complainant further stated that ComEd's breach of duty to comply with the Act and the Code was the proximate cause of the damages.

ComEd filed a Verified Motion for Judgment on the Pleadings, arguing that the DuPage County Circuit Court had previously dismissed SVT's claims, rendering the complaint before the Commission barred by the doctrine of res judicata, which constituted a judgment on the merits. ComEd also asserted that Complainant failed to state a claim upon which relief could be granted.

The Order states that the damages sought in this Docket relate directly to Complainant's claims of inadequacy of ComEd's service and repair of infrastructure after the outage. On that basis, the Commission concluded that it has its own jurisdiction in this Docket, that a court of competent jurisdiction did not render a final judgment, and that the DuPage Circuit Court's dismissal was not res judicata.

The Complaint also sets out the specific provisions of the Act and 83 Ill. Adm. Code allegedly violated by ComEd. The Order finds that the complaint overall fails to link the chronological sequence of events to the language of the cited statutes and the Code. Moreover, there is no language in any of the cited statutory or regulatory provisions that states or implies that ComEd failed to do anything more than it was required to do to restore service.

The Order also finds that, under its tariffs, ComEd is not responsible for service interruptions unless caused by its own negligence or willful default. The Commission found that Complainant established no duty on ComEd's part to warrant a finding of negligence, and there was no evidence of willful default. As Complainant had failed to establish that ComEd had a duty to Complainant, there could be no breach and Complainant's negligence claim failed.

11-0772

Commonwealth Edison Company

Approval of Multi-Year Performance Metrics pursuant to Section 16-108.5(f) & (f-5) of the Public Utilities Act.

On December 8, 2011 Commonwealth Edison Company filed a petition with the Commission pursuant to subsections (f) and (f-5) of Section 16-108.5 of the Illinois Public Utilities Act (220 ILCS 5/16-108.5(f), (f-5)), for the Commission to issue an order on or before April 6, 2012 approving ComEd's Multi-Year Performance Metrics Plan ("Plan") and its proposed penalty mechanism, Rider DSPM – Delivery Service Performance Metrics. This docket was tied into the formula rate case filings. In this matter the metrics were set out under Section 16-108.5(f) and ComEd must achieve improvements over baseline performance values or face financial penalties for failing to meet the goals. This was a 120 day docket and it was completed within that time frame.

12-0001 Ameren Illinois Company d/b/a Ameren Illinois

Rate MAP-P Modernization Action Plan - Pricing Filing.

On January 3, 2012, Ameren Illinois Company d/b/a Ameren Illinois ("AIC") filed with the Illinois Commerce Commission ("Commission") a verified petition under Section 16-108.5 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., requesting approval of its Modernization Action Plan-Pricing tariff ("Rate MAP-P") as well as changes to other tariffs affected by such. Rate MAP-P represents AIC's efforts to implement recent revisions to the Act permitting it to upgrade and modernize their respective electric transmission and distribution ("T&D") infrastructure through development of a "smart grid." Pursuant to Section 16-108.5(b)(2) of the Act, AIC is to invest \$625,000,000 over a ten-year period in electric system upgrades, modernization projects, training facilities, and other smart grid upgrades. New provisions in the Act establish standards for recovery of the investments from ratepayers. On Sept. 19, 2012, the Commission entered an Order setting Ameren Illinois' rates under this new statute.

**12-0132 Illinois Commerce Commission
On Its Own Motion**

-vs-

MidAmerican Energy Company

Evaluation of MidAmerican Energy Company Energy Efficiency Programs.

MidAmerican Energy Company's Energy Efficiency Programs were evaluated in this docket. The Commission allowed MidAmerican to continue its Energy Efficiency Programs for an additional year, but required that the Company file a new plan with the Commission in July 2013 that must be shown to be cost-effective for Illinois.

12-0244 Ameren Illinois Company d/b/a Ameren Illinois

Verified Petition for Approval of Smart Grid Advanced Metering Infrastructure Deployment Plan.

On December 5, 2012, the Commission entered an Order on rehearing approving Ameren Illinois Company's Revised Smart Grid Advanced Metering Infrastructure Deployment Plan, finding that it complies with the requirements of Section 16-108.6 of the Public Utilities Act. Prior to the rehearing, the Commission had entered an order finding that it was unable to conclude that the Plan met the "cost-beneficial" standard articulated in Section 16-108.6 of the Act.

12-0293 Ameren Illinois Company d/b/a Ameren Illinois

Rate MAP-P Modernization Action Plan - Pricing Annual Update Filing.

On April 20, 2012, Ameren Illinois Company d/b/a Ameren Illinois ("AIC") filed with the Illinois Commerce Commission ("Commission") a verified petition under Section 16-108.5(d) of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., requesting approval of the first update to its Modernization Action Plan-Pricing tariff ("Rate MAP-P"). AIC's Rate MAP-P and corresponding changes to other tariffs were approved in Docket No. 12-0001 on September 19, 2012. On December 5, 2012, the Commission entered an Order updating Ameren Illinois' rates.

12-0298 Commonwealth Edison Company

Petition for Statutory Approval of a Smart Grid Advanced Metering Infrastructure Deployment Plan pursuant to Section 16-108.6 of the Public Utilities Act.

This matter concerns Commission approval of Commonwealth Edison Company's Smart Grid Advanced Metering Infrastructure Deployment Plan pursuant to Section 16-108.6 of the Public Utilities Act. The

Commission approved ComEd's plan on June 22, 2012 and then, on December 5, 2012, the Commission allowed the installation of meters to be delayed until 2015 in an Order on Rehearing. The meter installation will still be completed within the 10-year statutory timeframe.

12-0321 Commonwealth Edison Company

Tariffs and Charges Submitted pursuant to Section 16-108.5 of the Public Utilities Act.

This is the second of 10 rate cases that Commonwealth Edison Company brought pursuant to the new Energy Infrastructure Modernization Act. Some of the larger issues included whether to include merger expenses from the merger between Commonwealth Edison Company's parent company, Exelon, and Constellation New Energy Company, the sufficiency of the evidence necessary to prove rate case expense (attorney's fees and expert witness fees) pursuant to Section 9-229 of the Public Utilities Act, and whether donations made to some out-of-state charities benefit Commonwealth Edison Company's customers. This case was tried while the rehearing in Docket 11-0721 occurred, which created significant challenges in the area of due process to the parties.

12-0544 The Illinois Power Agency

Petition for Approval of the 220 ILCS 5/16-111.5(d) Procurement Plan.

In this docket, the Illinois Power Agency ("IPA") sought approval of its "2013 Electricity Procurement Plan." The plan applies to the upcoming "2013-2014" delivery year, which is June 2013 through May 2014, as well as to the four one-year delivery periods after that. Due to significant customer shifting, particularly as a result of municipal aggregation, the energy supply to be procured under existing contracts will exceed forecasted requirements for eligible retail customers in the June 2013- May 2014 delivery period. Therefore, the IPA's Plan does not include any new energy procurements for that period for either Ameren Illinois Company or Commonwealth Edison Company. In addition, the IPA and the utilities agreed that renewable resources purchased under 20-year contracts will likely need to be curtailed to keep purchases under the statutory rate cap. The IPA also recommended approval of a sourcing agreement with FutureGen2.0 for output from a retrofitted clean coal facility starting in 2017. The Commission's order was entered on December 19, 2012 approving the Procurement Plan with modifications.

Gas

**09-0166/ North Shore Gas Company
09-0167 The Peoples Gas Light and Coke Company**

Proposed general increase in natural gas rates. (Tariffs filed on February 25, 2009)

This matter concerns a rate case on remand from the Appellate Court. The Commission was required to calculate the refund due ratepayers from The Peoples Gas Light and Company consistent with the Appellate Court's decision regarding Rider ICR. The Commission ordered a refund of \$2.3 million on June 27, 2012.

**10-0692 Illinois Commerce Commission
On Its Own Motion**

-vs-

North Shore Gas Company

Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.

This matter concerns the annual reconciliation of North Shore Gas Company's ("North Shore") purchased gas adjustment clause ("PGA") revenues collected with the actual cost of such gas supplies prudently purchased for the 12 months ended December 31, 2010. There were no contested issues in this docket. On

November 28, 2012, the Commission entered the Order approving North Shore's reconciliation for the period of time ending December 31, 2010.

10-0693

**Illinois Commerce Commission
On Its Own Motion**

-vs-

Peoples Gas Light and Coke Company

Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.

This matter concerns the annual reconciliation of The Peoples Gas Light and Coke Company's ("Peoples Gas") purchased gas adjustment clause ("PGA") revenues collected with the actual cost of such gas supplies prudently purchased for the 12 months ended December 31, 2010. There were no contested issues in this docket. On November 28, 2012, the Commission entered the Order approving Peoples Gas' reconciliation for the period of time ending December 31, 2010.

11-0280/
11-0281

**North Shore Gas Company
Peoples Gas Light and Coke Company**

Proposed general increase in natural gas rates. (tariffs filed February 15, 2011)

The Orders in these dockets set forth new rates for Peoples Gas Light and Coke Company and North Shore Gas as well as the terms, upon which, those rates can be imposed. The Order also authorizes increases in monthly customer charges and makes permanent the Volume Balancing Adjustment ("VBA") Rider, that assesses surcharges and credits on residential and small commercial customers' bills each month to ensure the collection of the Commission approved revenue requirements

11-0282

Ameren Illinois Company d/b/a Ameren Illinois

Proposed general increase in natural gas rates. (tariffs filed February 18, 2011)

On January 5, 2012, the Commission entered an Order granting Ameren Illinois Company d/b/a Ameren Illinois ("AIC") an increase in natural gas delivery service rates for each of its three rate zones. AIC had sought a combined increase of \$50,694,000. The Commission granted an increase of \$32,220,000.

11-0710

Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas Under the Provisions of Illinois Public Act 97-0096.

Chicago Clean Energy ("CCE") requested that the Illinois Commerce Commission ("Commission") approve a sourcing agreement between itself and Ameren Illinois Company d/b/a Ameren Illinois ("Ameren") and Northern Illinois Gas Company d/b/a Nicor Gas ("Nicor"). CCE plans to build a facility to produce substitute natural gas ("SNG") and to sell the SNG to certain output to Ameren and Nicor pursuant to a sourcing agreement that was subject to mediation conducted by the Illinois Power Agency ("IPA"). The SNG provided to Ameren and Nicor will be used as a portion of the natural gas supply to the retail customers of those two natural gas distribution utilities.

On January 10, 2012, the Commission issued a final order approving the sourcing agreement containing the capital costs, rate of return, and operation and maintenance ("O&M") costs subject to certain modifications. As a part of the order, the Commission approved a capital recovery charge. The order also required to undertake certain actions with regard to a third party guarantee. Additionally, there were certain differences of opinion regarding what constituted scrivener's errors and typographical errors in the sourcing agreement provided by the IPA. The January 10, 2012 resolved those issues.

On February 24, 2012, the Commission granted certain applications for rehearing. On July 11, 2012, the Commission issued an order on rehearing. Among other things, the order on rehearing corrected certain errors in the calculation of the capital recovery charge as well as the O&M costs contained in the January 10, 2012 order. The order on rehearing also removed certain requirements in the January 10, 2012 order requiring CCE to take actions with regard to a third party guarantee. The order on rehearing rejected a proposal by the Office of the Attorney General of Illinois ("AG") to impose certain obligations with regard to the sequestration of carbon. In light of the deadline in the proceeding, and the record on rehearing, the order on rehearing recognized that a future proceeding would be a better forum to address the AG's concerns. The order on rehearing also addressed certain disputes between the parties regarding provisions in the Public Utilities Act regarding early termination provisions in the sourcing agreement. Finally, the order on rehearing addressed what constituted scrivener's errors and typographical errors in the sourcing agreement provided by the IPA.

12-0348

**Illinois Commerce Commission
On Its Own Motion**

Amendment of 83 Ill. Adm. Code 595

On May 16, 2012, the Illinois Commerce Commission entered an order authorizing the submission to the Secretary of State of the first notice of the proposed amendment 83 Ill. Adm. Code 595, "Reports of Accidents or Incidents by Persons Engaging in the Transportation of Gas, or Who Own or Operate Gas Pipeline Facilities." The proposed amendment will incorporate by reference federal rules regarding the definition of "accident."

The proposed amendment was published in the Illinois Register on June 1, 2012, initiating the first notice period pursuant to Section 5-40(b) of the Illinois Administrative Procedure Act. There were no comments filed during the first notice period and no hearings were held in this docket.

On July 31, 2012, the Commission entered an order authorizing the submission to JCAR of the second notice of the proposed amendment to Part 595. The proposed amendments were considered at its meeting of September 11, 2012. JCAR issued its certification of no objection at that time, ending the second notice period. The Commission entered an order adopting the amendments on December 19, 2012.

Water & Sewer

- 11-0059/ **Great Northern Utilities, Inc.
Proposed general increase in water rates. (Tariffs filed on December 22, 2010)**
- 11-0141/ **Camelot Utilities, Inc.
Proposed general increase in water and sewer rates. (Tariffs filed December 30, 2010)**
- 11-0142 **Lake Holiday Utilities Corporation
Proposed general increase in water rates. (Tariffs filed December 30, 2010)
Consol. (Rehearing on the issue of mitigation of rate shock)**

On May 2, 2012, the Commission entered an Order on Rehearing adopting Staff's recommended phase-in plan to mitigate possible rate shock that Great Northern and Camelot customers may have been experiencing. The plan was patterned after Commonwealth Edison Company's Rider RRS approved in Commonwealth Edison Company, Docket No. 06-0411 with certain modifications. Under the adopted plan, rate caps will be implemented for the first three years of the phase-in plan but at different levels. The increase in an average customer bill will be capped at 40%, 25% and 10% below the uncapped bill levels per year in each of the years of 2012, 2013 and 2014. Participation in the plan will be voluntary and apply only to customers who opt-in by enrolling within a specified time period. The Companies will collect the deferral amounts during the last three years of the plan, 2015 through 2017, with a final adjustment to a participating customer's final bill if necessary. The deferral amounts will accrue carrying charges at a 3.20% annual rate. The Order also directs the parties to explore the possibility of consolidating at least some of Utilities Inc.'s operating companies and to work together informally to consider the possible benefits of consolidation.

11-0436 Aqua Illinois, Inc.

Proposed general increase in water and sewer rates.

In this rate case, Aqua Illinois proposed to increase the water and sewer rates charged to its customers in all but one of its 10 water divisions and six sewer divisions in Illinois. Aqua Illinois also proposed to combine eight of the water divisions into one consolidated rate division and the six sewer divisions into one consolidated rate division. These divisions are located in various counties including Will, DeKalb, Lake, Vermilion and Knox. There were numerous parties, and many contested issues, in the proceeding. The Commission entered a rate order in 2012. Thereafter, the Commission entered an order on rehearing.

**11-0561/ Charmar Water Company
11-0562/ Cherry Hill Water Company
11-0563/ Clarendon Water Company
11-0564/ Killarney Water Co.
11-0565/ Ferson Creek Utilities Company
11-0566 Harbor Ridge Utilities, Inc.**

Proposed increase in water rates. (Tariffs filed June 29, 2011)

This matter concerned water and sewer rates for 6 different Utilities Inc. water districts. The hearings took place on January 25-26, 2012. A final order was entered by the Commission on May 22, 2012. The Final Order found that the Companies had failed to justify its request to recover the internal rate case expenses claimed for this rate case. The Company filed a petition for rehearing on June 21, 2012 and it was granted by the Commission on July 11, 2012. A hearing was held on October 2, 2012 concerning the internal rate case expense. The Order on Rehearing was approved by the Commission on November 28, 2012 again finding that the Companies had failed to prove it was entitled to recover its internal rate case expense.

11-0559 Atmos Energy and Liberty Energy (Midstates)

Application for Approval of Proposed Reorganization and Other Relief.

On August 1, 2011, Atmos Energy Corporation ("Atmos") and Liberty Energy (Midstates) Corp, ("Liberty") (collectively, "Joint Applicants") filed an Application ("Application") with the Illinois Commerce Commission ("Commission") seeking approval under the Public Utilities Act ("Act") (220 ILCS 5/101 et seq.) of the purchase by Liberty of Atmos' Illinois natural gas utility operations. On June 27, 2012, the Commission approved the proposed reorganization in this proceeding, in which Liberty Energy (Midstates) acquired the Illinois assets of Atmos Energy.

**11-0671 Illinois Commerce Commission
On Its Own Motion**

Adoption of 83 Ill. Adm. Code 596.

On September 19, 2012, the Commission entered an Order adopting 83 Ill. Adm. Code 596, "Public Availability of Inspection Information" ("Part 596"). The new rule implements a national gas pipeline safety initiative by U.S. Secretary of Transportation Ray LaHood ("Secretary LaHood") to prevent potentially catastrophic gas-related incidents by making available to the public, by posting on the Commission's website, information obtained in connection with Gas Pipeline Safety Program inspections of jurisdictional entities (gas pipeline operators).

**11-0710 Illinois Commerce Commission
On Its Own Motion**

Proposed Contracts between Chicago Clean Energy, LLC and Ameren Illinois Company and Between Chicago Clean Energy, LLC and Northern Illinois Gas Company for the Purchase and Sale of Substitute Natural Gas Under the Provisions of Illinois Public Act 97-0096.

Chicago Clean Energy ("CCE") requested that the Illinois Commerce Commission ("Commission") approve a sourcing agreement between itself and Ameren Illinois Company d/b/a Ameren Illinois ("Ameren") and Northern Illinois Gas Company d/b/a Nicor Gas ("Nicor"). CCE plans to build a facility to produce substitute natural gas ("SNG") and to sell the SNG to certain output to Ameren and Nicor pursuant to a sourcing agreement that was subject to mediation conducted by the Illinois Power Agency ("IPA"). The SNG provided to Ameren and Nicor will be used as a portion of the natural gas supply to the retail customers of those two natural gas distribution utilities.

On January 10, 2012, the Commission issued a final order approving the sourcing agreement containing the capital costs, rate of return, and operation and maintenance ("O&M") costs subject to certain modifications. As a part of the order, the Commission approved a capital recovery charge. The order also required to undertake certain actions with regard to a third party guarantee. Additionally, there were certain differences of opinion regarding what constituted scrivener's errors and typographical errors in the sourcing agreement provided by the IPA. The January 10, 2012 resolved those issues.

On February 24, 2012, the Commission granted certain applications for rehearing. On July 11, 2012, the Commission issued an order on rehearing. Among other things, the order on rehearing corrected certain errors in the calculation of the capital recovery charge as well as the O&M costs contained in the January 10, 2012 order. The order on rehearing also removed certain requirements in the January 10, 2012 order requiring CCE to take actions with regard to a third party guarantee. The order on rehearing rejected a proposal by the Office of the Attorney General of Illinois ("AG") to impose certain obligations with regard to the sequestration of carbon. In light of the deadline in the proceeding, and the record on rehearing, the order on rehearing recognized that a future proceeding would be a better forum to address the AG's concerns. The order on rehearing also addressed certain disputes between the parties regarding provisions in the Public Utilities Act regarding early termination provisions in the sourcing agreement. Finally, the order on rehearing addressed what constituted scrivener's errors and typographical errors in the sourcing agreement provided by the IPA.

11-0767 Illinois-American Water Company

Proposed general increase in water and sewer rates.

In this rate proceeding, Illinois-American Water Company proposed to increase the water and sewer rates charged to its customers in Illinois. These customers are located in the Chicago, Peoria, Champaign, Metro-East and other areas in Illinois. There were numerous parties, and many contested issues, including allowable expenses, rate of return, rate design, consolidation and affiliated interest transactions. The Commission entered a rate order in 2012.

12-0279 Corix Utilities (Illinois) LLC, Hydro Star, LLC, Utilities, Inc., and each of the 23 Illinois Operating Subsidiaries of Utilities, Inc.

Joint Application for Approval of Proposed Reorganization.

On November 28, 2012, the Commission entered an Order approving the Stipulation and the Joint Application for approval of a proposed reorganization filed by Corix Utilities (Illinois) LLC ("Corix"); Hydro Star, LLC ("HS"); Utilities, Inc. ("UI"); and each of the 23 Illinois Operating Subsidiaries of Utilities, Inc. ("UI Operating Subsidiaries") subject to the required conditions agreed to by the parties. After the consummation of the transaction, UI will be a wholly-owned subsidiary of Corix, and the separate corporate existence of UI will continue as will the separate corporate existence of each of the UI Operating Subsidiaries. The transaction will occur entirely at the parent company level, therefore none of the assets or securities of UI or of any UI Operating Subsidiary will be transferred or sold as a result of the transaction.

Appendix B

Emission Allowance Reports

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

October 1, 2011

to

December 31, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	53,801	64,225	(47,827)	(54,280)	53,452	545	69,916
2	2009	69,916	64,225	(42,200)	0	2,500	545	94,986
3	2010	94,986	64,649	(31,911)	0	0	1,157	128,881
4	2011	128,881	64,649	(33,595)	(32,010)	0	230	128,155
5	2012	-	64,649	-	0	0	230	64,879
6	2013	-	64,649	-	0	0	230	64,879
7	2014	-	64,649	-	0	0	230	64,879
8	2015	-	64,649	-	0	0	230	64,879
9	2016	-	64,649	-	0	0	230	64,879
10	2017	-	64,649	-	0	0	230	64,879
11	2018	-	64,649	-	0	0	230	64,879
12	2019	-	64,649	-	0	0	230	64,879
13	2020	-	64,649	-	0	0	(702)	63,947

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	64,649	-	0	0	230	64,879
15	2022	-	64,649	-	0	0	230	64,879
16	2023	-	64,649	-	0	0	230	64,879
17	2024	-	64,649	-	0	0	230	64,879
18	2025	-	64,649	-	0	0	230	64,879
19	2026	-	64,649	-	0	0	230	64,879
20	2027	-	64,649	-	0	0	230	64,879
21	2028	-	64,649	-	0	0	230	64,879
22	2029	-	64,649	-	0	0	230	64,879
23	2030	-	64,649	-	0	0	230	64,879
24	2031	-	64,649	-	0	0	230	64,879
25	2032	-	64,649	-	0	0	230	64,879
26	2033	-	64,649	-	0	0	230	64,879
27	2034	-	64,649	-	0	0	230	64,879
28	2035	-	64,649	-	0	0	230	64,879
29	2036	-	64,649	-	0	0	230	64,879
30	2037	-	64,649	-	0	0	230	64,879
31	2038	-	64,649	-	0	0	230	64,879

Note: On June 15, 2010 USEPA returned 1,859 unused allowances to us from the Conservation and Renewable Energy Reserve.

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

July 1, 2012

to

September 30, 2012

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2012	127,494	64,649	(12,540)	(100,000)	0	230	79,833
2	2013	-	64,649	-	0	0	230	64,879
3	2014	-	64,649	-	0	0	230	64,879
4	2015	-	64,649	-	0	0	230	64,879
5	2016	-	64,649	-	0	0	230	64,879
6	2017	-	64,649	-	0	0	230	64,879
7	2018	-	64,649	-	0	0	230	64,879
8	2019	-	64,649	-	0	0	230	64,879
9	2020	-	64,649	-	0	0	(702)	63,947
10	2021	-	64,649	-	0	0	230	64,879
11	2022	-	64,649	-	0	0	230	64,879
12	2023	-	64,649	-	0	0	230	64,879
13	2024	-	64,649	-	0	0	230	64,879

Ameren Energy Generating Company

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2025	-	64,649	-	0	0	230	64,879
15	2026	-	64,649	-	0	0	230	64,879
16	2027	-	64,649	-	0	0	230	64,879
17	2028	-	64,649	-	0	0	230	64,879
18	2029	-	64,649	-	0	0	230	64,879
19	2030	-	64,649	-	0	0	230	64,879
20	2031	-	64,649	-	0	0	230	64,879
21	2032	-	64,649	-	0	0	230	64,879
22	2033	-	64,649	-	0	0	230	64,879
23	2034	-	64,649	-	0	0	230	64,879
24	2035	-	64,649	-	0	0	230	64,879
25	2036	-	64,649	-	0	0	230	64,879
26	2037	-	64,649	-	0	0	230	64,879
27	2038	-	64,649	-	0	0	230	64,879
28	2039	-	64,649	-	0	0	230	64,879
29	2040	-	64,649	-	0	0	230	64,879
30	2041	-	64,649	-	0	0	230	64,879
31	2042	-	64,649	-	0	0	230	64,879

ALLOWANCE REPORTING FORM
Ameren Energy Resources Generating Company

Reporting Period
 October 1, 2011
 to
 December 31, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2008	24,823	33,228	(18,403)	0	0	246	39,894
2	2009	39,894	33,228	(12,240)	0	0	246	61,128
3	2010	61,128	29,190	(12,766)	0	0	950	78,502
4	2011	78,502	29,190	(12,763)	(20,000)	0	105	75,034
5	2012	-	29,190	-	0	0	105	29,295
6	2013	-	29,190	-	0	0	105	29,295
7	2014	-	29,190	-	0	0	105	29,295
8	2015	-	29,190	-	0	0	105	29,295
9	2016	-	29,190	-	0	0	105	29,295
10	2017	-	29,190	-	0	0	105	29,295
11	2018	-	29,190	-	0	0	105	29,295
12	2019	-	29,190	-	0	0	105	29,295
13	2020	-	29,190	-	0	0	105	29,295

Ameren Energy Resources Generating Company

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2021	-	29,190	-	0	0	105	29,295
15	2022	-	29,190	-	0	0	105	29,295
16	2023	-	29,190	-	0	0	105	29,295
17	2024	-	29,190	-	0	0	105	29,295
18	2025	-	29,190	-	0	0	105	29,295
19	2026	-	29,190	-	0	0	105	29,295
20	2027	-	29,190	-	0	0	105	29,295
21	2028	-	29,190	-	0	0	105	29,295
22	2029	-	29,190	-	0	0	105	29,295
23	2030	-	29,190	-	0	0	105	29,295
24	2031	-	29,190	-	0	0	105	29,295
25	2032	-	29,190	-	0	0	105	29,295
26	2033	-	29,190	-	0	0	105	29,295
27	2034	-	29,190	-	0	0	105	29,295
28	2035	-	29,190	-	0	0	105	29,295
29	2036	-	29,190	-	0	0	105	29,295
30	2037	-	29,190	-	0	0	105	29,295
31	2038	-	29,190	-	0	0	105	29,295

Note: On June 15, 2010 USEPA returned 845 unused allowances to us from the Conservation and Renewable Energy Reserve.

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

July 1, 2012

to

September 30, 2012

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2012	75,034	29,190	(9,233)	0	0	105	95,096
2	2013	-	29,190	-	0	0	105	29,295
3	2014	-	29,190	-	0	0	105	29,295
4	2015	-	29,190	-	0	0	105	29,295
5	2016	-	29,190	-	0	0	105	29,295
6	2017	-	29,190	-	0	0	105	29,295
7	2018	-	29,190	-	0	0	105	29,295
8	2019	-	29,190	-	0	0	105	29,295
9	2020	-	29,190	-	0	0	105	29,295
10	2021	-	29,190	-	0	0	105	29,295
11	2022	-	29,190	-	0	0	105	29,295
12	2023	-	29,190	-	0	0	105	29,295
13	2024	-	29,190	-	0	0	105	29,295

Ameren Energy Resources Generating Company

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2025	-	29,190	-	0	0	105	29,295
15	2026	-	29,190	-	0	0	105	29,295
16	2027	-	29,190	-	0	0	105	29,295
17	2028	-	29,190	-	0	0	105	29,295
18	2029	-	29,190	-	0	0	105	29,295
19	2030	-	29,190	-	0	0	105	29,295
20	2031	-	29,190	-	0	0	105	29,295
21	2032	-	29,190	-	0	0	105	29,295
22	2033	-	29,190	-	0	0	105	29,295
23	2034	-	29,190	-	0	0	105	29,295
24	2035	-	29,190	-	0	0	105	29,295
25	2036	-	29,190	-	0	0	105	29,295
26	2037	-	29,190	-	0	0	105	29,295
27	2038	-	29,190	-	0	0	105	29,295
28	2039	-	29,190	-	0	0	105	29,295
29	2040	-	29,190	-	0	0	105	29,295
30	2041	-	29,190	-	0	0	105	29,295
31	2042	-	29,190	-	0	0	105	29,295

Cordova Energy Company, LLC

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 2011 to December 31, 2011

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0	0	-1	0	20	0	19
3	2002	19	0	-2	0	0	0	17
4	2003	17	0	-0	0	0	0	17
5	2004	17	0	-1	0	0	0	16
6	2005	16	0	-2	0	0	0	14
7	2006	14	0	-0	0	0	0	14
8	2007	14	0	-2	0	0	0	12
9	2008	12	0	-0	0	0	0	12
10	2009	-12	0	-0	0	0	0	12
11	2010	12	0	-0	0	0	0	12
12	2011	12	0	-0	0	0	0	12
13		---		---				

Cordova Energy Company, LLC
ALLOWANCE REPORTING FORM

Reporting Period

July 1, 2012 to September 30, 2012

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	0	0	0	0	0	0
2	2001	0	0	-1	0	20	0	19
3	2002	19	0	-2	0	0	0	17
4	2003	17	0	-0	0	0	0	17
5	2004	17	0	-1	0	0	0	16
6	2005	16	0	-2	0	0	0	14
7	2006	14	0	-0	0	0	0	14
8	2007	14	0	-2	0	0	0	12
9	2008	12	0	-0	0	0	0	12
10	2009	12	0	-0	0	0	0	12
11	2010	12	0	-0	0	0	0	12
12	2011	12	0	-0	0	0	0	12
13	2012	12	0	-0	0	0	0	12

ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2011 to December 31, 2011

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2011	64,025	-----	46,415	0			17,610
2	2012	29,040	-----	0	0			29,040
3	2013	29,040	-----	0	0			29,040
4	2014	29,040	-----	0	0			29,040
5	2015	29,040	-----	0	0			29,040
6	2016	29,040	-----	0	0			29,040
7	2017	29,040	-----	0	0			29,040
8	2018	29,040	-----	0	0			29,040
9	2019	29,040	-----	0	0			29,040
10	2020	29,040	-----	0	0			29,040
11	2021	29,040	-----	0	0			29,040
12	2022	29,040	-----	0	0			29,040
13	2023	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2024	29,040	-----	0	0			29,040
15	2025	29,040	-----	0	0			29,040
16	2026	29,040	-----	0	0			29,040
17	2027	29,040	-----	0	0			29,040
18	2028	29,040	-----	0	0			29,040
19	2029	29,040	-----	0	0			29,040
20	2030	29,040	-----	0	0			29,040
21	2031	29,040	-----	0	0			29,040
22	2032	29,040	-----	0	0			29,040
23	2033	29,040	-----	0	0			29,040
24	2034	29,040	-----	0	0			29,040
25	2035	29,040	-----	0	0			29,040
26	2036	29,040	-----	0	0			29,040
27	2037	29,040	-----	0	0			29,040
28	2038	29,040	-----	0	0			29,040
29	2039	29,040	-----	0	0			29,040
30	2040	0	29,040	0	0			0
31				0	0			0

ALLOWANCE REPORTING FORM

Reporting Period

January 1, 2012 to September 30, 2012

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2012	46,650	-----	24,502	0			22,148
2	2013	29,040	-----	0	0			29,040
3	2014	29,040	-----	0	0			29,040
4	2015	29,040	-----	0	0			29,040
5	2016	29,040	-----	0	0			29,040
6	2017	29,040	-----	0	0			29,040
7	2018	29,040	-----	0	0			29,040
8	2019	29,040	-----	0	0			29,040
9	2020	29,040	-----	0	0			29,040
10	2021	29,040	-----	0	0			29,040
11	2022	29,040	-----	0	0			29,040
12	2023	29,040	-----	0	0			29,040
13	2024	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2025	29,040	-----	0	0			29,040
15	2026	29,040	-----	0	0			29,040
16	2027	29,040	-----	0	0			29,040
17	2028	29,040	-----	0	0			29,040
18	2029	29,040	-----	0	0			29,040
19	2030	29,040	-----	0	0			29,040
20	2031	29,040	-----	0	0			29,040
21	2032	29,040	-----	0	0			29,040
22	2033	29,040	-----	0	0			29,040
23	2034	29,040	-----	0	0			29,040
24	2035	29,040	-----	0	0			29,040
25	2036	29,040	-----	0	0			29,040
26	2037	29,040	-----	0	0			29,040
27	2038	29,040	-----	0	0			29,040
28	2039	29,040	-----	0	0			29,040
29	2040	0	29,040	0	0			0
30								
31								

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 2011

To

December 31, 2011

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) ⁽¹⁾	USEPA Allowance Allocation (C) ⁽²⁾	YTD Allowance Usage (D) ⁽³⁾	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2011	112,622	59,139	45,041	0	0	(4)	126,716
2	2012	-----	59,139	-----	0	0	0	59,139
3	2013	-----	59,139	-----	0	1,988	0	61,127
4	2014	-----	59,139	-----	0	9,118	0	68,257
5	2015	-----	59,139	-----	0	0	0	59,139
6	2016	-----	59,139	-----	0	0	0	59,139
7	2017	-----	59,139	-----	0	0	0	59,139
8	2018	-----	59,139	-----	0	0	0	59,139
9	2019	-----	59,139	-----	0	0	0	59,139
10	2020	-----	59,139	-----	0	0	0	59,139
11	2021	-----	59,139	-----	0	0	0	59,139
12	2022	-----	59,139	-----	0	0	0	59,139
13	2023	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) ⁽¹⁾	USEPA Allowance Allocation (C) ⁽²⁾	YTD Allowance Usage (D) ⁽³⁾	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2024	-----	59,139	-----	0	0	0	59,139
15	2025	-----	59,139	-----	0	0	0	59,139
16	2026	-----	59,139	-----	0	0	0	59,139
17	2027	-----	59,139	-----	0	0	0	59,139
18	2028	-----	59,139	-----	0	0	0	59,139
19	2029	-----	59,139	-----	0	0	0	59,139
20	2030	-----	59,139	-----	0	0	0	59,139
21	2031	-----	59,139	-----	0	0	0	59,139
22	2032	-----	59,139	-----	0	0	0	59,139
23	2033	-----	59,139	-----	0	0	0	59,139
24	2034	-----	59,139	-----	0	0	0	59,139
25	2035	-----	59,139	-----	0	0	0	59,139
26	2036	-----	59,139	-----	0	0	0	59,139
27	2037	-----	59,139	-----	0	0	0	59,139
28	2038	-----	59,139	-----	0	0	0	59,139
29	2039	-----	59,139	-----	0	0	0	59,139
30	2040	-----	59,139	-----	0	0	0	59,139
31	2041	-----	59,139	-----	0	0	0	59,139

The Clean Air Interstate Rule ("CAIR") Sulfur Dioxide Program Phase I became effective January 1, 2010. The CAIR program utilizes existing Title IV sulfur dioxide allowances and requires sources covered by the program to retire two vintage 2010-2014 Title IV sulfur dioxide allowances for every one ton of sulfur dioxide emissions. Title IV sulfur dioxide allowances of vintage 2009 or earlier retain the original one allowance for one ton of sulfur dioxide emissions value. MidAmerican Energy Company currently holds both vintages of Title IV sulfur dioxide allowances.

- (1). Allowance vintage 2009 or earlier, one allowance for one ton of sulfur dioxide emissions.
- (2). Allowance vintages 2010-2014, two allowances for one ton of sulfur dioxide emissions.
- (3). For the period of January 1, 2011 - December 31, 2011, 45,041 tons of sulfur dioxide were emitted which equates to 45,041 vintage 2009 or earlier allowances. MidAmerican Energy Company will retire 45,041 vintage 2009 or earlier allowances for the 2011 compliance year.

ALLOWANCE REPORTING FORM

Reporting Period

July 1, 2012

To

September 30, 2012

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) ⁽¹⁾	USEPA Allowance Allocation (C) ⁽²⁾	YTD Allowance Usage (D) ⁽³⁾	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2012	126,716	59,139	51,204	0	0	0	134,651
2	2013	-----	59,139	-----	0	1,988	0	61,127
3	2014	-----	59,139	-----	0	9,118	0	68,257
4	2015	-----	59,139	-----	0	0	0	59,139
5	2016	-----	59,139	-----	0	0	0	59,139
6	2017	-----	59,139	-----	0	0	0	59,139
7	2018	-----	59,139	-----	0	0	0	59,139
8	2019	-----	59,139	-----	0	0	0	59,139
9	2020	-----	59,139	-----	0	0	0	59,139
10	2021	-----	59,139	-----	0	0	0	59,139
11	2022	-----	59,139	-----	0	0	0	59,139
12	2023	-----	59,139	-----	0	0	0	59,139
13	2024	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B) ⁽¹⁾	USEPA Allowance Allocation (C) ⁽²⁾	YTD Allowance Usage (D) ⁽³⁾	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2025	-----	59,139	-----	0	0	0	59,139
15	2026	-----	59,139	-----	0	0	0	59,139
16	2027	-----	59,139	-----	0	0	0	59,139
17	2028	-----	59,139	-----	0	0	0	59,139
18	2029	-----	59,139	-----	0	0	0	59,139
19	2030	-----	59,139	-----	0	0	0	59,139
20	2031	-----	59,139	-----	0	0	0	59,139
21	2032	-----	59,139	-----	0	0	0	59,139
22	2033	-----	59,139	-----	0	0	0	59,139
23	2034	-----	59,139	-----	0	0	0	59,139
24	2035	-----	59,139	-----	0	0	0	59,139
25	2036	-----	59,139	-----	0	0	0	59,139
26	2037	-----	59,139	-----	0	0	0	59,139
27	2038	-----	59,139	-----	0	0	0	59,139
28	2039	-----	59,139	-----	0	0	0	59,139
29	2040	-----	59,139	-----	0	0	0	59,139
30	2041	-----	59,139	-----	0	0	0	59,139
31	2042	-----	59,139	-----	0	0	0	59,139

The Clean Air Interstate Rule ("CAIR") Sulfur Dioxide Program Phase I became effective January 1, 2010. The CAIR program utilizes existing Title IV sulfur dioxide allowances and requires sources covered by the program to retire two vintage 2010-2014 Title IV sulfur dioxide allowances for every one ton of sulfur dioxide emissions. Title IV sulfur dioxide allowances of vintage 2009 or earlier retain the original one allowance for one ton of sulfur dioxide emissions value. MidAmerican Energy Company currently holds both vintages of Title IV sulfur dioxide allowances.

- (1). Vintage 2009 or earlier, 8,821 allowances. Vintages 2010-2011, 117,895 allowances.
- (2). Vintage 2012, 59,139 allowances.
- (3). For the period of January 1, 2012 - September 30, 2012, 29,643.9 tons of sulfur dioxide were emitted which equates to 8,083.6 vintage 2009 or earlier and 43,120.6 vintage 2010 - 2012 allowances. The actual number of allowances used for 2012 will depend on the mixture of the vintage years ultimately retired with the Environmental Protection Agency for 2012 sulfur dioxide emissions. The actual mixture of allowances for compliance will be filed in February 2013 and is subject to change until that time.

