ILLINOIS COMMERCE COMMISSION

ANNUAL
REPORT
ON ELECTRICITY, GAS,
WATER AND SEWER
UTILITIES
2006

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COMMERCE COMMISSION

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AND SEWER UTILITIES

2006

ICC Annual Reports

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

Annual Report on Electricity, Gas, and Water 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 On Line

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
www.icc.illinois.gov/Plugin

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, IL 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

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January 31, 2007

The Honorable Rod Blagojevich
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 2006 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2006, through December 31, 2006.

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 sites listed on the previous page.

Sincerely,

Charles E. Box, Chairman

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ILLINOIS COMMERCE COMMISSION

YEAR IN REVIEW

2006

ENERGY ISSUES: Electricity

Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002. At the close of 2006, 20 alternative suppliers were eligible to serve non-residential customers. However, only one alternative retail electric supplier has received approval from the Commission to provide service to residential customers. Companies providing alternative retail electric service and the names, addresses and contact personnel and telephone numbers are posted to the ICC website to assist customers who may be considering switching to an alternative provider for electric service.

Illinois Auction

In September 2006, a "descending clock auction" was held in which Commonwealth Edison Company ("ComEd") and the three Ameren utilities operating in Illinois (AmerenCILCO, AmerenCIPS, and AmerenIP) purchased electricity for their retail customers through wholesale contracts. The auction was completed after 39 rounds and yielded fixed prices in the range of $63 to $66 per megawatt hour. A detailed discussion of the auction is presented in Section 2 of this report.

Rate Stabilization Programs

The Commission approved rate stabilization programs for the customers of ComEd and of the three Ameren utilities operating in Illinois. Under the programs, most Ameren customers have the option to cap and defer their rate increase to a maximum of 14 percent for each of the next three years (2007 through 2009) and ComEd residential customers have the option to cap and defer their rate increase to a maximum of 10 percent for each of the next three years. Deferred amounts will be repaid by customers over a three-year repayment period beginning in 2010 at a 3.25% interest rate.

Ameren's rate stabilization plan was accompanied by a pledge to contribute $15 million to energy assistance programs for low-income and elderly customers, conservation, efficiency and renewable energy initiatives, which it will not seek to recover through future rates. The Commission strongly encouraged ComEd to contribute $30 million over the next three years to low-income assistance and senior programs as well as energy efficiency and renewable energy programs.

Electric Rate Proceedings

During 2006, the Commission reviewed rate filings for ComEd and the Ameren companies for electricity procurement (Docket Nos. 05-0159; 05-0160/0161/0162), delivery services (Docket Nos. 05-0597; 06-0070/0071/0072), and rate cap proposals (Docket Nos. 06-0411; 06-0448). Orders were issued in the procurement and delivery services proceedings in 2006. Rehearing for the ComEd delivery services proceeding was decided in December 2006; rehearing for the Ameren delivery services proceedings will be decided in the first half of 2007. The rate cap proposals resulted in the rate stabilization programs discussed above.

Alternative Retail Electric Supplier Service

The number of customers purchasing power from an alternative supplier nearly doubled between 2005 and 2006. As of October 2006, approximately 13,193 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area. The majority of customer switching occurred in the Commonwealth Edison service area; however, some customer switching occurred in the AmerenCILCO, AmerenCIPS, and AmerenIP service areas. Additionally, about 100 customers were taking service under the Power Purchase Option, a service available only in the service areas of Commonwealth Edison Company and AmerenIP. Detailed electric customer switching statistics can be viewed on the ICC's website at http://www.icc.illinois.gov/ec/switchstats.aspx.

Neutral Fact Finder—Alternative Market Value

In December 2006, the Commission ordered that the NFF process be terminated until further action by the Commission.

ENERGY ISSUES: Gas

Gas Price Increases

During 2006, no gas utilities filed for gas rate increases.

During 2006, the Commission monitored the commodity cost of natural gas through its reviews and reconciliations of Purchase Gas Adjustment filings submitted by the gas utilities. Additionally the Commission continued its examination of the gas-purchasing practices of Nicor Gas, Peoples Gas, and North Shore Gas.

WATER AND SEWER ISSUES

The Commission approved the acquisition of the water facilities of South Beloit Water, Gas and Electric Company by Illinois-American Water Company in June 2006.

The Commission addressed complaints from the Village of Homer Glen, the Attorney General, and customers against Illinois-American Water Company regarding billing issues.

The Commission authorized a civil penalty against Galena Territory Utilities, Inc. for providing sewer service without the proper Certificate of Public Convenience and Necessity.

The utilization of purchased water surcharges, purchased sewage treatment surcharges, and qualifying infrastructure plant surcharges continued to grow.

The Commission issued final orders in citation proceedings against five small water utilities, owned by one individual, for poor water service and failure to make necessary improvements as required by a previous order.

FERC

In 2006, the Federal Energy Regulatory Commission ("FERC") strengthened the reporting requirements of utilities and power marketers that have market-based rate authority and modified Order Nos. 888 and 889 to improve the clarity and transparency of transmission use and planning. FERC also spent a significant portion of 2006 working to complete its Energy Policy Act of 2005 obligations to: finalize guidelines regarding long-term financial transmission rights; certify the North American Electric Reliability Council and its procedures pertaining to mandatory electric reliability standards; finalize rules regarding market manipulation and FERC's enforcement and penalty authority; issue a final rule regarding the promotion of transmission investment and FERC "backstop" siting authority in national interest electric transmission corridors.

UTILITY MERGERS/PLANT SALES

On December 22, 2005, Interstate Power and Light Company filed a petition for approval for the sale of its Illinois electric and gas distribution assets to Jo-Carroll Energy, Inc., an electric cooperative which is not subject to the jurisdiction of the Commission as a public utility pursuant to Section 3-105 of the Act. The Commission is considering this transaction in Docket No. 05-0835. Reply Briefs on Exceptions to the Administrative Law Judge's Proposed Order were filed by Staff and the parties on November, 2006. It is expected that the Commission will enter an order approving the sale sometime in January, 2007 and that the sale will be effective thirty days after.

On December 22, 2005, South Beloit Water, Gas and Electric Company filed a petition for approval for the sale of its Illinois electric and gas distribution assets to Rock County Electric Cooperative Association, an electric cooperative as defined by Section 3-119 of the Act and not subject to the jurisdiction of the Commission as a public utility pursuant to Section 3-105 of the Act. The Commission is considering this transaction in Docket No. 05-0836. Reply Briefs on Exceptions to the Administrative Law Judge's Proposed Order were filed by Staff and the parties on November 29, 2006. It is expected that the Commission will enter an order approving the sale sometime in January, 2007 and that the sale will be effective thirty days after.

On November 16, 2005, Illinois American Water Company (IAWC) and South Beloit Water, Gas, and Electric Company (SBWGE) jointly filed a petition for Commission approval pursuant to Sections 7-101, 7-204, 8-406, and 8-508 of the Act of a purchase by IAWC of the water assets of SBWGE. The Commission approved the transaction on June 28, 2006.

On August 2, 2006, WPS Resources ("WPS"), Peoples Energy Corporation ("PEC"), Peoples Gas Light and Coke Company, and North Shore Gas Company filed pursuant to Section 7-204 of the Act for Commission approval for the merger of PEC to become a wholly-owned subsidiary of WPS (Docket No. 06-0540). The evidentiary hearings are scheduled for January 8, 2007.

INTRODUCTION

The following report for calendar year 2006 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 2006, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Charles E. Box

Lula M. Ford

Robert F. Lieberman

Erin M. O'Connell-Diaz

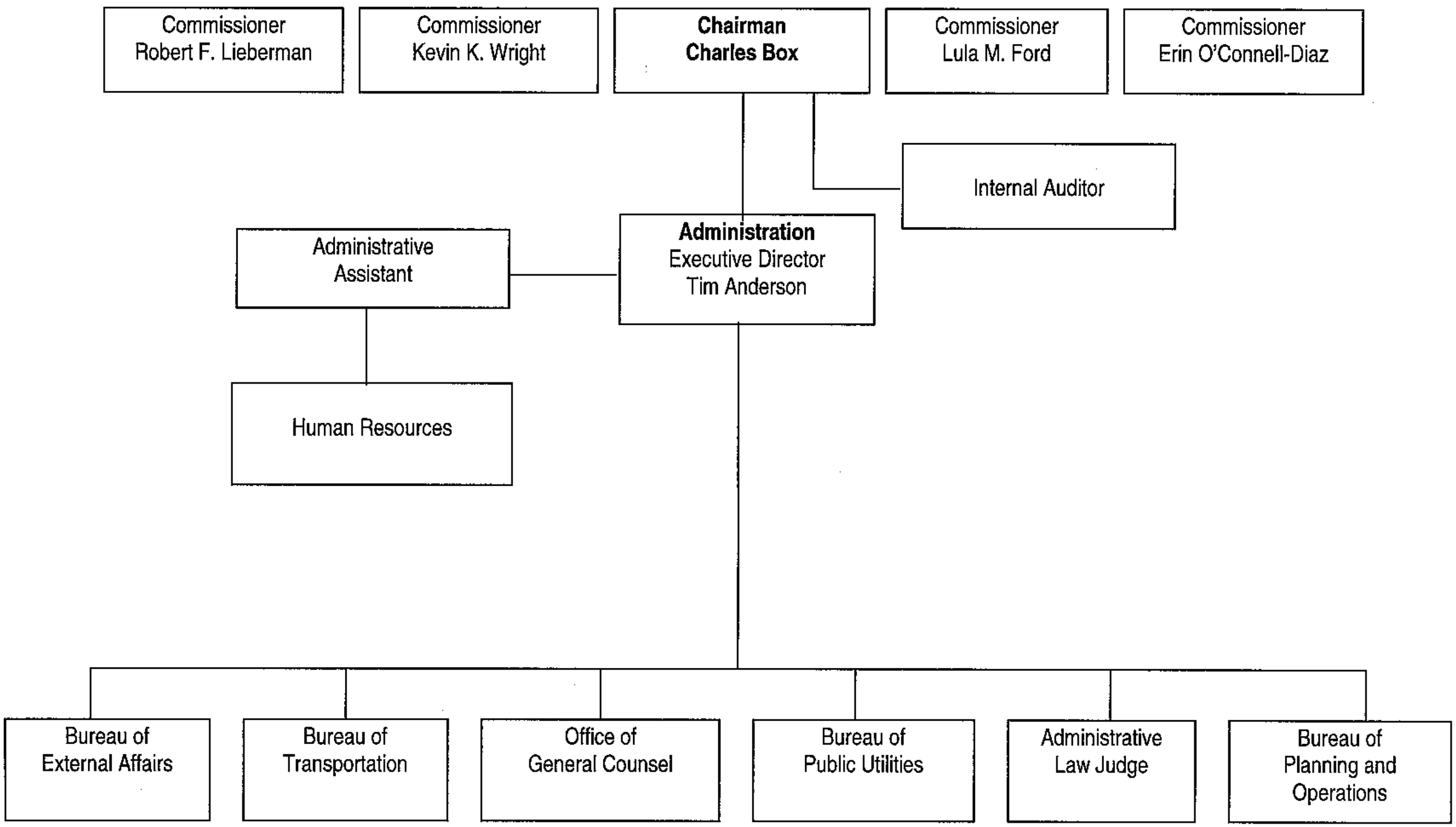
Kevin K. Wright

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



Office of Public Affairs 1/09/07

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 therefor;

REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2006. 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 2006 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 2006

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2004, 2005 and 2006. 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://eweb.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.

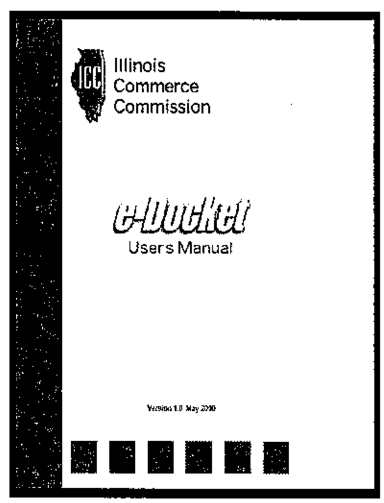


Table 1-1
Utility Cases Monthly Report

MONTHLY TOTALS	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calendar Year to Date
Filings:														
New Cases	2006	87	81	99	79	77	53	62	60	47	60	69	41	815
	2005	68	60	102	59	46	82	53	94	71	58	60	115	868
	2004	62	111	137	57	48	37	39	60	49	53	74	86	813
Filings/Reports (SPI)	2006	891	719	803	737	717	640	683	729	498	630	583	481	8,111
	2005	667	660	841	1,118	933	767	679	785	737	739	462	719	9,107
	2004	699	733	870	920	827	790	644	746	571	596	633	622	8,651
Filings/Reports (CHI)	2006	-	-	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-	-	-
	2004	-	-	-	-	-	-	-	-	-	-	-	-	-
Hearing & Commission Action Notices	2006	218	192	174	161	224	173	216	187	134	174	151	141	2,145
	2005	166	154	237	223	235	189	142	183	181	254	148	168	2,280
	2004	161	160	241	222	209	161	181	219	115	172	161	180	2,182
Supplemental/Reopen Petitions	2006	-	-	5	-	-	-	3	-	-	-	-	-	8
	2005	-	1	37	1	-	-	1	1	-	-	-	-	41
	2004	-	1	--	-	1	10	-	-	-	-	1	-	13
Petitions for Rehearing	2006	5	37	2	-	2	1	2	10	4	7	2	6	78
	2005	-	1	4	1	5	4	6	36	-	6	3	7	73
	2004	-	3	1	1	3	9	2	5	12	2	4	1	43
Cases Closed *(Orders/Commission Actions)*	2006	147	90	113	76	73	58	97	56	118	75	33	54	990
	2005	73	85	94	72	61	137	57	57	90	65	82	74	947
	2004	45	99	59	79	96	50	47	82	42	69	76	68	812
Tariff Filings	2006	131	140	174	117	122	148	146	138	146	137	140	217	1,756
	2005	141	134	139	128	222	140	130	184	143	124	134	171	1,790
	2004	134	158	196	170	228	173	149	139	178	128	120	158	1,931

(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 2007

	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $
Public Utility Fund	14	1,100,600	195	22,313,500	0	0	209	23,414,100
Transportation Fund	1	119,600	0	0	63	15,144,900	64	15,264,500
Digital Divide Infrastructure Fund	0	0	0	5,000,000	0	0	0	5,000,000
Capital Development Fund	0	0	0	0	0	402,400	0	402,400
Underground Utilities Damage Prevention Fund	0	0	0	75,000	0	0	0	75,000
Wireless Carrier Reimbursement Fund	0	0	1	34,400,000	0	0	1	34,400,000
Wireless Services Emergency Fund	0	0	1	42,900,000	0	0	1	42,900,000
Totals	15	1,220,200	197	104,688,500	63	15,547,300	275	121,456,000

Headcount is shown at the authorized level.
Budget $ shown represent the FY06 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

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2006.

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 CHANGES AND TRENDS IN THE UTILITY INDUSTRY

SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT

The Electric Service Customer Choice and Rate Relief Law of 1997 ("the 1997 law") fixed a timetable for the introduction of electric retail choice in Illinois, beginning with opening the electric market on October 1, 1999. On that date, approximately 64,000 non-residential electric customers, about one-seventh of all non-residential customers, became eligible to choose a new electric supplier. An additional 609,000 non-residential customers became eligible on January 1, 2001, to choose a new electric supplier. The electric market was opened to the state's approximately 4.4 million residential customers in May 2002 so that now all customer classes are eligible to choose alternative suppliers, although to date no residential customer has switched to an alternative supplier. At the end of 2006, twenty suppliers were eligible to serve non-residential customers, and one supplier was eligible to serve residential customers.

As of October 2006, approximately 13,193 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or from an electric utility selling outside its service area. Most switching occurred in the ComEd service area. The number of customers buying from an alternative supplier increased nearly 100% from 2005. Additionally, about 100 non-residential customers were taking service under the Power Purchase Option, a generation service that is offered only in the service areas of the two electric utilities—Commonwealth Edison Company ("ComEd") and AmerenIP—that imposed transition charges on customers that take delivery services. The number of customers taking Power Purchase Option service in 2006 declined significantly from 2005, when more than 15,000 customers were taking that service. Detailed electric customer switching statistics can be viewed on the Commission's web page at http://www.icc.illinois.gov/en/switchstats.aspx.

Illinois Auction

Under the restructuring of the Illinois electric industry that evolved after the enactment of the Electric Service Customer Choice and Rate Relief Law of 1997, ComEd and the three Ameren utilities doing business in Illinois (AmerenCILCO, AmerenCIPS, and AmerenIP) sold their generating assets or transferred their generating assets to affiliates. These companies became distribution-only utilities. As distribution-only utilities, ComEd and the Ameren utilities can only serve their retail customers with electricity by entering into wholesale contracts with other companies (possibly including, but not limited to, affiliates). The initial wholesale power contracts that these companies entered into following the enactment of the 1997 Law are set to expire January 1, 2007. The Commission considered the procurement of electricity after January 1, 2007, in two proceedings—Docket No. 05-0159 and Docket Nos. 05-0160, 05-0161, and 05-0162 (Consolidated) (jointly, the "Procurement Proceedings").

In the Orders for the Procurement Proceedings, the Commission found the best option available for ComEd and Ameren utilities to acquire new wholesale power contracts (for delivery starting January 2007) would be an open auction, where all bids from competing suppliers would be evaluated uniformly on the basis of price. Specifically, the Commission approved the use of a "descending clock auction," to be conducted by an independent Auction Manager and to be subject to Commission staff oversight. The term "descending clock" derives from the fact that, as long as bidders offer to sell more electricity than consumers need, the price ticks down after each round of bidding.

The first auction was held in September 2006. It consisted of two sections: one for fixed price contracts and the other for hourly price contracts. Most customers would be served through the fixed price contracts, where, as the name implies, the auction would set a single price to be used during the entire length of the contract. For the hourly price contracts, on the other hand, the auction would establish only a capacity charge, while the bulk of suppliers' revenues would be tied to externally determined spot market prices for energy. The auction began on September 5, 2006, and concluded on September 8 after 39 rounds.

On September 12, 2006, the Commission received confidential reports on the auction from both the Staff (with the assistance of the Commission's Auction Monitor) and the independent Auction Manager (Chantale LaCasse from the economic consulting firm, NERA). On that same day, the Commission approved the results of the auction's Fixed Price Section and rejected the results of the Hourly Price Section.

The Commission Staff, in its December 6, 2006, Post-Auction Public Report, noted that both the Staff and the Commission's Auction Monitor, Boston Pacific Company, Inc., had full access to all elements of the auction. Monitoring included, among many other actions, participation in several trial auctions as well as on-site and electronic monitoring at the secure bid site during all rounds of the actual auction. Staff found that the auction was conducted in a transparent, equitable, and highly professional manner, consistent with both the Commission orders in the Procurement Dockets and the auction rules. In the view of Staff and the Auction Monitor, the auction was competitive. There were 21 registered bidders in the auction; 16 of them were winning bidders. There were 14 winning bidders for the various ComEd fixed price products, and all 14 have entered into wholesale supply contracts with ComEd. There were nine winning bidders for the various Ameren fixed price products, and all nine have entered into wholesale supply contracts with the Ameren utilities. There were five winning bidders for ComEd's hourly price product and four winning bidders for the Ameren utilities' hourly price products; however, since the Commission rejected the hourly price results, no hourly price contracts were signed. Neither Staff nor the Auction Monitor found evidence of collusive behavior or other anti-competitive actions by bidders. The Staff attributed the competitiveness of the auction, in part, to the Commission's decisions in the Procurement Proceedings, including but not limited to the Commission's decisions regarding confidential treatment of bidder-specific information. The relatively large number of bidders shows that potential suppliers perceived the auction to be a fair process.

In the Fixed Price Section, there were eight separate products. As seen in the table below, a "product" in the Fixed Price Section is defined generally by the size of the consumer (small or large), by the buyer (ComEd or Ameren), and by the length of the wholesale supply contract (17, 29, or 41 months). The prices for all the products in the small Fixed Price Section (this includes residential and small commercial consumers) were in a range of about $63 to $66 per megawatt-hour ("MWh").

Auction Results—Fixed Price Section

Customer Group	Small to Medium						Large	
Utility Group	ComEd			Ameren			ComEd	Ameren
Months	17	29	41	17	29	41	17	17
Price ($/MWh)	63.96	64.00	63.33	64.77	64.75	66.05	90.12	84.95

Combining the auction prices for electricity and the currently effective delivery service charges, the rates for most consumers will increase on January 1, 2007. Residential increases will come after rates were first reduced (up to 20%) and then frozen for the nine years since the 1997 Law. The anticipated increased rates should be compared, not only to today's rates, but also to the rates in effect in 1997, before restructuring legislation became law. Furthermore, when comparing the 2007 rates to the 1997 rates, it is appropriate to adjust for inflation, since inflation has eaten away purchasing power by 23% over this time. Adjusting for the effect of general price inflation permits an apples-to-apples comparison, where one may state prices in two disparate periods in common "purchasing power terms."

- For ComEd, which serves about 70% of residential consumers in Illinois, residential rates for customers without electric space heating will increase by 21% in 2007, as compared to current rates. However, compared to the 1997 rates, the 2007 rates will actually decrease by 3%. Furthermore, in purchasing power terms (adjusting for inflation), the 2007 rates will be 22% lower than the 1997 rates.
- For AmerenIP, which serves 14% of residential consumers in Illinois, rates will increase by 37% in 2007 as compared to current rates. Compared to 1997 rates, the 2007 rates will increase by 10%. In purchasing power terms, the 2007 rates will be 11% lower than the 1997 rates.
- For AmerenCIPS, which serves 9% of residential consumers in Illinois, rates will increase 36% in 2007 as compared to current rates. Compared to the 1997 rates, the 2007 rates will be 29% higher. In purchasing power terms, the 2007 rates will be 5% higher than the 1997 rates.
- For AmerenCILCO, which serves 5% of residential consumers in Illinois, rates will increase 53% in 2007 as compared to current rates. Compared to the 1997 rates, the 2007 rates will be 45% higher. In purchasing power terms, the 2007 rates will be 18% higher than the 1997 rates.

The Staff's complete Post-Auction Public Report can be found on the Commission's web site at http://www.icc.illinois.gov/en/IllinoisAuction.aspx.)

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

ELECTRICITY

Electric service to retail customers is provided in the State of Illinois by the following eight investor-owned public utilities:

- AmerenCILCO
- AmerenCIPS
- AmerenIP
- Commonwealth Edison Company
- Interstate Power and Light Company
- MidAmerican Energy Company
- Mt. Carmel Public Utility Company
- South Beloit Water, Gas and Electric Company

Municipal systems and electric cooperatives, which the Commission does not regulate, also provide electric service in Illinois. These municipal systems and electric cooperatives do not report data as to the quality, availability, and price of electric service to the Commission; thus, this report does not include any information pertaining to municipal systems or electric cooperatives.

There are two ongoing proceedings before the ICC involving the pending sales of Interstate Power and Light Company and South Beloit Water, Gas and Electric Company to separate buyers. If the Commission approves these sales, both the systems and their customers will become part of two different electric cooperatives. If the sales are approved, these systems would no longer be under the jurisdiction of the ICC, and the number of Illinois electric utilities would be reduced to six.

A more detailed presentation of the 2005 sales statistics presented below can be found in the Commission's "Comparison of Electric Sales Statistics For Calendar Years 2005 and 2004" at http://www.icc.illinois.gov/docs/en/060517ecstatistics.pdf.

Northern Illinois

Electricity is sold in northern Illinois by four electric utilities: Commonwealth Edison Company, Interstate Power and Light Company, MidAmerican Energy Company, and South Beloit Water, Gas and Electric Company. Commonwealth Edison Company is by far the largest investor-owned electric utility in Illinois, serving 3,695,521 customers in over 400 communities. The Commonwealth Edison service territory includes the Chicago metropolitan area. MidAmerican Energy Company provides service to 84,178 customers in 42 communities in northwestern Illinois. Interstate Power and Light Company has 12,837 customers in eight communities that are in northwestern Illinois. South Beloit Water, Gas and Electric Company provides electrical service to 9,274 customers in nine communities adjacent to the Wisconsin border.

For 2001 through 2005, these four utilities charged the following average prices, shown in cents per kWh, for bundled service class customers:

	2000	2001	2002	2003	2004	2005
Commonwealth Edison	7.54¢	7.60¢	7.64¢	7.75¢	7.82¢	7.80¢
Interstate Power	4.60	5.20	5.31	5.48	5.47	5.28
MidAmerican	6.20	5.97	6.11	6.05	5.92	6.22
South Beloit	5.40	6.04	5.50	6.73	6.23	5.43

Central Illinois and Southern Illinois

Electric service is provided to central Illinois and southern Illinois by four investor-owned electric utilities: AmerenCILCO, AmerenCIPS, AmerenIP, and Mt. Carmel Public Utility Company. AmerenCILCO serves 206,274 customers in 136 communities in central Illinois. AmerenCIPS serves 388,715 customers in 576 communities across central and southern Illinois. AmerenIP serves

605,279 customers in approximately 420 Illinois communities in central and southern Illinois. Mt. Carmel Public Utility Company serves 5,594 customers in two communities in southeastern Illinois.

For 2001 through 2005, these four utilities charged the following average prices, shown in cents per kWh, for bundled service class customers:

	2000	2001	2002	2003	2004	2005
AmerenCILCO	6.07¢	6.13¢	6.12¢	6.06¢	5.24¢	6.22¢
AmerenCIPS	6.20	6.15	6.30	6.51	5.85	5.86
AmerenIP	6.43	6.87	6.84	6.97	7.05	6.86
Mt. Carmel	6.75	6.68	7.33	7.44	7.62	7.70¢

Please see the note on page ii of the Commission's "Comparison of Electric Sales Statistics For Calendar Years 2005 and 2004" at http://www.icc.illinois.gov/docs/en/060517ecstatistics.pdf for an explanation of the amounts shown with light gray highlighting.

Table 2-1

The 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 eight electric utilities under ICC Jurisdiction.

Table 2-1

Illinois Electric Utilities

Revenue in Cents per kWh for Bundled Service, Sales for Resale, and Interdepartmental Sales by Class of Service and by Company

2005

Class of Service	Ameren CILCO	Ameren CIPS	Ameren IP	ComEd	Interstate Power	Mid-American	Mt. Carmel	South Beloit
Bundled Service								
Residential Sales	6.90	7.25	7.61	8.60	6.86	8.36	9.73	6.50
Small (or Commercial) Sales	6.49	6.38	7.79	7.82	6.84	6.58	10.28	5.87
Large (or Industrial) Sales	4.94	3.86	4.62	5.16	4.21	4.02	5.73	4.24
Public Street & Highway Lighting	5.21	8.61	7.19	6.86	15.89	8.66	-	11.75
Other Sales To Public Authorities	-	5.52	6.63	5.98	4.74	5.18	7.40	-
Sales To Railroads	-	-	-	5.81	-	-	-	-
Sales to Ultimate Customers	6.22	5.86	6.86	7.80	5.28	6.22	7.70	5.43
Sales For Resale	3.07	1.96	4.77	0.42	35.06	35.06	4.74	4.74
Interdepartmental Sales	-	-	-	-	-	5.24	-	8.51

NATURAL GAS

Natural gas service is currently provided in the State of Illinois by the following 13 investor-owned public utilities:

AmerenCILCO
AmerenCIPS
AmerenIP
Atmos Energy Corporation
Consumers Gas Company
Illinois Gas Company
Interstate Power and Light Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company
Nicor Gas Company
North Shore Gas Company
Peoples Gas Light and Coke Company
South Beloit Water, Gas and Electric Company

Municipal gas systems, which the Commission does not regulate, also provide gas service in Illinois. These municipal systems do not report data concerning quality, availability, and price to the Commission; thus, this report does not include any information pertaining to municipal systems.

During 2006, natural gas service was available without major interruption to all firm customers served by these 13 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. 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 2007, sufficient supplies of natural gas are expected to be available to all customers.

There are two ongoing proceedings before the ICC involving the sales of Interstate Power and Light Company and South Beloit Water, Gas and Electric Company to separate buyers. If the Commission approves these sales, both systems and their customers will become part of two different cooperatives. If the sales are approved, these systems would no longer be under the jurisdiction of the ICC, and the number of Illinois gas utilities would be reduced to eleven.

A more detailed presentation of the 2005 sales statistics presented below can be found in the Commission's "Comparison of Gas Sales Statistics For Calendar Years 2005 and 2004" at http://www.icc.illinois.gov/docs/en/060523ngstatistics.pdf.

Northern Illinois

Six public utilities distribute and sell natural gas in northern Illinois: Interstate Power and Light Company, MidAmerican Energy Company, Nicor Gas Company, North Shore Gas Company, Peoples Gas Light and Coke Company, and South Beloit Water, Gas and Electric Company.

Nicor Gas Company is the largest gas distribution company in the state and provides service to 1,904,443 customers in 643 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest gas utility in Illinois with 794,770 customers. North Shore Gas Company serves 150,816 gas customers in 54 communities north of the Chicago area. Of the remaining three companies serving northern Illinois, MidAmerican Energy Company is the largest with 65,478 customers in 26 communities. South Beloit Water, Gas and Electric Company serves 7,730 customers in ten communities. Finally, Interstate Power and Light Company serves 5,582 customers in ten communities.

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 2001 through 2005, these six utilities charged the following average prices shown in cents per therm:

	2001	2002	2003	2004	2005
Interstate	82.54¢	58.74¢	78.85¢	80.79¢	107.37¢
MidAmerican	72.37	60.59	84.68	90.24	112.78
Nicor Gas	73.69	49.70	75.01	79.26	101.38
North Shore	94.34	68.36	83.05	94.11	117.43
Peoples Gas	105.50	74.20	94.18	106.36	130.15
South Beloit	78.83	64.20	86.02	72.10	122.23

Central Illinois

Three public utilities distribute and sell of natural gas in central Illinois: AmerenCILCO, AmerenCIPS, and AmerenIP. AmerenCILCO provides gas service to 210,968 customers in 110 communities including Peoria and Springfield. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 296 communities with 186,864 customers. AmerenIP provides gas service to 415,323 customers in 309 communities in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois and the East St. Louis metropolitan area.

For 2001 through 2005, these three utilities charged the following average prices shown in cents per therm:

	2001	2002	2003	2004	2005
AmerenCILCO	86.16¢	69.54¢	83.50¢	93.11¢	112.22¢
AmerenCIPS	88.13	80.73	91.17	105.61	122.32
AmerenIP	87.54	69.48	84.46	97.46	112.01

Southern Illinois

In addition to AmerenCIPS and AmerenIP discussed above, four smaller public utilities distribute and sell natural gas in southern Illinois: Atmos Energy Corporation, Consumers Gas Company, Illinois Gas Company, and Mt. Carmel Public Utility Company. Atmos Energy Corporation provides service to 23,394 customers in 30 communities in a number of distinct service areas in southern Illinois. Illinois Gas Company serves 10,018 customers in 15 communities in the Lawrenceville-Olney area. Consumers Gas Company serves 5,749 customers in 13 communities in the Carmi area. Finally, Mt. Carmel Public Utility Company serves 3,646 customers in seven communities in the Mt. Carmel area.

For 2001 through 2006, these five utilities charged the following average prices shown in cents per therm:

	2001	2002	2003	2004	2005
Atmos Energy	98.49¢	74.12¢	91.42¢	93.26¢	128.72¢
Consumers Gas	89.20	70.45	85.02	101.63	123.51
Illinois Gas	90.57	74.72	91.34	97.22	130.79
Mt. Carmel	88.93	77.40	88.25	99.57	128.77

Table 2-2

The price of gas sold by the gas utilities varied among 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 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
2005

	Ameren CILCO	Ameren CIPS	Ameren IP	Atmos Energy	Consumers Gas	Illinois Gas	Interstate Power
Residential Sales	117.00	124.88	116.25	136.12	121.87	138.26	105.98
Small (or Commercial) Sales	110.78	121.63	106.60	116.45	123.85	133.95	108.59
Large (or Industrial) Sales	96.39	103.59	99.53	105.53	133.71	114.51	112.73
Other Sales To Public Authorities	-	51.70	63.82	111.56	124.82	-	-
Total Sales To Ultimate Customers	112.22	122.32	112.01	128.72	123.51	130.79	107.37
Sales For Resale	-	-	-	-	110.41	-	-
Interdepartmental Sales	88.97	-	-	-	-	-	-

	Mid-American	Mt. Carmel	Nicor Gas	North Shore Gas	Peoples Gas	South Beloit
Residential Sales	116.83	130.73	101.46	118.57	131.88	124.66
Small (or Commercial) Sales	108.36	124.17	101.38	113.37	122.68	117.19
Large (or Industrial) Sales	87.58	-	98.80	107.04	116.68	117.35
Other Sales To Public Authorities	-	-	-	-	-	-
Total Sales To Ultimate Customers	112.78	128.77	101.38	117.43	130.15	122.23
Sales For Resale	74.16	-	-	-	-	-
Interdepartmental Sales	83.77	-	-	-	-	201.66

WATER AND SEWER UTILITIES

Overview

The Commission currently regulates 26 water, four sewer, and 13 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1781 public water suppliers and 808 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 1.2 million people and sewer service to 167,000 people. These investor-owned utilities serve customers in 38 counties and are concentrated in the Chicago metropolitan area. The numbers of customers served range from 24 to 307,082. Only nine utilities serve more than 1,000 customers. Table 2-3 presents a comparison of bills for utility rate areas where 1,000 customers or more are served.

While the total number of investor-owned water and sewer utilities has remained relatively stable during the past year, there are fewer investor-owned water and sewer utilities than in the past. This reduced number is partly the result of the overall Commission effort 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 at lower rates from larger utilities due to the economies of scale that are realized. 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 of operating a small system as a mutual by a homeowners association is investigated. 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 2006:

§ Illinois-American Water Company ("IAWC") acquired the water system of South Beloit Water, Gas, and Electric Company in Docket No. 05-0724. This water system provides service to approximately 2,500 customers in Winnebago County.

§ Aqua Illinois filed a Petition in Docket No. 06-0203 seeking to acquire the Village of Manteno's water system currently serving approximately 3,400.

§ Illinois-American filed an Application in Docket No. 06-0564 to acquire the water system of the Village of Pesotum. This system currently serves approximately 258 customers.

§ Highland Shores Water Company, Northern Illinois Utilities, Inc., and Wonder Lake Water Company, serving approximately 1,500 customers in McHenry County, were sold to the Village of Wonder Lake.

Regulatory Activities

The Commission issued a final Order in 2006 for five small water utilities (owned by one individual and serving 2,220 customers) that were originally cited by the Commission for poor water service in 1997 with a final Order in 1999. In 2001, the Commission commenced additional citation proceedings for these five small water utilities because these five utilities failed to make the specified improvements required by the 1999 Order. During these proceedings, three of these utilities were sold to the Village of Wonder Lake and are no longer regulated by the Commission. Negotiations are currently underway for the acquisition of the other two utilities by a larger investor owned utility.

On December 20, 2006, the Commission issued an Order in Docket No. 06-0285 granting a request for increased rates for the Kankakee Division of Aqua Illinois, which serves 24,360 customers.

Galena Territories Utilities, Inc., one of 24 utilities owned by Utilities, Inc., was assessed a civil penalty for providing sewer service without proper certification.

The Village of Homer Glen filed a complaint (Docket No. 06-0095) against Illinois-American Water Company. The Village generally alleged that Illinois-American was improperly billing customers. This Complaint was joined by CUB, and consolidated with an individual customer billing complaint (Docket No. 05-0681) and a related billing complaint by the Illinois Attorney General (Docket No. 06-0094).

The application of purchased water and sewage treatment surcharges and qualifying infrastructure plant surcharges continues to grow in Illinois. 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, and hydrants until such time that those investments are placed into rate base through the rate setting process. Currently, Harbor Ridge Utilities, Inc., and IAWC have purchased sewage treatment surcharges; Del-Mar Water Company, South Beloit Water, Gas, and Electric Company, and IAWC have purchased water surcharges; and Aqua Illinois and IAWC have qualifying infrastructure plant surcharges.

Discussion of Water and Sewer Utilities

Water supplies for Commission investor-owned water utilities were generally adequate in 2006.

Most 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 with the exception of nitrate levels. In some systems, the nitrate levels exceed the Illinois EPA standards during periods of heavy water run-off from agricultural lands. Affected utilities have taken steps to reduce nitrates to safe levels during these periods.

Most of the smaller systems 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 supply for most small systems. Well water quality varies considerably, and well water can contain undesirable minerals such as iron, manganese, and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several well systems located in the Chicago metropolitan area to obtain Lake Michigan water.

Of the 17 investor-owned utilities that provide sewer service, only two systems provide service to more than 5,000 customers. The other sewer systems are small, although one does provide service to a major manufacturing plant. Some of the systems have difficulty meeting the stream discharge standards established by the Illinois EPA. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest systems have, where possible, sought treatment from nearby regional plants. All sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their waste to the MWRD for treatment. The investor-owned sewer systems provide service primarily to residential customers and serve a very limited number of commercial and industrial customers.

Bills for sewer service are typically flat rate charges since metering of sewage flow is uneconomical and impractical for residential customers. The rates vary considerably and depend on many factors, including the age of the treatment plant and treatment criteria for the receiving stream. Overall, rates for single-family homes average $25-30 per month.

Table 2-3
Illinois Water Utility Rate Areas Serving 1,000 or More Customers
Bill Comparison - Residential Customers with 5/8 Inch Meters

Area of State/ Utilities/ Service Areas	Total Number of Customers	Bill Comparison Based on Water Usage 4,000 Gallons	6,000 Gallons	8,000 Gallons	10,000 Gallons	15,000 Gallons
NORTHERN						
Apple Canyon	2,686	$ 24.15	$ 33.47	$ 42.79	$ 52.11	$ 75.41
Aqua Illinois						
Candlewick	1,769	32.32	41.48	50.64	59.80	82.70
Kankakee	24,360	36.42	45.08	53.73	62.38	84.01
University Park	2,249	18.49	21.77	25.04	28.31	36.49
Willowbrook	1,015	20.77	28.33	35.89	43.45	62.35
Woodhaven-Campsite	6,127	15.46	15.46	15.46	15.46	15.46
Galena Territory	2,086	20.52	25.56	30.60	35.64	48.24
Illinois-American						
Chicago Metro						
Well Water	1,588	27.11	33.90	40.70	47.49	64.47
Lake Water						
Chicago Suburban	4,337	43.63	53.51	63.39	73.28	97.99
DuPage County	6,178	39.67	49.85	60.03	70.22	95.68
Fernway	2,019	36.34	47.74	59.14	70.55	99.06
Sante Fe/SW & W Suburban	29,615	41.82	55.96	70.10	84.25	119.61
South Beloit	2,474	20.58	27.47	34.36	41.24	58.46
Sterling	6,525	31.91	38.72	45.54	52.35	69.39
Streator	7,700	27.84	34.52	41.21	47.89	64.60
Lake Holiday	1,846	17.28	23.42	29.56	35.70	51.05
Lake Wildwood	1,789	24.82	32.06	39.30	46.54	64.64
New Landing	1,004	19.36	24.04	28.72	33.40	45.10
Whispering Hills	2,351	17.54	23.74	29.94	36.14	51.64
CENTRAL						
Aqua Illinois						
Vermilion	21,100	36.05	45.89	55.72	65.55	90.13
Illinois-American						
Champaign	50.323	20.61	25.69	30.78	35.86	48.56
Lincoln	5,842	25.61	32.80	39.99	47.19	65.17
Pekin	13,971	20.47	24.02	27.56	31.11	39.98
Peoria	51,197	28.02	34.70	41.39	48.07	64.78
Pontiac	4,486	30.61	37.37	44.14	50.91	67.83
SOUTHERN						
Illinois-American						
Alton	18,476	27.58	34.36	41.14	47.92	64.88
Cairo	1,256	27.51	34.28	41.04	47.81	64.72
Interurban	69,112	27.46	34.21	40.96	47.71	64.59

FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

Bond 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. Virtually all of the major electric and natural gas utilities serving Illinois have ratings assigned to their bond issues.

There is no formula for determining bond 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.

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

Electric Utility Bond Ratings by Standard and Poor's
2002 through 2006

	2002	2003	2004	2005	2006
Electric Utility Industry Average	BBB	BBB	BBB	BBB	BBB
AmerenCILCO	BBB-	A-	A-	BBB+	BBB-
AmerenCIPS	A+	A-	A-	BBB+	BBB-
AmerenIP	B	B	A-	BBB+	BBB-
Commonwealth Edison	A-	A-	A-	BBB+	BBB-
Interstate Power and Light	BBB+	BBB+	BBB+	BBB+	BBB+
MidAmerican Energy	A	A	A-	A-	A-

In October 2006, S&P downgraded the corporate credit ratings of the Ameren companies and Commonwealth Edison to BBB-, the lowest investment grade rating, due to the possibility of an extension of the rate freeze. If rate freeze legislation becomes law, S&P stated it would downgrade the Ameren companies and Commonwealth Edison to "B," which is two full ratings categories below investment grade.

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.

Gas Utility Bond Ratings by Standard and Poor's
2002 through 2006

	2002	2003	2004	2005	2006
Gas Distribution Industry Average	A-	BBB+	A-/BBB+	A-/BBB+	A-
Nicor Gas	AA	AA	AA	AA	AA
North Shore Gas	A-	A-	A-	A-	A-
Peoples Gas Light and Coke	A-	A-	A-	A-	A-

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 2006 avoided costs as filed annually by Illinois electric utilities.

Section 8-403 of the Public Utilities Act requires the Commission to conduct a study of procedures and policies to encourage the full and economical utilization of cogeneration and small power production. Pursuant to Section 8-403, the Commission submitted reports to the Governor and General Assembly in 1986 and 1987.

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
2006

Electric Utility	Summer Rates	Winter Rates
AmerenCILCO		
On-Peak	1.87¢/kWh	1.85¢/kWh
Off-Peak	1.83¢/kWh	1.82¢/kWh
AmerenCIPS		
On-Peak	2.30¢/kWh	2.30¢/kWh
Off-Peak	2.30¢/kWh	2.30¢/kWh
AmerenCIPS—Metro East		
On-Peak	2.30¢/kWh	2.30¢/kWh
Off-Peak	2.30¢/kWh	2.30¢/kWh
AmerenIP		
On-Peak	3.22¢/kWh	3.18¢/kWh
Off-Peak	3.17¢/kWh	3.15¢/kWh
Commonwealth Edison		
On-Peak	4.55¢/kWh	3.64¢/kWh
Off-Peak	2.97¢/kWh	2.67¢/kWh
Interstate Power and Light		
On-Peak	6.50¢/kWh	6.65¢/kWh
Off-Peak	3.56¢/kWh	3.52¢/kWh
MidAmerican Energy		
On-Peak	2.87¢/kWh	2.05¢/kWh
Off-Peak	1.60¢/kWh	1.48¢/kWh
Mt. Carmel Public Utility		
On-Peak	1.903¢/kWh	1.903¢/kWh
Off-Peak	1.903¢/kWh	1.903¢/kWh
South Beloit Water, Gas & Electric		
On-Peak	6.50¢/kWh	6.65¢/kWh
Off-Peak	3.56¢/kWh	3.52¢/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.

PROGRAMS DESIGNED TO PROMOTE THE 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 2005 through November 2006 are as follows.

The average heat related residential class customer base equaled 7,093,518 households. In this class 288,001 accounts were disconnected and 183,579 were reconnected. This yields a 63.7 percent reconnection rate leaving 104,422 accounts not reconnected. The disconnected accounts represent 4 percent of the average residential customer base, while those accounts not reconnected represent a rate of 1.5 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.

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 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.

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 2005 – 2006 and who were given a payment plan, 21 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 Healthcare and Family Services.

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, 2006, letters were sent to 41,974 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 12,351 former customers requested that their service be reconnected. Of these, 5,059 customers were reconnected upon payment of the total bill and 7,292 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 708 customers were denied. The reasons for denial are categorized as follows:

- 114 former customers failed to make a required down payment;
- 375 former customers failed to pay one-third of the amounts billed since December 1, 2003;
- 98 former customers had been reconnected under this rule last year; and
- 121 former customers resided where equipment tampering or diverted utility service was detected.

The above information indicates that 29,623 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 Healthcare and Family Services. LIHEAP provides a one-time grant to eligible low-income customers.

(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.

To illustrate the amount of uncollectible expense for electric and gas utilities, the years 2005 and 2004 provide the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year expense in the utility's last rate case. For example, if a utility utilized a 2001 test year for its last rate case, the amount of uncollectible expense approved for the test year is included in that utility's rates until the next rate case.

The level of uncollectible expense is not perceived as a significant problem at the privately-owned water and sewer utilities in Illinois. Therefore, no effort has been made to analyze in detail the explicit data for those utilities.

Electric Utilities

Total 2005 Uncollectible Expense for Illinois electric utilities was $49,854,405 compared to $43,788,132 in 2004. These amounts represent 0.61% of total Revenue from Sales to Ultimate Customers[1] in 2005 and 0.59% of total Revenue from Sales to Ultimate Customers in 2004. ComEd has the largest amounts of Uncollectible Expense with $32,082,072 in 2005 and $37,053,694 in 2004; these amounts represent 0.55% of its 2005 Revenue from Sales to Ultimate Customers and 0.69% of its 2004 Revenue from Sales to Ultimate Customers. Table 4-1 presents the complete analysis.

Gas Utilities

Total 2005 Uncollectible Expense for Illinois gas utilities was $93,932,127 compared to $81,840,673 in 2004. These amounts represent 1.70% of total Revenue from Sales to Ultimate Customers[2] in 2005 and 1.80% of total Revenue from Sales to Ultimate Customers in 2004. Nicor Gas and Peoples Gas have the largest amounts of Uncollectible Expense. Nicor Gas has Uncollectible Expense of $42,591,000 in 2005 and $32,490,000 in 2004; these amounts represent 1.67% of its 2005 Revenue from Sales to Ultimate Customers and 1.60% of its 2004 Revenue from Sales to Ultimate Customers. Peoples Gas has Uncollectible Expense of $39,624,003 in 2005 and $35,935,732 in 2004; these amounts represent 2.71% of its 2005 Revenue from Sales to Ultimate Customers and 2.96% of its 2004 Revenue from Sales to Ultimate Customers. Table 4-2 presents the complete analysis.

[1] Electric Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, public street and highway lighting, other sales to public authorities, and sales to railroads. Electric utility revenues from sales for resale, interdepartmental sales, provisions for rate refunds, and other electric operating revenues are not included in Revenue from Sales to Ultimate Customers.

[2] Gas Revenue from Sales to Ultimate Customers includes revenues resulting from residential sales, small (or commercial) sales, large (or industrial) sales, and other sales to public authorities. Gas revenues from sales for resale, interdepartmental sales, and other gas operating revenues are not included in Revenue from Sales to Ultimate Customers.

Table 4-1
Illinois Electric Utilities
Comparison of Uncollectible Expense to Revenue
2005-2004

Electric Utilities	Uncollectible Expense		Revenue from Sales to Ultimate customers		Percentage of Uncollectible Expense to Revenue from Sales to Ultimate Customers	
	2005	2004	2005	2004	2005	2004
AmerenCILCO.	$ 4,169,172	$ (918,502)	$ 352,498,561	$ 322,596,382	1.18%	-0.28%
AmerenCIPS	6,722,811	3,339,013	690,256,920	624,497,400	0.97%	0.53%
AmerenIP	6,098,714	3,560,587	1,063,955,952	1,008,049,055	0.57%	0.35%
ComEd	32,082,072	37,053,694	5,876,324,074	5,359,383,711	0.55%	0.69%
Interstate Power and Light *	83,693	74,471	19,366,642	19,521,780	0.43%	0.38%
MidAmerican *	620,987	578,522	119,552,890	108,554,766	0.52%	0.53%
Mt. Carmel	37,077	32,518	11,238,424	10,738,068	0.33%	0.30%
South Beloit	39,879	67,829	12,207,551	12,620,490	0.33%	0.54%
Total	$49,854,405	$ 43,788,132	$ 8,145,401,014	$ 7,465,961,652		
Weighted Average					0.61%	0.59%

* Illinois uncollectible expense is based upon a ratio to system-wide uncollectible expense.

Table 4-2
Illinois Gas Utilities
Comparison of Uncollectible Expense to Revenue
2005-2004

Gas Utilities	Uncollectible Expense		Revenue from Sales to Ultimate customers		Percentage of Uncollectible Expense to Revenue from Sales to Ultimate customers	
	2005	2004	2005	2004	2005	2004
AmerenCILCO	$ 3,577,952	$ 3,315,864	$ 319,925,085	$ 270,646,022	1.12%	1.23%
AmerenCIPS	2,828,070	3,966,902	224,126,775	210,123,218	1.26%	1.89%
AmerenIP	2,555,536	4,104,280	530,474,493	478,699,861	0.48%	0.86%
Atmos Energy *	155,282	103,634	29,988,391	23,147,368	0.52%	0.45%
Consumers Gas	33,143	36,835	7,014,589	5,740,504	0.47%	0.64%
Illinois Gas	144,241	170,083	14,691,587	11,254,791	0.98%	1.51%
Interstate Power and Light *	42,341	31,524	6,878,510	5,641,776	0.62%	0.56%
MidAmerican *	479,022	370,642	87,960,017	68,763,084	0.54%	0.54%
Mt. Carmel	34,132	24,977	4,476,542	3,691,375	0.76%	0.68%
Nicor Gas	42,591,000	32,490,000	2,546,689,350	2,024,682,201	1.67%	1.60%
North Shore	1,809,934	1,227,607	280,036,744	225,503,602	0.65%	0.54%
Peoples Gas	39,624,003	35,935,732	1,460,827,661	1,215,268,773	2.71%	2.96%
South Beloit	57,471	62,593	11,349,809	6,481,418	0.51%	0.97%
Total	$ 93,932,127	$ 81,840,673	$5,524,439,553	$4,549,643,993		
Weighted Average					1.70%	1.80%

* Illinois uncollectible expense is based upon a ratio to system-wide uncollectible expense.

CONSUMER EDUCATION ACTIVITIES

Customer Choice—"Plug In Illinois"

Section 16-117 of the Public Utilities Act, the Illinois Electric Service Customer Choice and Rate Relief Law of 1997, restructures the state's electric utility industry. It 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. In accordance with the law, the ICC formed a working group consisting of representatives of the investor-owned utilities, alternative retail electric suppliers, consumer organizations, and ICC staff to develop information. The group developed competitively-neutral brochures and bill inserts for small commercial retail customers and for residential customers. Details regarding the initial development and implementation of the program are included in the annual reports from 1998 through 2002. Residential customers have been eligible for choice since May 2002; however, no suppliers have entered the market to serve them. The first residential supplier was certified in 2005.

Distribution of materials during the year 2006 included approximately 125 brochures and 21,000 bill inserts. Distribution channels included the ICC web site, ICC toll-free number, utilities, ARES, and other organizations.

The ICC Plug In Illinois web site has sections for business and residential consumers containing an overview of the electric service restructuring and customer choices including brochure content in text form as well as the brochures and bill inserts in downloadable formats, a list of suppliers (both certified and pending), frequently asked questions, and other information. It also includes e-mail links for comments, questions, and complaints and a survey box for users. The web site is updated with new and additional information, including ARES/supplier changes, as needed, to enhance its effectiveness. The residential web page is available in English and in Spanish. This year the Plug In Illinois web site has recorded more than 10,432 "visits".

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 2006, 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. Ongoing organizational changes are reported on page 5.

(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 AND RATE SUPERVISION

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 to 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 2006.

Section 9-213 Activities

No activities were required during 2006.

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 therefor, or that such audit or investigation is likely to be cost beneficial in enhancing the quality of such service or the reasonableness of rates therefor." 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."

In August 2006, the Commission, in its Order for Docket No. 06-0556, initiated a management audit of Peoples Gas Light and Coke Company and North Shore Gas Company. This management audit will focus upon the two gas utilities' gas purchasing practices, gas storage operations, and storage activities, as well as affiliate transactions in these areas.

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 2006.

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 2006, 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 conducted over the years 1997-2006.

A total of 16 gas rate cases and five electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by MidAmerican Energy Company ("MEC"), Central Illinois Light Company ("AmerenCILCO"), Northern Illinois Gas Company ("Nicor Gas"), Mt. Carmel Public Utility Co. ("Mt. Carmel"), Illinois Gas Company ("IGC"), Central Illinois Public Service Company ("AmerenCIPS"), Union Electric Company ("AmerenUE"), South Beloit Water Gas and Electric Company ("SBWGE"), Consumers Gas Company, and Illinois Power Company ("AmerenIP"). The electric rate cases were filed by Mt. Carmel, ComEd, AmerenCILCO, AmerenCIPS, and AmerenIP. The electric delivery service cases were filed by ComEd, AmerenIP, AmerenCIPS, AmerenUE, Mt. Carmel, MEC, AmerenCILCO, SBWGE, and Interstate Power and Light Company ("IPC"). Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2002. Neither utility was required to reduce its residential rates. The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5% on October 1, 2001. The Act also mandated that Illinois Power reduce its bundled residential rates by 5% on May 1, 2002, and that CILCO reduce its bundled residential rates by 1% on October 1, 2002. All rate reductions mandated by the Public Utilities Act have been implemented.

Commission Actions to More Fully Implement Cost-Based Rates: Gas

In the Mt. Carmel gas and electric case (Docket No. 97-0513), Mt. Carmel performed a Cost of Service Study (COSS), as did Staff. The Commission concluded that rates agreed to by the parties made movement towards subsidy elimination, while recognizing customer impact concerns.

In the Illinois Gas Company case (Docket No. 98-0298), IGC submitted an embedded cost of service study utilizing GasWorks 1.0, which is a COSS program designed by the Commission Staff. Staff proposed a few minor allocation changes, which IGC accepted. The Commission accepted the Staff-proposed interclass allocation methodology, which eliminated cross-subsidization between rate classes. Staff and the Company agreed to class rate design, which made movement towards intra-class subsidy elimination, while recognizing customer impact concerns.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 98-0545 and 98-0546), both the Companies and Staff provided cost of service studies. Staff however, proposed using the average and peak allocation method for allocating capacity-related transmission and distribution costs. The Companies accepted Staff's COSS and interclass revenue allocation methodologies in the rebuttal stage of the proceeding. In both cases, Staff proposed basing the customer charge for the general delivery service rates on meter capacity. This resulted in two customer charges, for both AmerenCIPS' and AmerenUE's general service rate class, compared to the Companies' proposal of one rate. Staff stated that since there is such a diverse group of customers with substantially different sized meters in the classes, separating them by meter capacity would further eliminate intra-class subsidies. The Companies and Staff agreed to a rate design methodology that made considerable movement towards intra-class subsidy elimination. All parties agreed that full movement toward fully cost-based rates would cause undue negative customer impacts.

In the MidAmerican case (Docket No. 99-0534), MEC performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered and the rates became effective in July 2000.

In the United Cities Gas Company case (Docket No. 00-0228), the Company accepted the COSS and the rate design proposed by Staff. The Staff-designed rates included increased costs in the customer charges that more properly reflect the true cost of service.

In the Consumers Gas case (Docket No. 00-0618), which was filed in September 2000, the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered in June 2001.

In the MidAmerican case (Docket No. 01-0696), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. An order was entered and an Order was approved in September 2002.

In the AmerenCILCO case (Docket No. 02-0837), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2003.

In the AmerenCIPS and AmerenUE cases (Docket Nos. 03-0008 and 03-0009), the Companies performed cost of service studies and based the proposed rates on cost of service. Commission Staff reviewed those studies and presented testimony. The Commission entered an Order in October 2003.

In the South Beloit Water Gas and Electric Company case (Docket No. 03-0676), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in October 2004.

In the Illinois Gas Company case (Docket No. 04-0475), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the AmerenIP case (Docket No. 04-0476), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in May 2005.

In the Consumers Gas Company case (Docket No. 04-0609), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in June 2005.

In the Nicor Gas Company case (Docket No. 04-0779), the Company performed a cost of service study and based the proposed rates on cost of service. Commission Staff reviewed that study and presented testimony. The Commission entered an Order in September 2005.

Commission Actions to More Fully Implement Cost-Based Rates: Electricity

The initial delivery services tariff cases to establish non-residential rates for delivery services involved all nine electric utilities:

AmerenCIPS and AmerenUE (Docket No. 99-0121)
MidAmerican Energy Company (Docket Nos. 99-0122 & 99-0130)
CILCO (Docket Nos. 99-0119 and 99-0131, Consolidated)
ComEd (Docket No. 99-0117)
IP (Docket Nos. 99-0120, 99-0134, and 99-0140, Consolidated)
IPC and SBWGE (Docket Nos. 99-0124, 99-0125, 99-0132, and 00-0133, Consolidated)
Mt. Carmel (Docket No. 99-0116)

Each delivery service proceeding consisted of reviewing a test year revenue requirement, which included transmission, distribution, and generation components and of separating these components out for cost of service purposes. The generation component will be market based, while the transmission component will be regulated by FERC. The goal of delivery services is to have cost-based delivery service rates, which represent the distribution portion of the electric system. The Commission approved cost-based rates for each utility. Approval of cost-based rates helps facilitate the next stage of deregulation, which is unbundling. Competition for unbundled services will largely depend on cost-based delivery service rates.

In the unbundling case (Docket No. 99-0013), all utilities, except Mt. Carmel, filed tariffs for the unbundling of metering services. Staff reviewed those filings, and the Commission Order was issued on October 4, 2000, and became effective on January 1, 2001. Cost-based rates for unbundled delivery services will be a prime factor in initiating competition in Illinois.

All nine electric utilities were mandated by the Public Utilities Act to provide rates for residential customers based on real-time pricing. The appropriate filings were made and the rates became effective on October 1, 2000.

The Public Utilities Act also required that AmerenCIPS and AmerenUE compare their bundled residential rates to the average rate of a group of Midwest utilities. If the Midwest average was lower than the rate of each of these Illinois utilities, the Illinois utility was required to reduce its residential rates on October 1, 2000. The comparison indicated that AmerenCIPS and AmerenUE were not required to reduce their bundled residential rates on that date.

As required by the Public Utilities Act, CILCO reduced its bundled residential rates by 2% on October 1, 2000.

The Public Utilities Act also required that ComEd reduce its bundled residential rates by 5% on October 1, 2001.

The Act also mandated that Illinois Power reduce its bundled residential rates by 5% on May 1, 2002.

Delivery services tariffs for all residential customers became effective on May 1, 2002. As part of their plans for delivery services, AmerenCIPS and AmerenUE filed new residential delivery services tariffs and filed updated non-residential delivery services tariffs in December 2000. The other seven utilities filed their proposed rates in 2001. All of the proceedings, except ComEd's, were completed to establish delivery services rates for their residential classes, as well as new non-residential delivery services rates. Commonwealth Edison's proceeding was completed in 2003.

In early 2005, ComEd and Ameren filed tariffs to establish a rate structure for the supply of electricity to bundled service residential and non-residential customers to be effective on January 2, 2007. Commission orders for those dockets were approved in January 2006.

In August 2005, ComEd filed a rate case (Docket No. 05-0597) for delivery services tariffs to be effective at the end of the mandatory transition period, which ends on January 2, 2007. These new rates take the place of the existing bundled service rates. An order for this docket was approved in July 2006 with tariffs to be effective on January 2, 2007.

In February 2006, Ameren filed a rate case for each of its three Illinois utilities (Docket Nos. 06-0070/06-0071/06-0072) for delivery services tariffs to be effective at the end of the mandatory transition period, which ends on January 2, 2007. These new rates take the place of the existing bundled service rates. An order for these proceedings was approved in November 2006 with tariffs to be effective on January 2, 2007.

MERGERS

On November 16, 2005, Illinois American Water Company ("IAWC") and South Beloit Water, Gas and Electric Company ("SBWGE") jointly filed a petition for Commission approval, pursuant to Sections 7-101, 7-204, 8-406, and 8-508 of the Act, of a purchase by IAWC of the water assets of SBWGE. The Commission approved the transaction on June 28, 2006.

On April 21, 2006, Thames Water Aqua Holdings GmbH, Thames Water Aqua US Holding, Inc. ("TWAUSHI"), American Water Works Company, Inc. ("American Water"), and Illinois American Water Company filed pursuant to Section 7-204 of the Act requesting Commission approval of the sale by Thames GmbH of up to 100% of the shares of common stock of American Water in one or more public offerings and prior to the closing of the initial public offering, the merger of TWAUSHI with and into American Water, with American Water being the surviving corporation. Following the proposed transaction, American Water would be a publicly traded corporation that will own operating subsidiaries, including Illinois American Water Company (Docket No. 06-0336). The Joint Petitioner's rebuttal testimony is scheduled to be filed January 22, 2007. The deadline for Commission action is July 17, 2007.

On August 2, 2006, WPS Resources ("WPS"), Peoples Energy Corporation ("PEC"), Peoples Gas Light and Coke Company, and North Shore Gas Company filed pursuant to Section 7-204 of the Act for Commission approval for the merger of PEC to become a wholly-owned subsidiary of WPS (Docket No. 06-0540). The evidentiary hearings are scheduled for January 8, 2007.

ASSET TRANSFER OR SALE

On August 19, 2003, MidAmerican Energy Company ("MEC") filed a petition for declaratory ruling of whether MEC's acquisition of two Siemens Westinghouse 501 combustion turbines from its ultimate parent company for its Greater Des Moines Energy Center ("GDMEC") was exempt from the need for Commission approval (Docket No. 03-0496). The Commission, in an Interim Order dated January 7, 2004, denied MEC's request for a declaratory ruling and directed that this matter should proceed as an application for approval of an affiliated interest contract under Section 7-101(3) of the Act. The Commission, in its order entered March 22, 2006, found the transaction not to be contrary to the public interest within the meaning of Section 7-101 of the Act and should be approved so long as no costs (including fuel costs), direct or indirect, associated with GDMEC are imposed on Illinois ratepayers.

INFORMATIONAL FILINGS

During 2006, the following notices were filed under Section 16-111(g) of the Act.

On September 29, 2006, AmerenCILCO filed notice of the transfer of its interest in the following assets to an affiliate, Ameren Energy Resources Generating Company ("AERG") as of December 1, 2006:

- Indian Trails Cogeneration Plant – three package boilers and a 19 MW steam turbine, all located on property owned by and leased by CILCO from Midwest Grain Products, Inc.;
- Hallock Power Modules – eight Caterpillar 3516B reciprocating diesel engine-generator units that produce a total of approximately 13 MW and that operate less than 50 hours per year;
- Tazewell Agreements – A real estate lease that allows Altorfer Inc. to place fourteen of its own modules on property in CILCO's Tazewell substation; a power sale agreement that allows CILCO to purchase power from Altorfer; an agreement initiating the project; and an agreement whereby CILCO provides maintenance to the Altorfer modules.

On July 21, 2006, ComEd filed notice of an agreement that is a binding affirmation among participating companies to make available to each other, for purchase, certain designated types of transformers in the event of a terrorist attack on a participating company's transmission system. The Agreement is not in effect until the President of the United States declares a state of emergency.

On November 27, 2006, ComEd file notice of the intent to commit to transfer to Exelon Generating Company ("ExGen") prior to December 31, 2006 rights including any know-how, intellectual property or confidential information, patents and licensing agreements related to the nuclear generating assets that were transferred from ComEd to ExGen and approved by the Commission in Docket Nos. 00-0369 and 00-0394 (Consolidated).

On November 29, 2006, MidAmerican Energy Company filed a notice in accordance with Sections 5-104(c), 16-111(g), and 16-111(h) of the Act that sets forth new electric rates of depreciation.

DECOMMISSIONING

As of January 1, 2007, no Illinois electric utility will be billing its customers any charges for decommissioning.

MidAmerican Energy Company ("MEC") filed petitions in 1998 and 1999 for approval of a decommissioning cost factor of 0.26 cents per kWh for the billing year 1999 and 0.22 cents per kWh for the billing year 2000 (Docket Nos. 98-0757 and 99-0577, Consolidated). An Order was entered May 21, 2003, ordering changes to MEC's proposed cost estimate for decommissioning, setting a decommissioning cost factor of 0.07 cents credit per kWh for a twelve-month period and at 0.00 cents per kWh after the twelve-month period, and requiring MEC to file a petition to renew its decommissioning rider by November 1, 2004. On August 31, 2004, MEC filed a petition to continue in effect its current Rider collecting 0.0 cents per kWh and file a new decommissioning cost estimate and proposed factor ninety days after the Nuclear Regulatory Commission issues its decision on the license renewal application for Quad Cities Nuclear Power Station (Docket No. 04-0550). On May 26, 2005, MEC filed a petition for a decommissioning cost factor of 0.00015 cents per kWh for the first half of 2006 and then return to 0.00 cents for the remainder of the three year period (Docket No. 05-0327). A Commission order approving MEC's petition was entered December 21, 2005.

Effective May 2, 2005, AmerenUE completed the transfer of its Illinois-based electric and natural gas assets and public utility business to AmerenCIPS. The transfer terminated the obligation of AmerenUE's Illinois customers to pay decommissioning charges related to AmerenUE's Callaway nuclear plant (Docket Nos. 00-0650 & 00-0655).

On March 22, 2006, the Commission approved ComEd's special permission request to file a revised Information sheet regarding ComEd's Rider 31 – Decommissioning Expense Adjustment Clause to charge 0.074 cents per kilowatt-hour through December 31, 2006. Collections under Rider 31 are scheduled to cease on December 31, 2006.

AmerenIP ceased billing the decommissioning adjustment expense adjustment through Rider DE effective February 16, 2005. AmerenIP collected an aggregate amount of $18,459,931 through Factor AP, or $10,394 less than the authorized AP recovery amount of $18,470,325.

(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 2006 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 2006 or upon which a judicial decision was received in 2006. Excluded are appeals involving telecommunications, 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.

APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2006

A. Under the Public Utilities Act, 220 ILCS 5

1. *Citizens Utility Board and People of Cook County v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 1-06-0797 and 1-06-1096, Ill.C.C. Docket No. 04-0779. Appeals from grant or denial of a rate increase under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.
   Status: On August 11, 2006 and on August 3, 2006 (respectively), both appeals were voluntarily dismissed.

2. *Central Illinois Light Co., Central Illinois Public Service Co., and Illinois Power Co. ("Ameren Illinois Utilities") v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 4-06-0118, 4-06-0391, 4-06-0392, & 4-06-0393, Ill.C.C. Docket Nos. 05-0160, 05-0161, and 05-0162 (cons.). Appeals from proposal to implement a competitive procurement process by establishing riders.
   Status: By supervisory order of the Supreme Court on August 4, 2006 in Docket No. 102767, these cases were transferred to the Illinois Appellate Court for the Second District for consolidation with the appeal of Commonwealth Edison Co. from Ill.C.C. Docket No. 05-0159. On August 21, 2006, the Second District dismissed the appeal of the Ameren Illinois Utilities for lack of jurisdiction. The Ameren Illinois Utilities' petition for rehearing was denied on November 30, 2006.

3. *Commonwealth Edison Co. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 2-06-0149 and 2-06-0381, Ill.C.C. Docket No. 05-0159. Appeals from proposal to implement a competitive procurement process by establishing riders.
   Status: By supervisory order of the Supreme Court on August 4, 2006 in Docket No. 102767, all appeals from Ill.C.C. Docket Nos. 05-0159, 05-0160, 05-0161 and 05-0162 were consolidated with this appeal by Commonwealth Edison Co. from Ill.C.C. Docket No. 05-0159 in the Illinois Appellate Court for the Second District. On August 21, 2006, the Appellate Court dismissed Docket Nos. 2-06-0149 and 4-06-0118 as contrary to Supreme Court Rule 303(a). Cause has been briefed and is awaiting decision on the merits.

4. *Commonwealth Edison Co. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 2-06-1284, 2-06-1285 and 2-06-1286, Ill.C.C. Docket No. 05-0597. Appeals from proposed general increase in rates for delivery service.
   Status: Appeal record to be prepared and filed by January 25, 2007.

5. *Direct Energy Services, LLC, v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 2-06-0052, Ill.C.C. Docket No. 05-0722. Appeal of grant of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
   Status: On February 22, 2006, Docket No. 2-06-0052 was dismissed. However, other appeals from the Commission's order are pending in *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Direct Energy Services, LLC,* Illinois Appellate Court Nos. 5-06-0030 and 2-06-0142 (cons.).

6. *Entergy-Koch Trading, LP v. Illinois Commerce Commission, et al.,* Illinois Appellate Court No. 1-06-2473, Ill.C.C. Docket Nos. 01-0705, 02-0067 & 02-0725. Appeal from Commission Interim Actions allowing the issuance of a subpoena pursuant to statute.
Status: On December 14, 2006, appeal was voluntarily dismissed.

7. *Illinois Power Co. d/b/a AmerenIP v. Illinois Commerce Commission, et al.,* Illinois Appellate Court No. 3-06-0879, Ill.C.C. Docket No. 03-0699. Appeal from disallowance of fuel cost recovery under Section 9-220 of the Public Utilities Act, 220 ILCS 5/9-220.
Status: Cause is pending the filing of the record and briefing.

8. *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Direct Energy Services, LLC,* Illinois Appellate Court Nos. 5-06-0030 and 2-06-0142 (cons. under 5-06-0030), Ill.C.C. Docket No. 05-0722. Appeals of grant of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
Status: On April 21, 2006, IBEW's appeal in the Second District, along with the cross-appeal of Direct Energy Services, was transferred to be consolidated with the appeals pending in the Fifth District under Docket No. 5-06-0030.Briefing completed. Awaiting oral argument.

9. *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Sempra Energy Services,* Illinois Appellate Court No. 5-06-0538, Ill.C.C. Docket No. 06-0442. Appeal of grant of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
Status: Pending briefing

10. *Thomas Jakubik v. Illinois Commerce Commission,* Illinois Appellate Court Docket No. 1-06-1207, Ill.C.C. Docket No. 03-0367. Appeal from Commission Order denying consumer complaint under Section 10-108 of the Public Utilities Act, 220 ILCS 5/10-108.
Status: On December 13, 2006, the Appellate Court dismissed appeal for want of prosecution.

11. *Northern Illinois Gas Co. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket No. 2-06-0336, Ill.C.C. Docket No. 04-0779. Appeal from grant or denial of a rate increase under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.
Status: On October 25, 2006, appeal was voluntarily dismissed and mandate issued.

12. *People of the State of Illinois, et al. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 1-06-0664, 1-06-0858, 1-06-0859, 1-06-0876 & 1-06-0966, Ill.C.C. Docket Nos. 05-0159, 05-0160, 05-0161, and 05-0162. Appeals from proposals to implement a competitive procurement process by establishing riders.
Status: By supervisory order of the Supreme Court on August 4, 2006 in Docket No. 102767, these cases were transferred to the Illinois Appellate Court for the Second District for consolidation with the appeal of Commonwealth Edison Co. from Ill.C.C. Docket No. 05-0159.

13. *People of the State of Illinois, et al. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 1-06-3014 and 1-06-3126 (cons.), Ill.C.C. Docket No. 06-0027. Appeals from investigation of specified tariffs declaring certain services to be competitive pursuant to Section 13-502 of the Public Utilities Act, 220 ILCS 5/13-502.
Status: On December 8, 2006, these appeals, which are appeals from the same Commission order which are pending in the Illinois Appellate Court for the Fourth District Docket Nos. 4-06-0882 and 4-06-0911, were transferred to the Fourth District.

14. *Resource Technology Corp., et al. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket No. 1-06-2950, Ill.C.C. Docket No. 02-0461. Interlocutory appeal from Commission Interim Actions from a citation proceeding investigating compliance with Commission orders issued pursuant to Section 8-403.1 of the Public Utilities Act, 220 ILCS 5/8-403.1.
Status: Pending Motion to Dismiss.

15. *The Woodhaven Assn. and Monica J. Sadler* v. *Illinois Commerce Commission and Aqua Illinois, Inc.,* Illinois Appellate Court Nos. 2-06-0050 & 2-06-0065 (cons.), Ill.C.C. Docket Nos. 05-0071and 05-0072 (cons.). Appeals from grant or denial of a rate increase under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.
Status: On December 19, 2006, the Commission was affirmed in a Rule 23 Order.

B. Under Other Utility-Related Acts

1. *Quality Saw & Seal, Inc. v. Illinois Commerce Commission* Illinois Appellate Court Docket No. 2-06-0637, Ill.C.C. Docket No. 05-0407. Appeal from determination of liability under the Illinois Underground Utility Facilities Damage Prevention Act, 220 ILCS 50. #163
Status: Cause is briefed. Awaiting either decision or oral argument

APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES DECIDED IN 2006

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

(1) *Citizens Utility Board and People of Cook County v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 1-06-0797 and 1-06-1096, Ill.C.C. Docket No. 04-0779. Appeals from grant or denial of a rate increase under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.
On August 11, 2006 and on August 3, 2006 (respectively), both appeals were voluntarily dismissed.

(2) *Entergy-Koch Trading, LP v. Illinois Commerce Commission, et al.,* Illinois Appellate Court No. 1-06-2473, Ill.C.C. Docket Nos. 01-0705, 02-0067 & 02-0725. Appeal from Commission Interim Actions allowing the issuance of a subpoena pursuant to statute.
On December 14, 2006, appeal was voluntarily dismissed.

(3) *Thomas Jakubik v. Illinois Commerce Commission,* Illinois Appellate Court Docket No. 1-06-1207, Ill.C.C. Docket No. 03-0367. Appeal from consumer complaint under Section 10-108 of the Public Utilities Act, 220 ILCS 5/10-108.
On December 13, 2006, the Appellate Court dismissed appeal for want of prosecution

(4) *Northern Illinois Gas Co. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket No. 2-06-0336, Ill.C.C. Docket No. 04-0779. Appeal from grant or denial of a rate increase under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.
On October 25, 2006, appeal was voluntarily dismissed and mandate issued.

B. Cases Under the Public Utilities Act, 220 ILCS 5 in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)

(1) *Illinois Power Co. d/b/a AmerenIP and Dynegy Inc. v. Illinois Commerce Commission, et al.,*

Illinois Appellate Court Nos. 3-05-0479 and 3-05-0480(cons.),
Ill.C.C. Docket No. 04-0476.

On May 12, 2006, the Illinois Appellate Court for the Third District entered a Rule 23 Order confirming a Commission's decision which had partially denied the rate increase requested by Illinois Power Company under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201. The appeal disputed certain rate treatments for the Hillsboro Storage Field owned and operated by Illinois Power Co. as a gas utility.

The Appellate Court found that there was substantial evidence supporting the reduction of the rate increase and that the Commission's findings were not against the manifest weight of the evidence. The Court stated that to accept the

Company's arguments would require the Court to substitute its judgment for the Commission's in rate matters which the Court refused to do.

(2) *MidAmerican Energy Corp. v. Illinois Commerce Commission, et al.,*

Illinois Appellate Court No. 3-04-0944,
Ill.C.C. Docket No. 03-0659.

On July 19, 2006, the Illinois Appellate Court for the Third District dismissed the appeal of MidAmerican Energy Corp. ("MEC") in a published opinion. MidAmerican had attempted to appeal the Commission's declaratory ruling which had declared that MEC could not engage in the sale of natural gas at competitive rates based on the facts provided and the applicable provisions of the Public Utilities Act. The Commission had found that MEC was either barred from providing the sale of natural gas at competitive rates or, to the extent such a service could be allowed under Illinois law, had failed to comply with Sections 7-102 and 9-102.1 of the Public Utilities Act, 220 ILCS 5/7-102 and 9-102.1, and therefore could not lawfully engage in the sale of natural gas at competitive rates. Because MEC had apparently engaged in such sales already, a separate citation (Ill.C.C. Docket No. 04-0392) was issued by the Commission and is still pending.
The Appellate Court agreed with the Commission that declaratory rulings are not appealable under Section 5-150 (a) of the Administrative Procedures Act, 5 ILCS 100/5-150(a), and the Commission's Rules of Practice, 83 Ill. Adm. Code 200.220 (l). The Appellate Court specifically rejected the application of *Resource Technology Corp. v. Commonwealth Edison Co.,* 343 Ill. App. 3d 36 (1st Dist., 2003), which had allowed the appeal of a declaratory ruling.

(3) *Ramsey Emergency Services, Inc. v. Illinois Commerce Commission, et al.,*

Illinois Appellate Court No. 1-05-2518,
Ill.C.C. Docket No. 04-0406.

On August 31, 2006, the Illinois Appellate Court for the First District affirmed the Commission order in Docket No. 04-0406 in a published opinion. The Commission had denied Ramsey Emergency Services, Inc. ("Ramsey"), a certificate of service authority under Sections 13-403, 13-404 and 13-405 of the Universal Telephone Service Protection Law of 1985, 220 ILCS 5/13, for insufficient technical and financial resources and abilities to provide the proposed service, which was competitive E9-1-1 services in Illinois.

The Appellate Court found that substantial evidence supported the Commission's decision, while noting that some of the financial evidence submitted by Ramsey bordered on "speculative." The Court found no error in the Commission's denial of a certificate when Ramsey could not answer questions concerning what network elements Ramsey needed to lease and concerning how Ramsey would deal with certain operational contingencies. The Court found that the Commission order addressed the applicable statutory grounds for issuance of a certificate of service authority, could consider the potential of service interruptions of the E9-1-1 services, was not preempted by federal law, and had not denied procedural due process.

(4) *Strategic Energy, LLC, et al., v. Illinois Commerce Commission, et al.,*

Illinois Appellate Court Nos. 2-05-0685 and 5-05-0465 (cons.),
Ill.C.C. Docket No. 04-0811.

On November 29, 2006, the Illinois Appellate Court for the Second District issued its Opinion in the appeals from the Commission Orders in Ill.C.C. Docket No. 04-0811. The underlying cause involved the grant of an ARES certificate to Strategic Energy, LLC ("Strategic") under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16-115.

The Appellate Court first dealt with issues of jurisdiction over the appeals presented. Strategic had filed its appeal first, without filing an application for rehearing. The Court had denied earlier motions to dismiss for lack of jurisdiction.

In addition, Strategic challenged the right of the Court to hear the appeal of International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 ("IBEW"), which had filed originally in the Illinois Appellate Court for the Fifth District and transferred pursuant to Supreme Court Rule 365. After ruling on certain outstanding procedural motions, the Appellate Court denied Strategic's Motion to dismiss the IBEW's appeal, holding that, because there is only one Illinois Appellate Court, a timely appeal to a different District of the Appellate Court after jurisdiction of the appeals from a Commission case had been fixed in another district of the Illinois Appellate Court does not nullify IBEW's appeal. On reconsideration of the jurisdictional issues, the Appellate Court held that Strategic had failed to exhaust administrative remedies and was not adversely affected by the Commission orders which had granted Strategic an ARES certificate as requested without restriction. The Appellate Court ordered that Strategic's appeal be dismissed (Docket No. 2-06-0685).

Pursuant to IBEW's appeal (Docket No. 5-06-0465), the Appellate Court reversed the Commission order granting an ARES certificate to Strategic. The Commission decision had accepted the use of Regional Transmission Organizations, such as PJM and MISO, to satisfy the reciprocity requirement of Paragraph 16-115((d) (5) of the Electric Service Customer Choice and Rate Relief Law of 1997 ("1997 Law"), 220 ILCS 5/16-115(d)(5), as a principal source of electricity. The Appellate Court held that, because PJM and MISO are limited to providing transmission services, said entities do not provide the "panoply" of services identified in the definition of delivery service in 220 ILCS 5/16-202. Specifically, in order to meet the principal source of electricity requirement of Paragraph 16-115((d) (5) of the 1997 Law, *supra*, the services must be services provided to end users of electricity similar to the distribution services provided by Commonwealth Edison Company and Illinois Power Company. The Appellate Court, unlike the Appellate Court in *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission*, 331 Ill. App. 3d 607, 614-616 (5th Dist., 2002), held that Paragraph 16-115(d)(5) of the 1997 Law, *supra*, was not ambiguous.

The cause is currently pending on Petitions for Rehearing in the Appellate Court.

(5) *The Woodhaven Assn. and Monica J. Sadler* v. *Illinois Commerce Commission, et al.*,

Illinois Appellate Court Nos. 2-06-0050 & 2-06-0065 (cons.),
Ill.C.C. Docket Nos. 05-0071and 05-0072 (cons.).

On December 19, 2006, the Illinois Appellate Court for the Second District entered a Rule 23 Order affirming the Commission's decision in Ill.C.C. Docket Nos. 05-0071and 05-0072 (cons.), which had granted rate increases to two service territories of Aqua Illinois, Inc., under Section 9-201 of the Public Utilities Act, 220 ILCS 5/9-201.

The Appellate Court held that the Commission decision was supported by substantial evidence, had sufficient findings, and was not arbitrary or capricious. The Appellate Court also held that leaving the commercial rate for sewerage unchanged was the only result supported by the record. Finally, the Appellate Court ruled that the Commission did not deny due process or abuse its discretion by refusing to reopen the proceedings for taking further evidence on behalf of an party who intervened in the last two months of the rate case, well after the closing of the evidentiary record.

C. Other Review Proceedings in which decisions were rendered either by Opinion of the Court or by an Order issued under Supreme Court Rule 23. (A Rule 23 Order decides a case on its merits, but has limited effect as precedent on other cases.)

Appeals from grant or denial of right to serve area or customer under Electric Supplier Act, 220 ILCS 30

Rural Electric Convenience Cooperative Co. and Soyland Power Cooperative, Inc. v. Illinois Commerce Commission, et al.,

Illinois Appellate Court No. 4-05-0795,
Sangamon County Docket No. 2003-MR-00485,
Ill.C.C. Docket No. 01-0675

On August 17, 2005, the Circuit Court of Sangamon County affirmed the underlying decisions of the Illinois Commerce Commission. The Commission had denied intervention to Soyland Power Cooperative under the facts in the cause. The Commission had found that this case was controlled by the decision of Illinois Appellate Court for the Fourth District, *Rural Electric Convenience Cooperative Co. v. Illinois Commerce Commission*, 118 Ill. App. 3d 647 (1983). Both the 1983 case and the present case involved the same service area agreement, approved under the Electric Supplier Act ("ESA"), 220 ILCS 30, and the same customer.

On July 27, 2006, the Illinois Appellate Court entered a Rule 23 Order affirming the decisions of both the Circuit Court and the Commission. The Appellate Court agreed that the dispute between Rural Electric Convenience Cooperative and Central Illinois Public Service Co. to serve Freeman's Crown III mine was controlled by *Rural Electric Convenience Cooperative Co. v. Illinois Commerce Commission*, 118 Ill. App. 3d 647 (1983)under *res judicata* principles. The Appellate Court also affirmed the lack of standing of Soyland Power Cooperative to file a complaint or to intervene in the dispute between Rural Electric Convenience Cooperative and Central Illinois Public Service Co. over which electric supplier should serve Freeman's Crown III mine.

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 2005 reports and third quarter 2006 reports. The third quarter 2006 reports present a running total of all allowance allocations and transactions during the first three quarters of 2006.

Section 8-304: ESTIMATED BILLING PRACTICES

This section states that the Illinois Commerce Commission shall perform a comprehensive study of estimated billing practices and policies of the major regulated public utilities providing natural gas and/or electric services.

For purposes of this study, the Commission selected the following major regulated public utilities providing natural gas and/or electric services to Illinois households:

AmerenCILCO
AmerenCIPS
AmerenIP
AmerenUE
Commonwealth Edison Company
MidAmerican Energy Company
Northern Illinois Gas Company
Peoples Gas Light & Coke Company

These eight utilities comprise over 95 percent of the regulated utility service sales to residential customers in Illinois.

For the study, the companies provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. The study was conducted in 1987. An analysis of the data received was conducted by Commission staff. No activities were required in 2006.

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 2006, 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 2006, 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 purpose and use of each fire protection charge imposed under Section 9-223. The Commission must report its findings to the General Assembly no later than the last day of the veto session in 2008. 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.

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 implementation of customer choice continues, Commission rulemakings and decisions in the following areas will be assessed on an ongoing basis to evaluate impacts on economic development:

- requirements for alternative electric suppliers
- delivery services tariffs
- neutral fact finder process
- consumer-education materials
- distributed resources
- real-time pricing

COMMONWEALTH EDISON DOWNERS GROVE FIRE INVESTIGATION

On Wednesday, August 10, 2005, a fire broke out in the cable space of Transmission Distribution Center 580 ("TDC 580"), the Downers Grove Substation, causing a service interruption for customers in portions of Darien, Downers Grove, Bolingbrook, and DuPage Township. Service was not fully restored until the afternoon of Friday, August 12, 2005. The intervening period was one of hot summer weather like those days that had preceded the TDC 580 outage. ComEd's inability, during the hot weather, to switch feeds to neighboring substations during this outage focused renewed attention on ComEd's power delivery infrastructure capacity. These equipment outages caused large numbers of ComEd customers to lose electric service for periods from several hours to days during hot weather. The Commission was concerned (1) that ComEd's substations designed and operated like TDC 580 may not be capable of providing reliable electric service to customers, (2) that ComEd's switching capability generally at its substations may be inadequate to provide reliable electric service in the event of total substation loss, and, therefore, (3) that equipment outages and associated interruptions of electric service at ComEd substations could place the health, safety, and economic well-being of Illinois citizens at risk.

The Downers Grove Substation (TDC 580) is one of 264 larger substations (transmission level substations) in ComEd's power delivery infrastructure; ComEd's system also includes an additional 775 "smaller" substations (distribution level substations). If the lack of capacity to switch load from a disabled substation during hot weather, or for any other reason, is present throughout ComEd's system, then the health, safety, and economic well being of Illinois citizens are at risk, Thus, it was important that the extent of this problem be determined as soon as possible.

An emergency contract was issued to the Liberty Consulting Group ("Liberty") on September 9, 2005, to serve as an outside independent resource (1) to investigate the circumstances and determine the root cause(s) of the Downers Grove Substation TDC 580 outage in August 2005 (Why did the TDC 580 fail?) and any relation of such outage to the outages at the Fisk and Sawyer Substations in June 2005, (2) to determine whether other substations in ComEd's power delivery system could fail in a way similar to the TDC 580 failure, and (3) to determine to the extent of vulnerability in ComEd's system to other widespread electric service interruptions due to insufficient switching capacity when an entire substation is lost.

Liberty issued their first Report on the Investigation of the Downers Grove Substation Fire on December 16, 2005 followed by Liberty's final follow-up Report on May 11, 2006.[3] Liberty's overarching conclusion was that the Downers Grove fire on August 10, 2005, should not have happened.

Liberty noted that, if ComEd had implemented lessons that it should have learned from prior, similar events, the fire would not have taken place. Even if the fire started, application of lessons learned could have prevented the spread of the fire. Finally, even if the fire propagated, applications of lessons learned could have minimized the damage and hastened service restoration.

Staff reported to the Commission its agreement with Liberty's recommendation that ComEd should improve its root cause analysis methods, operations training, and cable splice installation practices. ComEd should make changes that reduce the vulnerability of substations to events like the one at Downers Grove and develop basic contingency plans for the loss of substation service.

The Commission concluded that ComEd's compliance with and plans to implement the recommendations and lessons learned in the report should be verified by an independent engineering consulting firm chosen by the Commission. Additionally, an independent firm should be retained to be on standby to investigate future outages quickly should they occur.

This investigation was completed with Liberty's May 11, 2006, report.

VERIFICATION OF COMED'S COMMITMENTS STEMMING FROM THE DOWNERS GROVE FIRE INVESTIGATION

As discussed above, the Commission initiated an investigation that determined that the Downers Grove substation fire was a significant event because:

1. It had major consequences, and
2. It should not have happened.

[3] See: http://www.icc.illinois.gov/docs/en/060329ecrelLiberty.pdf and http://www.icc.illinois.gov/docs/en/061011ecrelLiberty.pdf

Had ComEd implemented lessons that it should have learned from prior, similar events, the fire would not have taken place. Even if the fire started, application of lessons learned could have prevented the spread of the fire. Finally, even if the fire propagated, applications of lessons learned could have minimized the damage and hastened service restoration.

The Commission concluded that ComEd's compliance with and plans to implement the recommendations and lessons learned from the Downers Grove fire investigation should be verified by an independent engineering consulting firm chosen by the Commission. Additionally, an independent firm should be retained to be on standby to investigate future outages quickly should they occur.

After completing a competitive bidding process, Liberty Consulting Group was retained on September 8, 2006, (1) to verify, over the next three years, ComEd's compliance with its plan to implement the Recommendations in the "Report on the Investigation of the Downers Grove Substation Fire" dated December 16, 2005, and (2) to provide an outside independent resource to investigate major ComEd service outages that may occur in the future. To achieve these goals, Liberty will provide the Commission with reports and independent assessments on: (1) ComEd's annual progress in implementing its plan and commitments and (2) results and recommendations by Liberty of future major ComEd power delivery infrastructure outages or mishaps that the Commission assigns Liberty to investigate.

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 in interstate commerce, the sale or resale of natural gas by interstate pipelines, 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 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 FERC in 1992. In recent years, 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 of the natural gas market, increasing competition, and protecting consumers against the exercise of market power by pipelines. In 2006, FERC initiated several rulemakings pursuant to the Energy Policy Act of 2005 ("EPAct of 2005"), including finalizing rules regarding manipulation of gas markets, a policy statement on how FERC intends to exercise its enforcement and penalty authority and new rules regarding the provision of storage and storage-related services at market-based rates.

DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

In 1996, FERC issued Order 888. Order No. 888 opened up the nation's transmission grid through open access transmission tariffs. In 1999, the Commission issued Order No. 2000, which called for the voluntary creation of regional transmission organizations ("RTOs"). RTOs are intended to bring about increased efficiency through both improved grid management and increased access to competitive power supplies by end-users. In 2002, FERC issued both a standard market design ("SMD") notice of proposed rulemaking and a wholesale market platform whitepaper. In 2005, the Midwest ISO successfully launched its energy market, so both PJM and the Midwest ISO are operating transparent energy spot markets. Major FERC initiatives for 2005 included the implementation of the EPAct of 2005, improving the efficiency of energy markets operated by RTOs and the development of Electric Reliability Organization ("ERO") and mandatory electricity reliability standards. FERC's SMD initiative was terminated in 2005.

In 2006, FERC initiatives included strengthening the reporting requirements of utilities and power marketers that have market-based rate authority and modifying Order Nos. 888 and 889 to improve the clarity and transparency of transmission use and planning. FERC also spent a significant amount of 2006 working towards completing its EPAct of 2005 obligations. These obligations include (1) finalizing guidelines regarding long-term financial transmission rights, (2) certifying the North American Electric Reliability Council ("NERC") as the ERO and NERC's procedures for the establishment, approval and enforcement of mandatory electric reliability standards, (3) finalizing rules regarding market manipulation and FERC's enforcement and penalty authority, (4) issuing a final rule regarding the promotion of transmission investment, and (5) issuing a final rule regarding FERC "backstop" siting authority in national interest electric transmission corridors. In 2006, the Department of Energy issued a study of electric transmission congestion and its report to Congress regarding the designation of national interest electric transmission corridors.

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.

Consequently, the ICC continues to be actively engaged at 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.

NATIONAL DEVELOPMENTS

The Energy Policy Act of 2005 charged FERC and the U.S. Department of Energy ("DOE") with the implementation of numerous initiatives. As in 2005, 2006 saw FERC and the DOE launching initiatives, issuing studies, and seeking comment on the multitude of EPAct of 2005 provisions that Congress charged FERC and DOE to implement. Some of the larger initiatives included FERC's issuing a final rule regarding its backstop authority to site power transmission facilities in national interest electric transmission corridors. FERC also adopted rules regarding long-term transmission rights and incentive-based rates to promote transmission investment. The EPAct of 2005 also requires FERC to issue rules addressing access to utility holding company books and records and issued a final rule regarding the prevention of market manipulation and FERC's ability to act swiftly to bar and sanction manipulative practices. In 2006, FERC issued orders (1) addressing price transparency in electric and natural gas markets, (2) making significant revisions to FERC's enforcement and civil penalties authorities, and (3) addressing their new exclusive authority under the Natural Gas Act to authorize new import terminals for LNG.

With regards to the DOE and the EPAct of 2005 required the DOE's Office of Electricity Delivery and Energy Reliability to lead Federal efforts related to several sections of the EPAct of 2005 and to complete a number of activities and studies. In particular, in 2006, the DOE issued the first triennial study regarding national transmission congestion study that will serve as a basis for the DOE's possible designation of selected geographic areas as "National Interest Electric Transmission Corridors." Applicants for transmission projects proposed within designated corridors that are not acted upon by state siting authorities within one year may request FERC to exercise federal "backstop" siting authority and approve the siting of the proposed project. Other DOE initiatives related to EPAct of 2005 include (1) the designation of corridors for oil, gas, and hydrogen pipelines and electricity transmission and distribution corridors on Federal lands and (2) the development of a report regarding a five-year program plan to guide research and development activities for transmission and distribution systems.

SECTION 9

Recommendations for Proposed Legislation

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

The Commission's legislative agenda for the 95th 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 and Gas

The Commission entered orders granting the applicants certificates of service authority to operate as alternative retail electric suppliers. The applicants demonstrated compliance with the reciprocity requirements contained in Section 16-115 (d)(5) of the Act. Applicants that were granted certificates of service authority include WPS Energy Services, ConocoPhillips Co., Keystone Energy Resources, L&P Electric, Inc., Aventine Power, LLC, GCW/USS Energy LLC, Constellation New Energy, BOC Energy Services, Olin Resources, IC Energy, LLC.

02-0461 **Illinois Commerce Commission On Its Own Motion -vs- Resource Technology Corporation**

Citation to show cause for continued QSWEF Certification of Pontiac facility and to investigate compliance with the final order in Dockets 97-0031 through 97-0045 Consolidated.

Citation case, resulting in Order cancelling QWSEF status for Pontiac methane generating facility and ordering repayment to the State of Illinois of $4.8 million for natural gas generated electricity sales to ComEd subsidized by taxpayers.

03-0767 **Illinois Commerce Commission On Its Own Motion**

Investigation into the proper allocation of line extension and service of installation costs.

This matter concerned an investigation into the proper allocation of line extension and service of installation costs for electric and gas utilities. The investigation concluded that it is appropriate to maintain the present provisions in the relevant Code sections. Doing so achieves consistency among utilities, while simultaneously allowing adequate flexibility to account for variables such as population density and volumetric consumption in different areas of the State. Accordingly, no amendments to the existing rules were necessary.

05-0159 **Commonwealth Edison Company**

Proposal to implement a competitive procurement process by establishing Rider CPP, Rider PPO-MVM, Rider TS-CPP and revising Rider PPO-MI.

The Commission entered an order on January 24, 2006 approving with modifications Commonwealth Edison's proposed tariffs finding that the best option available for Commonwealth Edison to acquire new wholesale power contracts for delivery starting January 2007 would be an open auction. The Commission approved the use of a "descending clock auction, " to be run by an independent Auction Manager and to be subject to Commission Staff oversight. The Commission also approved an on going review of the auction process to be initiated after the completion of the first auction.

05-0160
05-0161
05-0162
(Cons.)

Central Illinois Light Company, d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCILCO and Illinois Power Company, d/b/a AmerenIP

Proposals to implement a competitive procurement process by establishing Rider BGS, Rider BGS-L, Rider RTP, Rider RTP-L, Rider D, and Rider MV. (Tariffs filed on February 28, 2005)

An order in these contested consolidated cases was entered January 24, 2006. The Ameren Companies were authorized to use a vertical tranche descending clock auction process to obtain electric supply to meet customer load requirements after the statutory rate freeze ends on January 1, 2007. There were over 20 diverse parties who addressed numerous complex issues. The matter is on appeal before the Appellate Court, Second District.

05-0597 **Commonwealth Edison Company**

Proposed general revision of rates, restructuring and price unbundling service rates, and revision of other terms and conditions of services

Case filed on behalf of Commonwealth Edison to establish new rates.

The Company filed a request for a general rate increase for delivery services of electricity effective January 1, 2007. The hearings in this matter took place on March 21-March 29, 2006. There were several highly contested issues in this case. Some of the more contested issues were Administrative and General Expense, General and Intangible Expense, Rider GCB, Capital Structure and overall Rate Design. The final order was entered by the Commission on July 26, 2006. Rehearing was granted on 10 issues and the rehearing took place on November 2-3, 2006. The final order was approved by the Commission on December 20, 2006.

05-0691 **Citizens Utility Board**

Petition for an Investigation of ComEd's Participation in a Marketing Campaign by CORE that Threatens Consumers with Blackouts and Inquiry into the Ability of ComEd to Provide Reliable Electric Service.

Petition for Investigation of ComEd for Marketing Campaign

06-0070 **Central Illinois Light Company d/b/a AmerenCILCO**
06-0071 **Central Illinois Public Service Company d/b/a AmerenCIPS**
06-0072 **Illinois Power Company d/b/a AmerenIP**

Proposed general increase in rates for delivery service. (tariffs filed December 27, 2005)

On November 21, 2006, the Commission entered an Order in these consolidated dockets granting increases in delivery services rates for AmerenCILCO, AmerenCIPS, and AmerenIP. For AmerenCILCO, the Commission approved annual revenues of $118,065,000, which represents an annual increase of $20,732,000 or 21.30%. The Commission approved a rate of return of 7.94% on rate base of $262,923,000 for AmerenCILCO. For AmerenCIPS, the Commission approved annual revenues of $202,953,000, which represents an annual decrease of $8,030,000 or -3.81%. The Commission approved a rate of return of 8.06% on rate base of $418,403,000 for AmerenCIPS. For AmerenIP, the Commission approved annual revenues of $339,541,000, which represents an annual increase of $83,985,000 or 32.86%. The Commission approved a rate of return of 8.33% on rate base of $1,206,712,000 for AmerenIP

06-0411 **Commonwealth Edison Company**

Petition for approval of tariffs implementing ComEd's proposed residential rate stabilization program.

The Commission entered an order on December 20, 2006 approving Commonwealth Edison's proposal to allow residential customers to defer part of the rate increase (due to procurement of electricity and delivery service rates) The program allows residential customer to voluntarily choose to phase in the rate increase by limiting the increase to 10% in each of the years 2007-2009 and financing the deferred amounts at 3.25%.

06-0617 **Commonwealth Edison Company**

Proposed revisions to Rate BES-H, Basic Electric Service-Hourly Energy Pricing. (Tariffs filed August 29, 2006)

ComEd hourly pricing tariff investigation. Outcome: Modified and approved tariff and for cost allocation for hourly pricing for residential customers.

<u>Gas</u>

01-0705 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company**

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

02-0067 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company d/b/a NICOR Gas Company**
Proceeding to review Rider 4, Gas cost, pursuant to Section 9-244(c) of the Public Utilities Act.

02-0705 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company d/b/a Nicor Gas Company**

Consol.

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

This is a highly contested case with multiple issues dealing with Nicor's sale and purchase of its gas reserves. There had been a problem with obtaining evidence from a business partner of Nicor called EKT. After a long battle in the Circuit Court and the Appellate Court, the evidence has finally been produced. This matter should proceed to hearing in 2007.

03-0699 **Illinois Commerce Commission**
vs.
Illinois Power Company

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

The Commission entered an order approving the reconciliation with major modifications. The Commission removed certain gas costs arising from the operation of the Hillsboro Storage Field from recovery under the Gas Adjustment Clause on the basis that Illinois Power had not acted prudently granting an increase in natural gas rates to Illinois Power Company. The Commission disallowed the recovery through the rate case of certain base gas inventory into rate base and also found that the Hillsboro Storage field was only 53.44% used and useful.

04-0779 **Northern Illinois Gas Company d/b/a Nicor Gas Company**
Proposed general increase in natural gas rates. (Tariffs filed on November 4, 2004)

This case concerned the rates, terms, and conditions for natural gas service applicable to Nicor customers. A final order was entered upon completion of a rehearing of certain issues.

05-0341 **Illinois Commerce Commission On Its Own Motion -vs- The Peoples Gas Light and Coke Company**

Citation for alleged violation of Commission rules regarding leakage surveys.

Gas leak survey case resulting in $500,000 penalty for several years of non-compliance with testing standards.

06-0311 **Illinois Commerce Commission On Its Own Motion -vs- The Peoples Gas Light and Coke Company**

Citation for alleged violation of Commission rules regarding external corrosion control.

Citation for violation of gas pipeline safety regulations. Outcome: one-million dollar penalty and new auditing system to achieve and monitor future compliance by Peoples.

Water

01-0488 **Illinois Commerce Commission On Its Own Motion -vs- Crystal Clear Water Company**
01-0490 **Illinois Commerce Commission On Its Own Motion -vs- McHenry Shores Water Company**

Citation for failure to comply with Commission order.

This case approved the acquisition of two water companies by a capable public utility. The companies had failed to comply with a Commission order requiring the installation and/or repair of certain infrastructure. During the course of the case, it was established that the companies no longer possessed sufficient financial, managerial, and technical resources to provide safe, adequate, and reliable utility service under the Public Utilities Act.

06-0285 **Aqua Illinois Inc.**
Proposed Increase in Water Rates

Aqua provides water service to numerous communities in Illinois. In this proceeding, Aqua sought a general rate increase for certain of its service areas. There were multiple parties and numerous contested issues. An order was entered on December 20, 2006.

Appendix B

Emission Allowance Reports

ALLOWANCE REPORTING FORM

Reporting Period

October , 2005

To

December , 2005

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	2005	77132	54900	48146	75000	44000	6	52892
2	2006	0	54900	0	0	1000	6	54906
3	2007	0	54900	0	0	0	6	54906
4	2008	0	54900	0	0	0	6	54906
5	2009	0	54900	0	0	0	6	54906
6	2010	0	53696	0	0	0	0	53696
7	2011	0	53696	0	0	0	0	53696
8	2012	0	53696	0	0	0	0	53696
9	2013	0	53696	0	0	0	0	53696
10	2014	0	53696	0	0	0	0	53696
11	2015	0	53696	0	0	0	0	53696
12	2016	0	53696	0	0	0	0	53696

Line No.	Compliance Use (A)	Beginning (B)	USEPA (C)	YTD Allowance (D)	Allowance Sales (E)	Allowance (F)	USEPA Allocation (G)	YTD Allowance (H)
13	2017	0	53696	0	0	0	0	53696
14	2018	0	53696	0	0	0	0	53696
15	2019	0	53696	0	0	0	0	53696
16	2020	0	53696	0	0	0	0	53696
17	2021	0	53696	0	0	0	0	53696
18	2022	0	53696	0	0	0	0	53696
19	2023	0	53696	0	0	0	0	53696
20	2024	0	53696	0	0	0	0	53696
21	2025	0	53696	0	0	0	0	53696
22	2026	0	53696	0	0	0	0	53696
23	2027	0	53696	0	0	0	0	53696
24	2028	0	53696	0	0	0	0	53696
25	2029	0	53696	0	0	0	0	53696
26	2030	0	53696	0	0	0	0	53696
27	2031	0	53696	0	0	0	0	53696
28	2032	0	53696	0	0	0	0	53696
29	2033	0	53696	0	0	0	0	53696
30	2034	0	53696	0	0	0	0	53696

ALLOWANCE REPORTING FORM

Reporting Period

July , 2006

To

September , 2006

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	2006	52892	54900	37462	0	1000	6	71337
2	2007	0	54900	0	0	0	6	54906
3	2008	0	54900	0	0	0	6	54906
4	2009	0	54900	0	0	0	6	54906
5	2010	0	53696	0	0	0	0	53696
6	2011	0	53696	0	0	0	0	53696
7	2012	0	53696	0	0	0	0	53696
8	2013	0	53696	0	0	0	0	53696
9	2014	0	53696	0	0	0	0	53696
10	2015	0	53696	0	0	0	0	53696
11	2016	0	53696	0	0	0	0	53696
12	2017	0	53696	0	0	0	0	53696

Line No.	Compliance Use (A)	Beginning (B)	USEPA (C)	YTD Allowance (D)	Allowance Sales (E)	Allowance (F)	USEPA Allocation (G)	YTD Allowance (H)
13	2017	0	53696	0	0	0	0	53696
14	2018	0	53696	0	0	0	0	53696
15	2019	0	53696	0	0	0	0	53696
16	2020	0	53696	0	0	0	0	53696
17	2021	0	53696	0	0	0	0	53696
18	2022	0	53696	0	0	0	0	53696
19	2023	0	53696	0	0	0	0	53696
20	2024	0	53696	0	0	0	0	53696
21	2025	0	53696	0	0	0	0	53696
22	2026	0	53696	0	0	0	0	53696
23	2027	0	53696	0	0	0	0	53696
24	2028	0	53696	0	0	0	0	53696
25	2029	0	53696	0	0	0	0	53696
26	2030	0	53696	0	0	0	0	53696
27	2031	0	53696	0	0	0	0	53696
28	2032	0	53696	0	0	0	0	53696
29	2033	0	53696	0	0	0	0	53696
30	2034	0	53696	0	0	0	0	53696

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

October 1, 2005
to
December 31, 2005

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	1995	0	121,154	(95,222)	(18,798)	9,071	0	16,205
2	1996	16,205	121,154	(131,888)	(16,000)	25,694	0	15,165
3	1997	15,165	121,154	(151,751)	(36,300)	87,797	1	36,066
4	1998 *	36,066	114,176	(102,252)	(26,000)	27,360	0	49,350
5	1999 **	49,350	107,830	(87,461)	(16,000)	20,817	0	74,536
6	2000	74,536	64,225	(105,162)	(132)	55,571	2,409	91,447
7	2001	91,447	64,225	(90,673)	(107,061)	87,140	545	45,623
8	2002	45,623	64,225	(100,305)	(16,150)	61,074	545	55,012
9	2003	55,012	64,225	(90,120)	(13,866)	17,137	545	32,933
10	2004	32,933	64,225	(90,532)	(12,358)	28,407	545	23,220
11	2005	23,220	64,225	(83,896)	(41,044)	66,280	545	29,330
12	2006	-	64,225	-	(69,280)	35,307	545	30,797
13	2007	-	64,225	-	(54,280)	50,227	545	60,717

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	2008	-	64,225	-	(54,280)	50,952	545	61,442
15	2009	-	64,225	-	0	0	545	64,770
16	2010	-	64,649	-	0	0	(702)	63,947
17	2011	-	64,649	-	0	0	230	64,879
18	2012	-	64,649	-	0	0	230	64,879
19	2013	-	64,649	-	0	0	230	64,879
20	2014	-	64,649	-	0	0	230	64,879
21	2015	-	64,649	-	0	0	230	64,879
22	2016	-	64,649	-	0	0	230	64,879
23	2017	-	64,649	-	0	0	230	64,879
24	2018	-	64,649	-	0	0	230	64,879
25	2019	-	64,649	-	0	0	230	64,879
26	2020	-	64,649	-	0	0	(702)	63,947
27	2021	-	64,649	-	0	0	230	64,879
28	2022	-	64,649	-	0	0	230	64,879
29	2023	-	64,649	-	0	0	230	64,879
30	2024	-	64,649	-	0	0	230	64,879
31	2025	-	64,649	-	0	0	230	64,879

* Allocation reduced by 6,978 due to termination of Phase I substitution plans for Grand Tower 7 and 8 and Meredosia 1, 2, 3, 4, and 6 in 1998.

** Allocation reduced by 6,346 due to termination of Phase I substitution plan for Newton 2 in 1999.

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

July 1, 2006
to
September 30, 2006

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	1995	0	121,154	(95,222)	(18,798)	9,071	0	16,205
2	1996	16,205	121,154	(131,888)	(16,000)	25,694	0	15,165
3	1997	15,165	121,154	(151,751)	(36,300)	87,797	1	36,066
4	1998 *	36,066	114,176	(102,252)	(26,000)	27,360	0	49,350
5	1999 **	49,350	107,830	(87,461)	(16,000)	20,817	0	74,536
6	2000	74,536	64,225	(105,162)	(132)	55,571	2,409	91,447
7	2001	91,447	64,225	(90,673)	(107,061)	87,140	545	45,623
8	2002	45,623	64,225	(100,305)	(16,150)	61,074	545	55,012
9	2003	55,012	64,225	(90,120)	(13,866)	17,137	545	32,933
10	2004	32,933	64,225	(90,532)	(12,358)	28,407	545	23,220
11	2005	23,220	64,225	(83,905)	(41,044)	81,134	545	44,175
12	2006	44,175	64,225	(42,978)	(69,280)	40,453	545	37,140
13	2007	-	64,225	-	(54,280)	50,227	545	60,717

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	2008	-	64,225	-	(54,280)	50,952	545	61,442
15	2009	-	64,225	-	0	0	545	64,770
16	2010	-	64,649	-	0	0	(702)	63,947
17	2011	-	64,649	-	0	0	230	64,879
18	2012	-	64,649	-	0	0	230	64,879
19	2013	-	64,649	-	0	0	230	64,879
20	2014	-	64,649	-	0	0	230	64,879
21	2015	-	64,649	-	0	0	230	64,879
22	2016	-	64,649	-	0	0	230	64,879
23	2017	-	64,649	-	0	0	230	64,879
24	2018	-	64,649	-	0	0	230	64,879
25	2019	-	64,649	-	0	0	230	64,879
26	2020	-	64,649	-	0	0	(702)	63,947
27	2021	-	64,649	-	0	0	230	64,879
28	2022	-	64,649	-	0	0	230	64,879
29	2023	-	64,649	-	0	0	230	64,879
30	2024	-	64,649	-	0	0	230	64,879
31	2025	-	64,649	-	0	0	230	64,879

* Allocation reduced by 6,978 due to termination of Phase I substitution plans for Grand Tower 7 and 8 and Meredosia 1, 2, 3, 4, and 6 in 1998.

** Allocation reduced by 6,346 due to termination of Phase I substitution plan for Newton 2 in 1999.

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

October 1, 2005
to
December 31, 2005

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	33,228	(67,924)	0	37,839	246	3,389
2	2001	3,389	33,228	(61,214)	0	36,493	246	12,142
3	2002	12,142	33,228	(46,774)	0	36,528	246	35,370
4	2003	35,370	33,228	(65,446)	0	10,347	246	13,745
5	2004	13,745	33,228	(52,058)	(2,503)	7,653	246	311
6	2005	311	33,228	(39,999)	(20,534)	30,000	246	3,252
7	2006	-	33,228	-	0	0	246	33,474
8	2007	-	33,228	-	0	0	246	33,474
9	2008	-	33,228	-	0	0	246	33,474
10	2009	-	33,228	-	0	0	246	33,474
11	2010	-	29,190	-	0	0	105	29,295
12	2011	-	29,190	-	0	0	105	29,295
13	2012	-	29,190	-	0	0	105	29,295

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	2013	-	29,190	-	0	0	105	29,295
15	2014	-	29,190	-	0	0	105	29,295
16	2015	-	29,190	-	0	0	105	29,295
17	2016	-	29,190	-	0	0	105	29,295
18	2017	-	29,190	-	0	0	105	29,295
19	2018	-	29,190	-	0	0	105	29,295
20	2019	-	29,190	-	0	0	105	29,295
21	2020	-	29,190	-	0	0	105	29,295
22	2021	-	29,190	-	0	0	105	29,295
23	2022	-	29,190	-	0	0	105	29,295
24	2023	-	29,190	-	0	0	105	29,295
25	2024	-	29,190	-	0	0	105	29,295
26	2025	-	29,190	-	0	0	105	29,295
27	2026	-	29,190	-	0	0	105	29,295
28	2027	-	29,190	-	0	0	105	29,295
29	2028	-	29,190	-	0	0	105	29,295
30	2029	-	29,190	-	0	0	105	29,295
31	2030	-	29,190	-	0	0	105	29,295

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

July 1, 2006
to
September 30, 2006

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	33,228	(67,924)	0	37,839	246	3,389
2	2001	3,389	33,228	(61,214)	0	38,993	246	14,642
3	2002	14,642	33,228	(46,774)	0	36,528	246	37,870
4	2003	37,870	33,228	(65,446)	0	10,347	246	16,245
5	2004	16,245	33,228	(52,058)	(2,503)	7,653	246	2,811
6	2005	2,811	33,228	(39,999)	(20,534)	33,546	246	9,298
7	2006	9,298	33,228	(27,887)	0	1,454	246	16,339
8	2007	-	33,228	-	0	0	246	33,474
9	2008	-	33,228	-	0	0	246	33,474
10	2009	-	33,228	-	0	0	246	33,474
11	2010	-	29,190	-	0	0	105	29,295
12	2011	-	29,190	-	0	0	105	29,295
13	2012	-	29,190	-	0	0	105	29,295

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	2013	-	29,190	-	0	0	105	29,295
15	2014	-	29,190	-	0	0	105	29,295
16	2015	-	29,190	-	0	0	105	29,295
17	2016	-	29,190	-	0	0	105	29,295
18	2017	-	29,190	-	0	0	105	29,295
19	2018	-	29,190	-	0	0	105	29,295
20	2019	-	29,190	-	0	0	105	29,295
21	2020	-	29,190	-	0	0	105	29,295
22	2021	-	29,190	-	0	0	105	29,295
23	2022	-	29,190	-	0	0	105	29,295
24	2023	-	29,190	-	0	0	105	29,295
25	2024	-	29,190	-	0	0	105	29,295
26	2025	-	29,190	-	0	0	105	29,295
27	2026	-	29,190	-	0	0	105	29,295
28	2027	-	29,190	-	0	0	105	29,295
29	2028	-	29,190	-	0	0	105	29,295
30	2029	-	29,190	-	0	0	105	29,295
31	2030	-	29,190	-	0	0	105	29,295

Cordova Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 2005

To

December 31, 2005

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								
8								
9								
10								
11								
12								
13								

FORM 213/21
ALLOWANCE REPORTING FORM

Reporting Period

July 1, ~~19~~2006

To

September 30, ~~19~~2006

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		-----		-----				
9		-----		-----				
10		-----		-----				
11		-----		-----				
12		-----		-----				
13		-----		-----				

FORM 213/21

ALLOWANCE REPORTING FORM

Reporting Period
January 1, 2005
To
December 31, 2005

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	1995	0	67,214.0	67,214.0				0.0
2	1996	-----	67,214.0	67,204.0	10.0			0.0
3	1997	-----	67,214.0	36,233.0	30,981.0			0.0
4	1998	-----	67,214.0	0.0	67,214.0			0.0
5	1999	-----	67,214.0	15,409.0	51,805.0			0.0
6	2000	-----	28,982.0	28,992.0			10.0	0.0
7	2001	-----	28,982.0	7,993.0	1,983.0		10.0	19,016.0
8	2002	-----	28,982.0	23,898.0	5,094.0		10.0	0.0
9	2003	-----	28,982.0	-----	28,992.0		10.0	0.0
10	2004	-----	28,982.0	-----	2,431.0		10.0	26,561.0
11	2005	-----	28,982.0	25,874.0			10.0	3,118.0
12	2006	-----	28,982.0	-----			10.0	28,992.0
13	2007	-----	28,982.0	-----			10.0	28,992.0

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	2008	-----	28,982.0	-----				28,982.0
15	2009	-----	28,982.0	-----				28,982.0
16	2010	-----	28,936.0	-----				28,936.0
17	2011	-----	28,936.0	-----				28,936.0
18	2012	-----	28,936.0	-----				28,936.0
19	2013	-----	28,936.0	-----				28,936.0
20	2014	-----	28,936.0	-----				28,936.0
21	2015	-----	28,936.0	-----				28,936.0
22	2016	-----	28,936.0	-----				28,936.0
23	2017	-----	28,936.0	-----				28,936.0
24	2018	-----	28,936.0	-----				28,936.0
25	2019	-----	28,936.0	-----				28,936.0
26	2020	-----	28,936.0	-----				28,936.0
27	2021	-----	28,936.0	-----				28,936.0
28	2022	-----	28,936.0	-----				28,936.0
29	2023	-----	28,936.0	-----				28,936.0
30	2024	-----	28,936.0	-----				28,936.0
31	2025	-----	28,936.0	-----				28,936.0

FORM 213/21

ALLOWANCE REPORTING FORM

Reporting Period
January 1, 2006
To
September 30, 2006

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	1995	0	67,214.0	67,214.0				0.0
2	1996	-----	67,214.0	67,204.0	10.0			0.0
3	1997	-----	67,214.0	36,233.0	30,981.0			0.0
4	1998	-----	67,214.0	0.0	67,214.0			0.0
5	1999	-----	67,214.0	15,409.0	51,805.0			0.0
6	2000	-----	28,982.0	28,992.0			10.0	0.0
7	2001	-----	28,982.0	7,993.0	20,999.0		10.0	0.0
8	2002	-----	28,982.0	23,898.0	5,094.0		10.0	0.0
9	2003	-----	28,982.0	-----	28,992.0		10.0	0.0
10	2004	-----	28,982.0	-----	28,992.0		10.0	0.0
11	2005	-----	28,982.0	25,874.0	3,118.0		10.0	0.0
12	2006	-----	28,982.0	19,378.0	180.0		10.0	9,434.0
13	2007	-----	28,982.0	-----			10.0	28,992.0

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	2008	-----	28,982.0	-----				28,982.0
15	2009	-----	28,982.0	-----				28,982.0
16	2010	-----	28,936.0	-----				28,936.0
17	2011	-----	28,936.0	-----				28,936.0
18	2012	-----	28,936.0	-----				28,936.0
19	2013	-----	28,936.0	-----				28,936.0
20	2014	-----	28,936.0	-----				28,936.0
21	2015	-----	28,936.0	-----				28,936.0
22	2016	-----	28,936.0	-----				28,936.0
23	2017	-----	28,936.0	-----				28,936.0
24	2018	-----	28,936.0	-----				28,936.0
25	2019	-----	28,936.0	-----				28,936.0
26	2020	-----	28,936.0	-----				28,936.0
27	2021	-----	28,936.0	-----				28,936.0
28	2022	-----	28,936.0	-----				28,936.0
29	2023	-----	28,936.0	-----				28,936.0
30	2024	-----	28,936.0	-----				28,936.0
31	2025	-----	28,936.0	-----				28,936.0

MidAmerican Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 20 05

To

December 31, 20 05

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	2005	5,608	67,606	60,578	9,430	0	0	3,206
2	2006	-----	67,606	-----	0	0	0	67,606
3	2007	-----	67,606	-----	0	0	0	67,606
4	2008	-----	67,606	-----	0	0	0	67,606
5	2009	-----	67,606	-----	0	34,277	0	101,883
6	2010	-----	59,139	-----	0	0	0	59,139
7	2011	-----	59,139	-----	0	0	0	59,139
8	2012	-----	59,139	-----	0	0	0	59,139
9	2013	-----	59,139	-----	0	0	0	59,139
10	2014	-----	59,139	-----	0	0	0	59,139
11	2015	-----	59,139	-----	0	0	0	59,139
12	2016	-----	59,139	-----	0	0	0	59,139
13	2017	-----	59,139	-----	0	0	0	59,139

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	2018	-----	59,139	-----	0	0	0	59,139
15	2019	-----	59,139	-----	0	0	0	59,139
16	2020	-----	59,139	-----	0	0	0	59,139
17	2021	-----	59,139	-----	0	0	0	59,139
18	2022	-----	59,139	-----	0	0	0	59,139
19	2023	-----	59,139	-----	0	0	0	59,139
20	2024	-----	59,139	-----	0	0	0	59,139
21	2025	-----	59,139	-----	0	0	0	59,139
22	2026	-----	59,139	-----	0	0	0	59,139
23	2027	-----	59,139	-----	0	0	0	59,139
24	2028	-----	59,139	-----	0	0	0	59,139
25	2029	-----	59,139	-----	0	0	0	59,139
26	2030	-----	59,139	-----	0	0	0	59,139
27	2031	-----	59,139	-----	0	0	0	59,139
28	2032	-----	59,139	-----	0	0	0	59,139
29	2033	-----	59,139	-----	0	0	0	59,139
30	2034	-----	59,139	-----	0	0	0	59,139

MidAmerican Energy Company

MidAmerican Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

July 1, 20 06

To

September 30, 20 06

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	2006	3,206	67,606	45,235	2,000	2,775	0	26,352
2	2007	-----	67,606	-----	0	0	0	67,606
3	2008	-----	67,606	-----	0	0	0	67,606
4	2009	-----	67,606	-----	0	36,571	0	104,177
5	2010	-----	59,139	-----	0	0	0	59,139
6	2011	-----	59,139	-----	0	0	0	59,139
7	2012	-----	59,139	-----	0	0	0	59,139
8	2013	-----	59,139	-----	0	0	0	59,139
9	2014	-----	59,139	-----	0	0	0	59,139
10	2015	-----	59,139	-----	0	0	0	59,139
11	2016	-----	59,139	-----	0	0	0	59,139
12	2017	-----	59,139	-----	0	0	0	59,139
13	2018	-----	59,139	-----	0	0	0	59,139

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	2019	-----	59,139	-----	0	0	0	59,139
15	2020	-----	59,139	-----	0	0	0	59,139
16	2021	-----	59,139	-----	0	0	0	59,139
17	2022	-----	59,139	-----	0	0	0	59,139
18	2023	-----	59,139	-----	0	0	0	59,139
19	2024	-----	59,139	-----	0	0	0	59,139
20	2025	-----	59,139	-----	0	0	0	59,139
21	2026	-----	59,139	-----	0	0	0	59,139
22	2027	-----	59,139	-----	0	0	0	59,139
23	2028	-----	59,139	-----	0	0	0	59,139
24	2029	-----	59,139	-----	0	0	0	59,139
25	2030	-----	59,139	-----	0	0	0	59,139
26	2031	-----	59,139	-----	0	0	0	59,139
27	2032	-----	59,139	-----	0	0	0	59,139
28	2033	-----	59,139	-----	0	0	0	59,139
29	2034	-----	59,139	-----	0	0	0	59,139
30	2035	-----	59,139	-----	0	0	0	59,139

MidAmerican Energy Company