UNIFORM ELECTRIC AND GAS ADJUSTMENT CLAUSES FOR THE ILLINOIS COMMERCE COMMISSION

prepared for

THE ILLINOIS COMMERCE COMMISSION

by

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in behalf of

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FOREWORD

This report was prepared by Touche Ross & Company for The National Regulatory Research Institute (NRRI) under Contract No. EC-77-C-01-8683 with the U.S. Department of Energy (DOE), Economic Regulatory Administration, Division of Regulatory Assistance. The opinions expressed herein are solely those of the contractor and do not reflect the opinions nor the policies of either the NRRI or DOE.

The NRRI is making this report available to those concerned with state utility regulatory issues since the subject matter presented here is believed to be of timely interest to regulatory agencies and to others concerned with utilities regulation.

The NRRI appreciates the cooperation of the Illinois Commerce Commission with the contractor in preparing this study and for their permission to make this information available to others interested in regulatory affairs.

Douglas N. Jones
Director

NATIONAL REGULATORY RESEARCH INSTITUTE

ILLINOIS COMMERCE COMMISSION

UNIFORM ELECTRIC AND GAS ADJUSTMENT CLAUSES

TECHNICAL ASSISTANCE PROJECT

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I. MANAGEMENT SUMMARY

BACKGROUND

In January, 1978 the Illinois State Legislature passed House Bill No. 748 (H.B. 748), thereby amending Section 36 of the Public Utilities Act. This House Bill specifically mandated the Illinois Commerce Commission (ICC) to:

- Investigate the feasibility of adopting uniform electric and gas adjustment clauses,
- Initiate public hearings annually for the purpose of
  - Determining whether fuel costs passed through under the clauses reflect actual costs of fuel prudently purchased,
  - Reconciling amounts collected with actual costs,
- Promulgate rules as necessary and appropriate to implement and administer uniform clauses.

In response to this legislative mandate, the ICC contacted the National Regulatory Research Institute (NRRI) for technical assistance. The ICC requested the NRRI:

- To assist in the design of uniform electric and gas adjustment clauses,
- To assist in the development of procedures to administer the uniform clauses.

Touche Ross & Co. was retained by the NRRI to provide the technical assistance requested by the ICC.

PROJECT SCOPE AND APPROACH

Consistent with the ICC's objectives and NRRI's request, Touche Ross & Co. provided technical assistance related to both the design of uniform electric and gas adjustment clauses and the development of a process to administer the uniform clauses. This assistance was provided in two phases as follows:

- Phase I - Assistance in the Design of Uniform Adjustment Clauses
  - Assistance in this phase consisted of: 1) providing input to the ICC regarding significant design features of uniform adjustment clauses used by other states; and 2) evaluating the uniform adjustment clauses developed and proposed by the ICC staff.

. Assistance in this phase was provided during July, 1978 and represented approximately twenty-five percent (25%) of our total work effort.

- Phase II - Assistance in the Development of a Process to Administer the Uniform Adjustment Clauses

. Assistance in this phase consisted of: 1) providing input to the ICC regarding administrative processes in place or proposed in selected other states; 2) defining the process requirements for the ICC-proposed uniform adjustment clauses; 3) developing a proposed process structure to satisfy legislative requirements and the ICC's regulatory objectives; and 4) identifying the key implementation issues to be addressed by the ICC.

. Assistance in this phase was provided during July and August, 1979. This report presents the results of the assistance provided to the ICC during this phase.

DESIGN OF THE CLAUSES - OVERVIEW

The uniform electric and gas adjustment clauses proposed by the ICC formed the basis for developing the administrative processes. A detailed understanding of the design of these clauses was required since the design aspects:

- Enunciate the objectives of the ICC regarding the scope and approach for automatic adjustment,

- Specify the parameters, mechanics and requirements to be addressed,

- Define the methodology to be operationalized.

The design aspects analyzed in developing an understanding of the proposed clauses included:

- The primary features,

- The calculation methodology and formula(s),

- The cost, energy, fuel and recovery flows.

These design aspects are addressed in an overview manner in this section of this document. A detailed discussion of these design aspects has been included in Sections A (Electric) and B (Gas) of the Appendix.

The ICC proposed uniform adjustment clauses set forth the primary features summarized on Exhibit I-1 on the following page.

EXHIBIT I-1
ICC PROPOSED UNIFORM ADJUSTMENT CLAUSES
PRIMARY FEATURES SUMMARY

FEATURE	CLAUSE	
	ELECTRIC	GAS
Applicability	All KWH billed to all service classifications (subject to filed tariffs)	All therms billed to all service classifications (subject to filed tariffs)
Cost Basis	Historical	Historical (Time period from which prices are quoted varies by type of gas)
Base Fuel Cost	Zero based	Zero based
Includable Fuel Costs	(+) Fossil and nuclear fuel costs for acquisition and delivery (+) Purchased power energy costs (-) Fuel costs for nonjurisdictional sales (-) Test generation fuel costs (Based on costs as accounted for in the Uniform System of Accounts)	(+) Cost of purchased, manufactured, supplemental and emergency gas (+) Net cost of withdrawal from storage and exchange gas (-) Cost of company used, outside system sales and unaccounted for gas (Based on costs reflected on invoices)
Excluded Fuel Costs	Fossil fuel costs for unloading and residuals produced Nuclear fuel costs for assembly handling and spent fuel disposition (Based on costs accounted for in the Uniform System of Accounts)	Manufactured gas demurrage and unloading costs (Based on costs reflected on invoices)
Fuel Charge Basis	(+) KWH billed to ultimate consumers (+) KWH sold without charge (+) Interdepartmental sales (-) KWH billed related to test generation	Therms billed to ultimate consumers (jurisdictional)

EXHIBIT I-1
ICC PROPOSED UNIFORM ADJUSTMENT CLAUSES
PRIMARY FEATURES SUMMARY

FEATURE	CLAUSE	
	ELECTRIC	GAS
Revenue Tax Adjustment	Included	Included
Inventory Relief Method	Average Cost	Average cost
Determination Period(1)	First two of the three months immediately preceeding the billing month	First twelve of the thirteen months immediately preceeding the filing month
Reporting	Required monthly	Required monthly
Reconciliation	Required annually	Required annually

(1) Called computation period in the gas clause.

These primary features provide the basis for the calculation methodologies to determine the monthly electric and gas fuel charge to be passed through to consumers. The electric and gas fuel charge calculation methodologies are briefly summarized below:

- Electric - the fuel charge in ¢/KWH is derived by:

  . Deducting the fuel costs associated with non-jurisdictional sales (interchange power and sales for resale) and test generation from the includable costs for fossil fuel, nuclear fuel and the energy cost associated with purchased power,

  . Dividing the cost component by the sum of the KWH delivered with and without charge (including inter-departmental sales) less the KWH related to test generation,

  . Increasing the derived fuel charge by the applicable revenue tax percentage,

  . All costs and KWH used in the calculation are obtained from the determination period which is the first two of the three calendar months immediately preceeding the billing month.

- Gas - the gas charge in ¢/Therm is derived by:

  . Deducting the cost of company used, outside system sales and unaccounted for gas from the includable costs for purchased, manufactured, supplemental and emergency gas plus the net cost of withdrawal from storage and exchange gas,

  . Dividing the cost component by the total therms billed to ultimate consumers (jurisdictional),

  . Increasing the derived charge by the applicable revenue tax percentage,

  . Therms used in the calculation are obtained from the computation period. Costs are obtained either from the computation period or the current filing month depending on the type of gas,

  . The gas charge may be adjusted for refunds as required.

The calculation formulas for the electric and gas charge are presented in the Appendix section. A detailed description of each component has been included following the calculation formula.

The Appendix also contains an overview flow of the data related to the costs, energy, and recovery amounts to be accounted for in deriving the applicable electric or gas charge and considered in the reconciliation process.

ADMINISTRATIVE PROCESS SUMMARY

The proposed administrative processes for the electric and gas adjustment clauses have been developed based upon the following considerations:

- The legislative requirements of H.B. No. 748 and the Public Utilities Regulatory Policy Act (PURPA),
- The regulatory objectives of the ICC,
- The design aspects of the electric and gas adjustment clauses currently being reviewed in public hearings before the ICC.

H.B. No. 748 specifies that annual public hearings should be initiated to determine whether the fuel costs passed through under the clauses reflect actual costs of fuel prudently purchased. Additionally, amounts collected are to be reconciled with actual costs. PURPA mandates (though individual states need not adopt federal standards) that evidentiary hearings to reevaluate the operation of the clauses be conducted at least every four years. Further, utilities' operations under the clauses are to be reviewed at least every two years. In connection with the latter requirement, the Commission must "audit" the practices of such utilities relating to costs subject to automatic adjustment clauses.

The proposed administrative process is consistent with the legislative requirements of H.B. No. 748 regarding annual hearings. Additionally, since the process includes an annual audit of the utilities' operations under the clauses, the review requirement of PURPA is exceeded. The PURPA reevaluation requirement is outside the scope of the administrative process since it addresses the purpose and design of clauses, not specifically operations under such clauses.

The primary regulatory objectives of the ICC with respect to administration of the adjustment clauses include:

- To provide for the timely reporting and review of cost recovery and operational data,
- To insure that the operating practices and procedures of the utilities are comprehensively analyzed and reviewed periodically,

- To provide for a formal review before the Commission of the operations of the utilities for the purpose of determining compliance with the respective adjustment clauses and determining reconciliation adjustments required.

To effectively accomplish these objectives, the proposed administrative process has been designed to provide for the efficient gathering, analysis and review of sufficient material necessary to form a conclusion as to the reasonableness and fairness of the adjustment charge, the degree of compliance with the approved adjustment charge calculation, the prudent operations of the utility, and the appropriateness of reconciliation adjustments.

The proposed administrative process has been structured to include four components. These are:

- Reporting - Uniform monthly reporting of key cost and operational data to enable verification of the pass-through charge and monitoring of primary variables affecting system average costs. Data reported would be at the system, plant and/or unit level depending upon the specific data category and elements.

- Compliance Testing - Review of the data reported by the utilities for accuracy, reasonableness and consistency. This component includes a desk audit to occur prior to the application of the fuel/gas charge to customers' bills by the utilities. Additionally, a spot audit activity has been suggested to periodically test reported data (on a sample basis) to the source records of a specific utility company.

- Audit - Annual financial and operational fuel audit of the utilities' operations under the adjustment clauses for the audit period. The process provides for this audit to be performed either by the Commission staff or an independent auditing firm. For audits performed by an independent auditing firm, the process defines the ICC's role in managing the audit process, including:

  . Request for proposal, bidding and selection procedures,

  . Work program guidelines,

  . Documentation requirements.

  A standard work program has been developed as a guideline for developing the detailed audit procedures for the electric and gas utilities. This standard work program uses as a base the FERC audit program guidelines.

- Hearing - Annual hearing before the Commission to review the operations of the utilities under the clauses, evaluate the compliance of the utilities with the adjustment clauses and determine the settlement amount and reconciliation method as appropriate.

Exhibits I-2 and I-3 on the following pages provide an overview flow of the key events, timing considerations and responsibilities associated with each component. Section II of this report describes in detail each component for both the electric and gas administrative processes.

ORGANIZATIONAL AND OTHER CONSIDERATIONS

The proposed administrative process is not anticipated to require changes in the current organizational structure of the ICC. The existing electric and gas units of the Utilities Division currently have responsibility for monitoring of the present non-uniform adjustment clauses in effect in Illinois. The Utilities Division is assumed to have over all responsibility for the proposed administrative process. The electric and gas units would continue to perform compliance testing activities. The accounting group of the Utilities Division is assumed to have primary responsibility in the audit activities. As is now the case, all these units plus the hearing examiners would participate in the hearing activities. Staffing requirements (skill levels and number of full-time equivalents) for each component are addressed in Section II of this document.

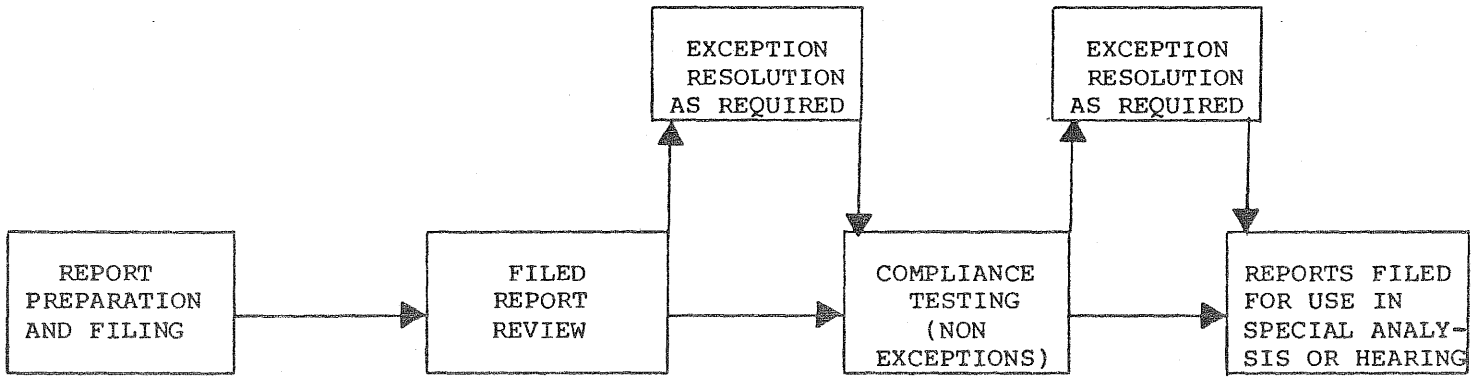
At present, the compliance testing function is assumed to be a manual activity since no data processing support presently exists for the current monitoring activities. However, the ICC should consider undertaking a feasibility study to determine the benefits/costs of developing automated support for this function. It is envisioned that automated support could provide for more efficient data gathering and analysis, and provide greater capability for trend analysis, comparative studies of the various utilities and other special analysis as required. Examples of such analysis are provided in the compliance testing material in Section II of this document.

IMPLEMENTATION STRATEGY

In planning for the implementation of the proposed administrative processes, the ICC must consider a number of major events which have associated with them various key activities and decision points. These events and activities/decision points are summarized below:

- Adoption of the clauses
  - . Complete hearings in process
  - . Publish clauses

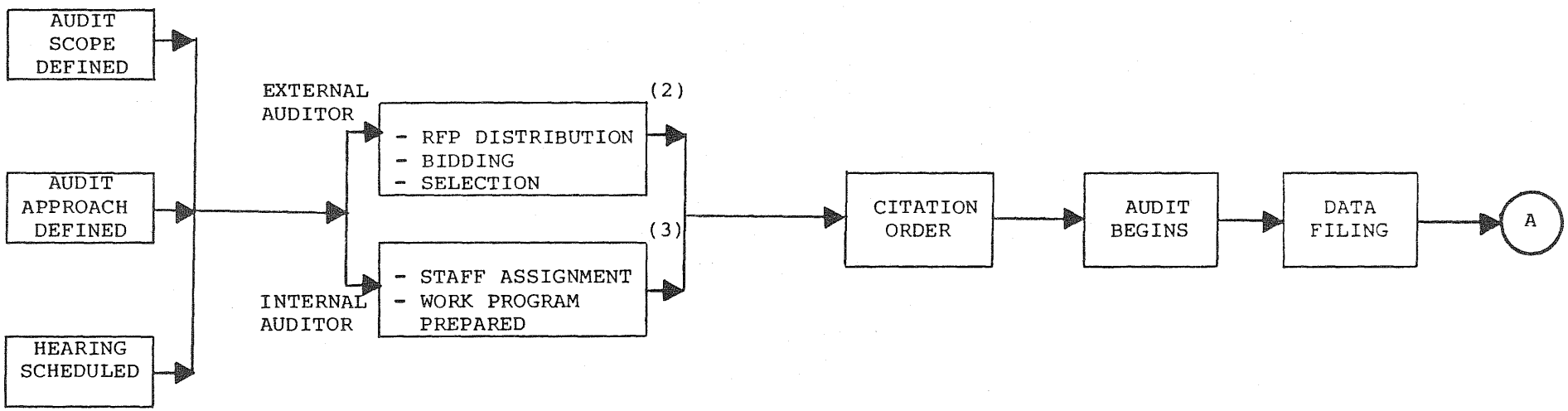
EXHIBIT I-2
ADMINISTRATIVE PROCESS
MONTHLY REPORTING AND COMPLIANCE TESTING FLOW
OVERVIEW



TIMING(1) FOR GAS	5th	7th	7th through 12th	7th through 14th	Last	Last
TIMING(1) FOR ELECTRIC	10th	12th	12th through 16th	12th through 17th	Last	Last
RESPONSIBILITY	UTILITY	ICC	ICC	ICC	ICC	ICC

(1) Due/completed by the indicated business day each month.

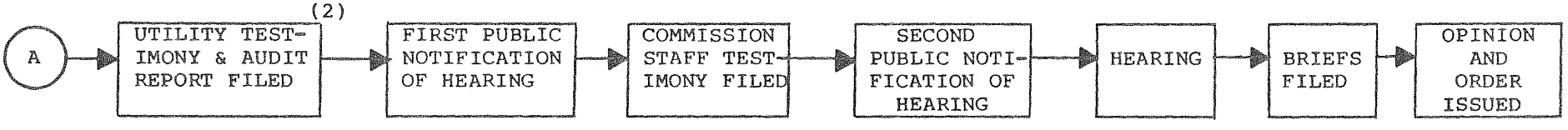
EXHIBIT I-3
ADMINISTRATIVE PROCESS
ANNUAL AUDIT/HEARING FLOW
OVERVIEW



TIMING(1)	X-120	START X - 110 FINISH X - 80	X-75	X-70	X-45
RESPONSIBILITY	ICC	SEE FOOTNOTES 2 AND 3	ICC	INDEPENDENT AUDITOR OR ICC	ALL PARTIES TO HEARING

(1) Due/completed by calendar days indicated. Dates are referenced to the Hearing date X.
(2) Utility with ICC management.
(3) ICC.

EXHIBIT I-3
ADMINISTRATIVE PROCESS
ANNUAL AUDIT/HEARING FLOW
OVERVIEW



TIMING(1)	X-30	X-20	X-15	X-13	X	X+15(3)	X+30(3)
RESPON-SIBILITY	UTILITY	UTILITY	ICC	UTILITY	ICC	APPROPRIATE PARTIES	ICC

(1) Due/completed by calendar days indicated. Dates are referenced to the Hearing date X.
(2) Audit report should be filed by ICC if the ICC staff performed the audit.
(3) Calendar days from the end of the hearing.

- Conversion preparation

  . EDP feasibility study

  . Documentation of the processes

    .. Systems and workflows
    .. Forms
    .. Policies
    .. Procedures
    .. Job descriptions

  . Staffing (as required)

    .. Recruiting
    .. Hiring

  . Training

  . System testing

  . Budgeting

  . Interface with/notification to utilities

    .. Correspondence
    .. Training
    .. System testing

- Formalization of the processes

  . Determine approach and timing

    .. Rule making
    .. Informal procedure

  . Documentation

    .. Requirements
    .. Format
    .. Distribution

- Hearings for rate restructuring, reconciliation under existing clauses and tariff revisions

  . Hearing schedule

  . Rate segregation analysis

  . Reconciliation audit

  . Formal hearings

  . Tariff revisions

- Implementation

  . Determine approach and timing

    .. One-time
    .. Phased

It is recommended that overall responsibility for the implementation planning be assigned to the Manager of the Utilities Division to facilitate coordination of the timing, sequence and control of the implementation process. Subsequent to the completion of the hearings regarding the adoption of the clauses, the ICC staff will know the specific design of the clauses to be adopted. At that time the following activities should be undertaken:

- Revise the proposed administrative processes as required due to any significant changes in the design of the clauses,

- Finalize the implementation planning events/activities list,

- Determine the approach to be taken in formalizing the processes,

- Assign responsibility and target dates for the implementation activities,

- Initiate an EDP feasibility study.

Exhibit I-4 on the following pages provides a summary of the major implementation activities. This exhibit includes or provides for the following information:

- Numerical listing of the major implementation events and activities,

- The ICC staff member responsible for managing or completing the event or activity,

- The target date for completing the work related to the event or activity,

- The actual date of completion of the work related to the event or activity,

- The current status of the work related to the event or activity.

As indicated on the exhibit, responsibility assignments and target dates have not yet been determined by the ICC. It is anticipated that these assignments and target dates will be addressed by the ICC at the conclusion of the hearings regarding the clauses. Once the hearings are concluded, the ICC will be in a better position to develop the implementation activity schedule and begin addressing the implementation activities.

EXHIBIT I-4
ADMINISTRATIVE PROCESS
IMPLEMENTATION ACTIVITIES
SUMMARY

MAJOR EVENTS/ACTIVITIES	ICC RESPONSIBILITY	TARGET DATE	ACTUAL DATE	STATUS
1. Clause adoption				
1.1 Complete Hearing	Examiner/Comissioners	Est. Jan. 1980		
1.2 Publish Clauses	Commission	At conclusion of Activity 1.1		
2. Conversion Planning				
2.1 EDP Feasibility study	To be assigned(1)	Begin at conclusion of Activity 1.1		
2.2 Documentation		To be determined (1)		
2.2.1 Systems & workflows				
2.2.2 Forms				
2.2.3 Policies				
2.2.4 Procedures				
2.2.5 Job descriptions				
2.3 Staffing				
2.4 Training				
2.5 System testing (manual)				
2.6 Budgeting				
2.7 Interface with/ notification to utilities				
2.7.1 Correspondence				
2.7.2 Training				
2.7.3 System testing				

(1) Responsibility assignments and target dates have not yet been determined by the ICC because the final design of the clauses is not yet known. At the conclusion of the hearings, these will be addressed by the ICC.

EXHIBIT I-4
ADMINISTRATIVE PROCESS
IMPLEMENTATION ACTIVITIES
SUMMARY

MAJOR EVENTS/ACTIVITIES	ICC RESPONSIBILITY	TARGET DATE	ACTUAL DATE	STATUS
3. Process formalization/ adoption				
3.1 Approach	To be assigned(1)	At conclusion of Activity 1.1		
3.2 Documentation requirements		To be determined(1)		
3.3 Timing				
4. Rate restructuring/ reconciliation hearings				
4.1 Schedule				
4.2 Rate segregation analysis				
4.3 Reconciliation audit				
4.4 Hearing process				
4.5 Tariff revision				
5. Implementation approach				
5.1 One-time				
5.2 Phased				

(1) Responsibility assignments and target dates have not yet been determined by the ICC because the final design of the clauses is not yet known. At the conclusion of the hearings, these will be addressed by the ICC.

II. ADMINISTRATIVE PROCESSES

INTRODUCTION

This section describes in detail the administrative processes for both the electric and gas Uniform Adjustment Clauses. Each administrative process contains four components:

- Reporting,
- Compliance testing,
- Audit,
- Hearing.

Each component includes a number of charts, matrices and other exhibits which define in a detailed manner the administrative requirements being addressed by the component. Further, these charts, matrices and exhibits: 1) describe the proposed approach to meeting these administrative requirements through a specific set of events sequenced in a logical manner; 2) define the guidelines and/or standards to be employed by the ICC staff in performing their administrative responsibilities, and; 3) identify the information requirements and flow necessary to effectively manage the administrative process activities performed by individual staff members and efficiently provide regulatory control as required.

The detailed description of each component begins with a summary of the elements of the component. This summary addresses the following elements in the stated manner:

ELEMENT	EXPLANATION OF ELEMENTS
Purpose	- Enunciates the objectives of the component as a part of an effective administrative process for the uniform adjustment clauses.
Primary Activities	- Itemizes the primary activities for accomplishing the purpose of the component.
Timing Considerations	- Orders primary activities in their logical sequence and intervals.
Events Flow	- Charts diagrammatically the timing and sequence of the primary activities in the component.
Frequency	- Describes the frequency of occurrence of one component.

ELEMENT	EXPLANATION OF ELEMENT
Data Requirements	- Prescribes in detail the data required to successfully undertake the primary activities of the component.
Inputs	- Describes the types and sources of information to enter the component.
Outputs	- Describes the types of information produced by the component.
Controls	- Prescribes the mechanisms, primarily logs and reports, management should use to ensure that the staff effectively and efficiently perform the planned activities.
Exception Follow-up and Resolution	- Describes the follow-up procedures to resolve any specific exceptions that may occur in the component.
Staffing Considerations	- Suggests the quantity and quality of personnel required to successfully perform the activities of the component.
Policy Considerations	-Identifies the policy statements the Commission should issue for uniform compliance with the component requirements.
Work Program	- Details the specific activities the staff should perform to accomplish certain tasks in the component.
Other Considerations	- Raises any significant issues that the above elements fail to address.

For the reporting component, following the elements summary is a proposed data requirements matrix. This matrix identifies the proposed data to be reported by the utilities to the ICC on a monthly basis. The matrix includes:

- The category/type of data required (for example fossil fuel purchases by type of fuel and supplier),
- The level at which the data is to be reported (for example system, generating plant or generating unit level),
- The key data elements to be reported,
- The source period for the data elements reported.

Additionally, the reporting component includes an events flow summary which identifies the following:

- The events to be performed associated with the reporting component,
- The sequence and timing for the occurrence of these events,
- The individual responsible for performing the event(s),
- The key decision points, controls and reporting requirements of the component.

The compliance testing component description includes only the elements summary in the format previously defined.

The audit component includes two exhibits in addition to the elements summary. These are a proposed approach for the ICC to manage the fuel audit of a utility when that audit is performed by an independent auditing firm rather than the Commission staff and a proposed standard work program for performing the fuel audit of a utility.

The proposed approach to managing the audit exhibit addresses the request for proposal, bidding and selection process to be followed in contracting an independent auditor to perform the fuel audit.

The proposed standard audit work program is based upon the FERC audit guidelines and consists of the following sections:

- Audit purpose
- Audit scope
- Objectives
- Fuel procurement
- Management process
- Processing coal orders
- Station visitation
- Nuclear fuel
- Company owned or controlled fuel supplies
- Purchased power
- Fuel cost adjustment review
- Audit report

The hearing component description includes only the elements in the format previously defined.

UNIFORM ELECTRIC ADJUSTMENT CLAUSE
ADMINISTRATIVE PROCESS

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: REPORTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the reporting component are: . To provide the Commission staff with the data necessary to verify the computational accuracy of the fuel charges passed through to consumers . To enable the Commission staff to monitor the primary variables affecting the system average costs used in calculating the fuel charges . To assist the Commission in determining that fuel costs passed through to consumers are fair, just and reasonable
Primary Activities	- Filing review (format and completeness of data) - Exception follow-up (as instructed)
Frequency	- Monthly, prior to the compliance testing activity
Data Requirements	- See Exhibit II-1
Inputs	- Forms containing required data prepared by the various utility companies. Form layout to be developed by the Commission staff. (Provision to require machine readable input should be considered)
Outputs	- Exception report listing non-compliance with reporting requirements, for example: . Missing data . Late filing . Non-uniform format - Batched forms for compliance testing

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: REPORTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations	- Utility filing required by the end of the 10th business day of the filing month
	- Batched forms forwarded for compliance testing no later than end of the 12th business day of the filing month
	- Exception report completed and forwarded to supervisor by end of the 12th business day of the filing month
Controls	- Receipt log for recording utility reports filed
	- Checklist for review of filed reports
	. Is filed data in uniform format?
	. Are all required data elements completed?
	- Exception reporting to supervisory personnel for follow-up
Exception Follow-up and Resolution	- To be performed by supervisory personnel as required
Staffing Considerations	- Filing review
	. Clerical function, minimal time required
	- Exception follow-up
	. Supervisory function, not assumed to require significant amount of time
Policy Considerations	- Uniform filing format
	- Utility filing by 11th business day of filing month
Events Flow	- See Exhibit II-2

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
FAC Calculation Data			
- Allowable Fuel Cost (CF)*	System	• Total consumed fuel cost from company owned plants .. Fossil fuel .. Nuclear • Utility's share of consumed fuel cost from jointly owned or leased plants .. Fossil fuel .. Nuclear • Fuel costs associated with test generation	Determination period (all elements)
- Allowable Energy Cost for Purchased Power (CPP)*	System	• Energy cost portion of emergency, contract and economy purchases	Determination period
- Fuel Cost Associated with Non-Jurisdictional Sales (CNS)*	System	• Fuel cost portion of .. Sales for resales .. Interchange power sales	Determination period

*See Appendix A, page III-5, for use of these terms in the Fuel Adjustment Formula.

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
FAC Calculation Data (Continued)			
- Allowable Energy (S)*	System	• KWH .. Billed to ultimate consumers .. Furnished without charge .. Associated with interdepartmental sales .. For test generation	Determination period
- Allowable Fuel Charge	System	• Derived	
- Allowable Fuel Cost Recoveries	System	• KWH billed to ultimate consumers	Meter Reading Month
- FAC Cost/Recovery Position	System	• Derived	Year to Date
Fossil Fuel Purchases - By type of fuel and supplier	Plant & System	• Quantity and quality • Total and unit price .. Per quantity .. Per MMBTU .. FOB mine • Transportation data .. Mode .. Cost per unit	Determination period (All elements)

*See Appendix A, page III-5, for use of these terms in the Fuel Adjustment Formula.

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
Fossil Fuel Purchases (Continued)	Plant & System	• Supplier data .. Long-term contract .. Affiliated/non affiliated .. Spot (direct or broker) • Contract shortfalls .. Supplier .. Amount • FPC 423 forms	Determination period (All elements)
Fossil Fuel Consumed - By type of fuel	Unit, Plant System	• Quantity • Quality (BTU's) • Cost .. Total dollars .. Cents per MMBTU .. Cents per KWH	Determination period (All elements)
Nuclear Fuel - Assemblies amortization and storage	Plant	• Accumulated provision for amortization .. Fuel assemblies amortization .. Processing and storage amortization	Determination period (beginning balance, net change and ending balance)

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
Nuclear Fuel (Continued)			
- Assemblies Amortization and Storage	Plant	... Transportation ... Temporary storage ... Separation of materials ... Salvaged uranium ... Salvaged plutonium ... Disposal of waste .. Spent fuel assemblies expense .. Spent fuel assemblies (units) ... Storage capacity ... Stored to date	Determination period (All elements)
- Amortization Expense	Unit	• Assemblies amortization • Processing and storage amortization .. Same as above (Transportation, etc.) • Accumulated total burn provision • Leased fuel levelized carrying expense	Determination period (1 year historical data by month should be considered for all elements)
Fuel Inventory Summary - By type of fuel	Plant	• Beginning inventory .. Quantity .. Cost .. Purchase cost/quantity	Determination period

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

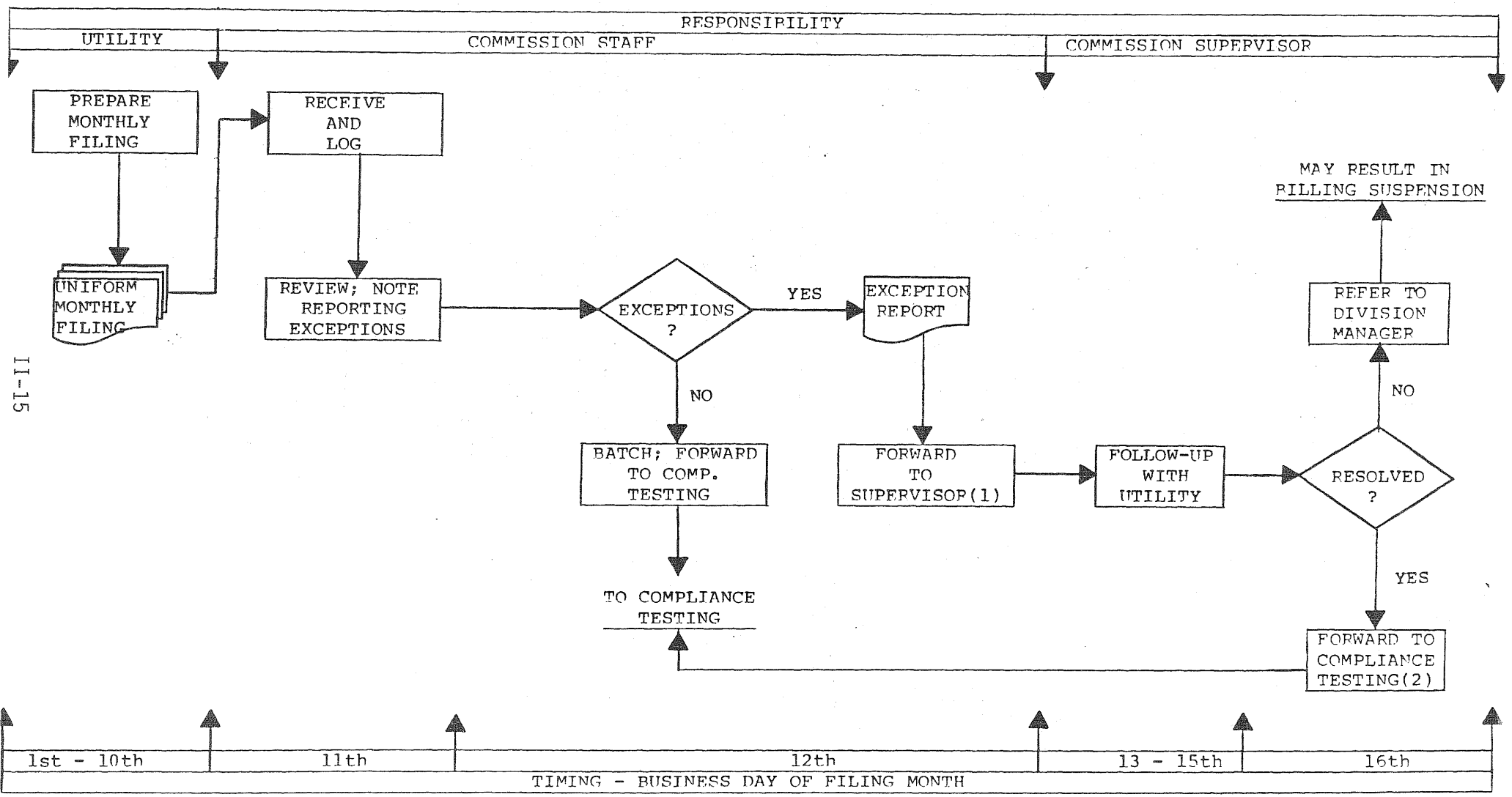
CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
Fuel Inventory Summary (Continued) - By Type of Fuel	Plant	• Adjustments .. Inventory (quantity) .. BTU, sulfer or ash content (cost) .. Escalator clause (cost) .. Supplier settlement (cost) .. Other (quantity or cost) • Purchases .. Quantity .. Cost (total, average per quantity and MMBTU) .. Heat content • Consumption (same as purchases) • Ending inventory (same as beginning inventory)	Determination period (All elements)
Monetary Purchase/Sale of Power - By supplier (purchase) - By buyer (sales) - By type power transaction (power code)	System	• Quantity (KWH) • Cost ($) .. Fuel .. Energy .. Demand/capacity charge • Cost (cents per KWH) .. Fuel .. Total	Determination period (All elements)

EXHIBIT II-1
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
Non-Monetary Interchanges - By Supplier/Receiver	System	. KWH	Determination period
System Characteristics	Unit, Plant & System	. Unit data .. Availability factor .. Equivalent availability factor .. Net capacity factors .. Equivalent forced outage rate .. Net heat rate . Plant and/or system data (energy and cost) .. Net generation .. Test generation .. Company used .. Line loss .. Jurisdictional sales/billings .. Non-jurisdictional sales/billings .. Load factor .. Fuel mix	Determination period (All elements)

EXHIBIT II-2
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: REPORTING

EVENTS FLOW



(1) With filed utility reports which do not comply with reporting requirements.
(2) Note resolution on exception report and file.

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the compliance testing component are: . To test the accuracy, reasonableness and consistency of data filed by the utilities on a monthly basis . To verify proper application of the calculation methodology employed in determining the allowable fuel charge . To monitor key variables affecting system average costs through short-term and long-term analysis
Primary Activities	- Filed data review - Exception resolution (as required) - Spot audits (as required) - Special analyses (as required)
Frequency	- Monthly for filed data review - Ongoing as required for exception resolution, spot audits and special analyses
Data Requirements	- Same as data requirements specified in reporting component (Exhibit II-1) - Other data deemed necessary by the Commission for spot audit and special analyses purposes
Inputs	- Same as inputs specified in reporting component (subsequent to any necessary exception resolution)
Outputs	- Exception report, listing: . Data omissions or inaccuracies . Computational errors . Improper application of calculation methodology

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Outputs (Continued)	- Suspect data report, listing data reported which appear to be inconsistent or unreasonable when compared to: . Other current month data (e.g. unit or plant level detail does not track to system summary) . Historical data or trends (e.g. seasonality pattern deviations, significant variance from historical average) . Current market/environmental conditions (e.g. deviations from industry average) - Fuel cost/recovery summary . Current month operations summary .. Includable fuel cost .. Allowable fuel charge .. Allowable recovery .. Net position . Year to date summary .. Includable fuel cost .. Allowable recovery .. Net position - Spot audit findings - Special reports . For a given utility . Comparison between utilities . Comparison to industry . Other

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Work Program	- Monthly filed data review . Check of data filed .. Completeness .. Uniformity .. Timeliness . Accuracy Check .. Fuel charge calculation .. Build up of system totals (costs and energy) . Consistency/reasonableness checks .. Trends (e.g. costs, consumption, heat rates, etc.) .. Comparison to other utilities (e.g. purchase/sale of power) . Validity checks .. Rates and tariffs compliance - Spot audit . Refer to audit program for specific area subject to audit - Special analyses . Transportation cost . Heat rate . Outages (planned and/or forced) . Long term vs. spot coal purchases . Unit availability/efficiency . Fuel mix

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations	- Monthly filed data review must be completed prior to the utility applying the charge to the consumer's bills. Therefore, monthly filing review should be completed by the 17th business day of the filing month (last business day of the filing month for exceptions resolution)
Controls	- Control log to record initial receipt of batched forms for review and status of forms in review process . Date received . Review responsibility . Review findings . Exception follow-up requirements/resolution . Date review completed and forms filed - Monthly reporting . Exception reporting . Suspect data reporting . Fuel cost/recovery summary reporting - Other reporting . Spot audit review findings . Special analyses findings, conclusions and recommendations
Exception Follow-up and Resolution	- Consult supervisor for appropriate action

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Staffing Considerations	- Functions to be performed require personnel with accounting and engineering backgrounds - Estimated full-time equivalents (FTE) . Monthly filed data review - .5 FTE . Spot audit and special analyses - FTE requirement to be determined based upon frequency, scope and size of utilities studied. Other states' evaluation indicates range of 1.0 to 2.0 FTE.
Policy Considerations	- Monthly filed data review and exception follow-up shall be completed prior to application of allowable fuel charge in the billing period - Failure to resolve exceptions by the said billing period shall result in suspended billing for that period
Other Considerations	- EDP feasibility study should be performed to determine costs-benefit of development and implementation of automated applications for monthly filing review, special analyses, and enhanced management reporting

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the fuel audit are: . To verify the validity and accuracy of reported fuel cost and recovery data . To check the application of the calculation methodology . To evaluate the utility's operating policies, procedures and controls . To evaluate the utility's fuel procurement practices and contracts . To determine the annual reconciliation adjustment amount . To recommend and quantify, whenever possible, performance improvement opportunities
Primary Activities	- Audit scheduling - Approach determination - Scope definition - Work program development - Audit work/management - Report preparation and filing
Frequency	- Annual
Inputs	- Commission staff . Audit schedule . Definition of audit scope and approach .. Audit period .. Audit areas .. Special analyses .. Commission staff vs. external auditor

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Inputs (Continued)	. Standard work program with special analyses and follow-up items noted
	- Utility (if external auditor utilized)
	. Request for Proposal (RFP)
	. Responses to RFP
	. Bids
	. Selection criteria, decision and rationale
Outputs	- Commission staff
	. Audit report (if performed internally)
	. Internal memorandum outlining key audit findings and issues for analysis or investigation during the hearing process
	- Utility/auditor
	. Audit report (if performed externally)
Timing Considerations	- Dates reflected in calendar days from hearing date of X
	. Audit schedule established, X-120 days
	. Audit scope and approach defined, X-120 days
	. RFP, bidding and selection process for external audits, X-110 to X-80 days
	. Staffing assignments and work procedures finalized for internal audits, X-110 to X-80 days
	. Citation Order issued, X-75 days
	. Audit begins X-70 days
	. Audit report filed, X-30 days

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Work Program	- Management of the audit when performed by other than the Commission staff - see Exhibit II-3. - Standard audit work program - see Exhibit II-4.
Controls	- Schedules . Audit and associated audit activity dates . Commission staff assignments as appropriate - Checklists . To monitor compliance with required data filing dates (applicable to both Commission staff and the utility) - Documents . Audit scope and approach . RFP, bidding and selection process guidelines . Standard work program
Staffing Considerations	- The type and number of Commission staff personnel required to participate in the audit component are dependent upon the unique circumstances of each audit. For example: . The approach to be utilized . The size of the utility subject to audit . The complexity of issues to be addressed in the audit work . The scope and type of audit to be performed . The experience and background of the accounting staff

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Staffing Considerations (Continued)	. A standard audit as described in the standard work program is estimated to take approximately 4.0 FTE's for 3-4 weeks for a medium sized utility - Management of the audit performed by an independent auditor is estimated to require 1.0 full-time equivalent supervisory level personnel
Policy Considerations	- Formalize timing considerations into policy statements

EXHIBIT II-3
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Preparation of the schedule and general scope of audit	- The Commission should prepare and distribute to the utility companies a statement addressing the following: . The scheduled period during which the audit should take place, . The scope of the audit, including, .. A general work program .. Specific identification of special analyses to be performed or follow-up issues requiring progress reporting.
Development of the Request for Proposal (RFP)	- The utility company should be required to prepare a concisely written RFP which contains the following information: . Background - A brief description of the legislative and ICC origins of the Fuel Adjustment audit function, as well as the manner in which the audit fits into the company's overall activities. . Statement of Work - A detailed and complete description of the actual work to be undertaken by the auditor, including the audit procedures, the requirements of the audit report, and the requirement that the auditor make a presentation of its report to the ICC. It is suggested that the company consider including as part of the Statement of Work the Audit Program included as Exhibit II-4.

EXHIBIT II-3
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Development of the Request for Proposal (RFP) (Continued)	. Instructions For Preparing Proposals - The utility company should be required to notify those auditing firms submitting proposals as to the company's requirements for proposal submission. These requirements should include the required number of copies of the proposal, name and address of contact person, and a statement that the proposal should be prepared in a simple and straight-forward manner with a concise description of the auditor's capabilities to satisfy the requirements of the RFP. . Proposers should be told to prepare a single proposal package containing separately bound and sealed technical and cost sections. .. The technical section should contain: 1. Business Organization - Full name, address, and organization form (individual, partnership, etc.) of the proposer. 2. Work Plan - A description of the proposer's plan for accomplishing the work described in the RFP, including specific results to be obtained and a work schedule for achieving those results. 3. Management Summary - A description of how the proposer will manage its audit activities, including name(s) of management personnel and reporting responsibilities.

EXHIBIT II-3
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Development of the Request for Proposal (RFP) (Continued)	4. Prior Experience - A brief statement about the recent experiences of audit firm personnel who will be actively engaged in the proposed audit, including at least three references for each individual. 5. Manpower - Names, background (including resumes), and percent of time to be spent on the proposed audit activities for each individual to be assigned to the job. 6. Authorized Negotiators - Name and telephone number of person(s) in the auditing firm authorized to negotiate the proposed contract. .. The cost section of the proposal should contain: 1. Manpower Costs - Include estimated hours, rate per hour, of each person to be assigned to the audit. 2. Total Bid Price for the Audit. . Proposal evaluation criteria - A brief description of the factors which will be considered in evaluating the proposals, such as the following (suggested weights of each factor are shown in parentheses): .. Technical capability - Demonstrated understanding of the requirements of the audit and soundness of the technical approach to performing it. (twenty-five percent of evaluation)

EXHIBIT II-3
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Development of the Request for Proposal (RFP) (Continued)	.. Management capability - Soundness of the management plan for accomplishing the audit. (fifteen percent) .. Resources to be provided - Quality of the expertise that will be specifically assigned to the audit, including training, relevant past experience, and time availability of the specific individuals involved. (thirty percent) .. Contractor stability - Established reputation and experience of the firm. (ten percent) .. Cost. (twenty percent) . Terms and conditions of contract award - The utility company should be specifically required to state in the RFP its conditions for receiving and evaluating proposals, including non-responsiveness of proposals and late proposals, and any conditions which may be required in the contract itself, such as format and content of invoices, invoice approval procedure, frequency of payment, cancellation of the contract, changes in the contract, and conflict of interest.
Bidding Procedures	- Selection of Bidders - The company should be required to select as potential bidders at least three audit firms which to the best of its knowledge have the capability of adequately performing the audit as specified in the RFP. - Bidders Conference - The company should be required to hold a bidders conference specifically for the purpose of answering all questions about the RFP.

EXHIBIT II-3
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Selection Procedures	- Technical and cost sections of all proposals should be evaluated separately according to the evaluation criteria described in the RFP. The evaluation should include reference checks on all personnel to be assigned by the auditor to the audit.
Documentation Requirements	- The utility company should be required to retain in company files all relevant information associated with the retention of an independent auditing firm to perform the fuel audit. Relevant file documentation should include: . Audit scope notification from the Commission . A copy of the RFP . A copy of each response to the RFP . A copy of the bids from the auditing firms . A statement of the rationale for the audit firm selected. - This documentation should be available for inspection by the Commission upon request.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- The proposed standard audit work program consists of the following sections:

  . Purpose

  . General

  . Scope

  . Objectives

  . Fuel Procurement

  . Questionnaire

  . Processing Coal Orders

  . Station Visitation

  . Nuclear Fuel (Special Considerations)

  . Company Owned or Controlled Fuel Supplies

  . Purchased Power

  . Fuel Cost Adjustment Review

  . Audit Report

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Purpose

- The purpose of this audit program is to provide a set of guidelines for use in auditing Fuel Adjustments and Related Procedures for Electric Utility Companies as required by the Illinois Commerce Commission (ICC).

- The overall objectives of the audit program are the following:

  . Ascertain the procedures employed to assure that minimum prices are paid for fuel purchased and that policies followed assure long-term supplies of fuel at reasonable prices.

  . Determine that the practices followed assure that the quality and quantity of delivered fuel meet specifications.

  . Determine that computations of the Fuel Adjustment Charge are correct and that the correct Fuel Charges or Adjustments have been passed on the to customers.

  . Ascertain the fuel cost recovery revenues compared to the fuel expenses.

- The following program is only a guide for the review and should not be used to the exclusion of the auditors' initiative, imagination, and thoroughness in performing an audit.

General

- H.B. No. 748, Sec. 36 states: "Annually, the Commission shall initiate hearings to determine whether the clauses reflect actual costs of fuel or power prudently purchased and to reconcile any amount collected with actual costs."

- The standards used shall be those established by the Comptroller General of the United States (Standards for Audit of Governmental Organizations, Programs, Activities and Functions by the Comptroller General of the U.S., 1972).

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Scope

- Review purchasing procedures.
- Review company long-term contracts and amendments.
- Review procedures for accounting of fuel receipts and testing.
- Review procedures for the weighing, testing, and reporting of coal burned.
- Review procedures and computer programs for calculating amortization, burn provision and spent fuel expense for nuclear fuel.
- Review policies followed by the system dispatcher in the purchase of power and interchange.
- Review accounts and reports including an evaluation of the compliance with Fuel Adjustment Clause and company procedures.

Objectives

- To determine whether the payments made as a result of acquisition and delivery costs have been erroneously reported.
- To determine the arithmetic accuracy of the amounts passed through to the customers of the company as reflected on bills to such customers mailed in the period covered by the report.
- To verify that the company properly applies calculation methodology to arrive at charges.
- To ascertain that the company is following procedures for purchasing fuel and that procedures are practicable and reasonable.
- To verify that procedures for the processing of fuel data are being followed and that the procedures are reasonable.
- To determine if the company is attempting to obtain the lowest price for its fuel.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- From the fuel cost recovery and includable fuel costs, determine the reconciliation amount.

- To evaluate the performance of the electric utilities procurement and utilization practices.

Fuel Procurement

- Procedures

  . Request from the company a copy of their purchasing department procedural manual and/or written instructions to follow in purchasing coal and other fuels.

  . Determine whether or not these procedures are being followed.

  . Review individual fuel contracts for quality specifications and determine that payments made by the company reflect adjustments of calorific value when the weighted average of calorific value is more or less than that stated in the contract.

    Specify for each of the fuel contracts:

    .. Duration of the contract.

    .. Ownership of fuel supplies.

    .. Type of fuel supplies and location of facilities where extracted and processed.

    .. Total and periodic amount of fuel to be supplied.

    .. Extent to which contracts of greater than one year duration are of the "cost plus profit" type.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

.. Attempts to rectify abridgements of contracts of greater than one year duration.

.. Check application of escalation provision to the contract terms.

.. Review company's procedures for checking escalation and review all contract amendments to the escalation provisions.

.. Recompute the escalation provisions to ascertain if correctly computed.

.. Obtain and review the correspondence on the negotiations in the review of contract amendments.

.. Evaluate the delivery performance of the supplier on long-term contracts.

.. Determine whether the company has to buy spot fuel at higher prices when suppliers on long-term contracts do not fulfill their obligations.

.. Determine in the case of jointly owned or leased plants:

... Who has the responsibility for purchasing.
... How policies relating to full purchases are determined.

Questionnaire

- Management

. Has the management set a limit in terms of years or price for long-term or short-term fuel contracts?

. Has the company limited itself with respect to the methods which it would use to secure long-term contracts?

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- What methods does the company use, e.g., captive supply operations, turnkey operations, etc.?
- Are there restrictions put on the amount of capital which the company deems appropriate to put up front for such operations?
- Have legal problems relative to these types of purchases been explored?
- Have turnkey operations been explored in what appears to be the basis upon which the company went forward or did not go forward on these proposals?
- Are there limits set by cash flow problems, capital availability problems, or other such factors?
- Has the policy of the utility changed over a period of time, perhaps tied to economic conditions?

- Purchasing Agent for Fuel

  - How do you define what you believe to be the company's prime criteria for purchasing fuel?
  - What are the most important factors as far as you are concerned in dealing with fuel companies?
  - How do you set about bargaining a long-term contract?
  - What areas of responsibilities do you yourself have?
  - What responsibilities do you supervise?
  - How do you assure that your staff has met the criteria you have set?
  - How do you evaluate the performance and business respectability of a fuel company with whom you deal?

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- What type of checks do you run on the fuel companies with whom you deal?
- How can you verify that the fuel company is giving you the best price or that you are dealing with them in appropriate businesslike posture?
- How do you view your responsibilities in comparison with the purchasing agents of other major Illinois utilities?
- Do you find that often you and other purchasing agents are looking at the same sources?
- Does the fact that another electric company has dealt with a fuel company deter or encourage you to deal with the same company?
- Do you exchange information with other purchasing agents from the major utilities and/or other large businesses?
- How do you keep abreast of the current information relative to fuel and the fuel industry?
- What kind of ongoing educational programs do you set up for yourself and for your staff?

Processing Fuel Orders

- Procedures

  - Obtain a brief description of the procedure for processing of fuel purchase orders.
  - Obtain purchase orders for one month's fuel procurement during the audit period.
    - .. Relate and reconcile orders to fuel requirements.
    - .. Examine changes to the purchase order. Obtain explanations for unusual changes.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

.. Compare purchase orders to approved purchase requisitions.

- Obtain cash vouchers for one month during the audit period.

  .. Compare invoice to the purchase order.

  .. Trace the invoice quantities to the received reports.

  .. Trace the invoices to the fuel ledger.

  .. Trace the BTU adjustments from the laboratory, to the application of the adjustment, to the payment of invoices to the supplier (Fossil Fuels).

- Obtain daily reports on the error conditions from EDP by matching invoices and receiving reports. Note the disposition of the error. After checking a few daily reports only the unusual items would need to be reviewed.

- Obtain freight cash vouchers for two to five days of fuel receipts. Check the detail against the fuel received reports and the fuel ledger. Note any differences.

- Obtain two cash vouchers (each) for barge transportation and unloading; relate the tonnage to the unloading reports. Trace the terms and rates to the purchase order, contracts, and fuel ledger.

- Obtain a description of the procedures for preparing monthly fuel analysis reports.

- Test the procedures by tracing from the fuel analysis reports to invoices that used the BTU adjustments (Fossil Fuels).

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

. Review all pending or approved retroactive escalations.

. Obtain the purchase orders for two additional months and explain any unusual changes from the month under review.

. Summarize all audit discrepancies and suggestions and discuss with company officials.

Station Visitation (Coal)

- The objective of the station visitation is to review the procedures of coal from its receipt to the disposition of the fly ash.

- Procedures

. Obtain a description of the receiving procedures and the control over shortages/overages or other discrepancies. Test procedures:

.. Determine how the coal is weighed when it is received.

.. Determine how freight bill or car number discrepancies are handled.

.. Ascertain how damaged cars are checked and who initiates claims for shortages.

.. Obtain copies of reports sent to the general office to incorporate into company statistics. Trace these reports to company-level statistics.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Nuclear Fuels (Special Considerations)

- Related to the amortization of nuclear fuel assemblies:
  - . Check the productive life for reasonableness.
  - . Check the front-end and back-end expenses for reasonableness and consistency.
  - . Verify adjustments to amortization as actual expenses are incurred.
  - . Compare the costs associated with the approaches for back-end expense amortization:
    - .. Reprocessing of burned fuel
    - .. Disposal of burned fuel.
  - . Verify that the back-end expense amortization approach adopted is the least expensive approach.
  - . Verify that the back-end expense is consistent with the adopted back-end expense amortization approach.
  - . Verify the validity and accuracy in the recording and accounting of nuclear fuel front-end and back-end expenses on a per-assembly basis.
  - . Compare on a per-assembly basis actual expenses incurred and revenues collected in advance.
  - . Review the detailed schedule and justification for any changes in estimations of back-end expenses during the audit period. Consider requiring such detail to be filed with the Commission.
  - . Verify that nuclear waste disposal cost is excluded from the amortization.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Company Owned or Controlled Fuel Supplies

- Procedures

  . Obtain copies of all contracts and agreements between the utility and the owned or controlled fuel company. Obtain copies of contracts and agreements between the fuel company and any other controlled company of the utility.

    .. Review the contracts and determine whether or not the contracts are being followed.

  . Obtain monthly financial statement for the audit period and annual financial statements for the last three years. Prepare or have the company prepare a comparative operating statement for the same period.

    .. Review any unusual variations in the comparative statement with the appropriate officer of the company.

    .. Determine the basis on which the fuel company bills the utility for its fuel.

  . Compare cost of fuel purchased from company owned or controlled companies with fuel purchased on long-term contracts or spot purchases.

  . Determine the policies and practices followed to minimize costs at the mine owned by the utility.

    .. Discuss with proper utility officer.

    .. Discuss with fuel company mine manager.

    .. Review audit working papers and reports of both the utility internal auditors and the Certified Public Accountants.

    .. From discussions and review of mine operating statements, prepare evaluation of the operation. Determine whether the fuel company should be audited.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Purchased Power

- Procedures

  . Obtain the policies followed by the system dispatcher in purchasing energy and selling energy.

    .. Determine that economy energy is used at the most advantageous periods.

    .. Determine how emergency energy is purchased.

    .. Determine on what basis the cost of energy is sold to other utilities.

    .. Determine whether the company is participating to supply its proper share of stabilizing power to the interconnected systems.

Fuel Cost Adjustment Review

- Procedures

  . Obtain copies of monthly reports on Fuel Adjustments sent to the Illinois Commerce Commission for the audit period.

  . Request copies of company working papers for computation of the Fuel Adjustment Clause. Check the computations and trace the costs shown in the working papers to the source.

  . Compare the computations on working papers to reports sent to the Illinois Commerce Commission. Determine whether the computations are in conformance with the clause.

  . Ascertain the cut-off for determining the average cost of coal burned.

  . Determine during which cycle of the month a fuel adjustment is first applied.

EXHIBIT II-4
ADMINISTRATIVE PROCESS
ELECTRIC
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Audit Report

- Specific nature of the output as the audit is defined.

  . The audit report shall include the scope and objective of the audit.

  . The audit report shall enumerate the different steps followed in making the audit.

  . The audit report shall present findings and conclusions objectively in a clear and concise manner.

  . The audit report shall include only factual information, findings and conclusions that are adequately supported in the auditor's working papers to demonstrate or prove the basis for the matters reported and their correctness and reasonableness. Supporting schedules should be included in the report to make a convincing presentation.

  . Place primary emphasis on improvement rather than on criticism of the past.

  . Identify and explain issues, areas, and questions needing further study and consideration.

  . Include specific recommendations with an estimate of the savings to be realized by the implementation of the recommendations.

  . Compliment the company on the management or procedure improvements that may be applicable in another company.

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the hearing component are: . To provide a formal proceeding for review of the operations of the utility . To evaluate the compliance of the utility with the fuel adjustment clause . To determine whether fuel costs incurred and passed through are fair, just and reasonable . To determine the settlement amount and reconciliation method
Primary Activities	- Hearing scheduling - Issuance of citation order - Data filing - Testimony and audit report filing - Public hearing notification - Formal hearing - Briefs filing - Issuance of opinion and order
Frequency	- Annual
Inputs	- Utility: . Annual summary of monthly filed data . Fuel contracts (or updates to contracts already on file) . Inter-connect agreements (or updates to contracts already on file) . Summary of contract shortfalls during the audit period

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Inputs (Continued)	. Testimony (at the company's discretion or Commission request) . List of proposed witnesses - Auditor . Audit report . Testimony (at the company's discretion or Commission request) . List of proposed witnesses - Commission staff . Special analyses (as appropriate) . Testimony (as appropriate) - Any other data deemed necessary by the Commission
Outputs	- Commission opinion and order, including . Any specific requirements to utility deemed appropriate by the Commission . Reconciliation amount . Settlement method for reconciliation . Follow-up items for next audit
Timing Considerations	- Dates reflected in calendar days from hearing date of X . Hearing schedule established, X-120 days . Citation order issued, X-75 days . Data filing (excluding testimony and audit report) X-45 days . Utility and auditor testimony and audit report filing, X-30 days

ADMINISTRATIVE PROCESS

ELECTRIC

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations (Continued)	. First formal hearing notification, X-20 days . Commission staff testimony filing, X-15 days . 2nd formal hearing notification, X-13 days . Hearing, X . Post hearing briefs filing, 15 days following completion of hearing . Opinion and order issued, 30 days following completion of hearing
Controls	- Schedules: . Hearing and associated hearing activity dates . Commission staff assignments checklists . Data filing requirements and due dates . Post hearing filings and documents issued
Staffing Considerations	- Hearing examiners as required by procedures - Commission staff involved in compliance testing and auditing or audit management, as required
Policy Considerations	- Formalize timing consideration into policy statements

UNIFORM GAS ADJUSTMENT CLAUSE
ADMINISTRATIVE PROCESS

ADMINISTRATIVE PROCESS

GAS

COMPONENT: REPORTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the reporting component are: . To provide the Commission staff with the data necessary to verify the computational accuracy of the gas charges passed through to consumers . To enable the Commission staff to monitor the primary variables affecting the system average costs used in calculating the gas charges . To assist the Commission in determining that gas costs passed through to consumers are fair, just and reasonable
Primary Activities	- Filing review (format and completeness of data) - Exception follow-up (as directed)
Frequency	- Monthly, prior to the compliance testing activities
Data Requirements	- See Exhibit II-5
Inputs	- Forms containing required data prepared by the various utility companies. Form layout to be developed by the Commission staff. (Provision to require machine readable input should be considered)
Outputs	- Exception report listing non-compliance with reporting requirements, for example: . Missing data . Late filing . Non-uniform format - Batched forms for compliance testing

ADMINISTRATIVE PROCESS

GAS

COMPONENT: REPORTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations	- Utility filing required by the end of the 5th business day of the filing month - Batched forms forwarded for compliance testing no later than end of the 7th business day of the filing month - Exception report completed and forwarded to supervisor by end of the 7th business day of the filing month
Controls	- Receipt log for recording utility reports filed - Checklist for review of filed reports . Is filed data in uniform format? . Are all required data elements completed? - Exception reporting to supervisory personnel for follow-up
Exception Follow-up and Resolution	- To be performed by supervisory personnel as required
Staffing Considerations	- Filing review . Clerical function, minimal time required - Exception follow-up . Supervisory function, not assumed to require significant amount of time
Policy Considerations	- Uniform filing format - Utility filing by 5th calendar day of filing month
Events Flow	- See Exhibit II-6

EXHIBIT II-5
ADMINISTRATIVE PROCESS
GAS
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
PGA Calculation Data			
- Cost of Purchased Gas (G)*(1)	System	. Cost of purchased gas	
		.. Units .. Charges (demand, commodity, other)	Computation period 1st day of filing month(2)
		. Cost of gas injected to cushion and storage	Computation period
		. Cost of cushion gas delivered	Computation period
		. Cost of cushion gas reinjected	Computation period
		. Cost of gas for compression, vaporization, heating losses, and company use	Computation period
		. Cost of gas sold outside the system	Computation period
		. Cost of gas exchanged in/out	Computation period
- Cost of manufactured gas (MG)*	System	. Total consumed cost of feedstock taken from inventory	
		.. Units .. Charge .. Annual plant BTU conversion efficiency factor	Computation period 1st day of filing month(2) Year ended previous 7/31

(1) Costs in key elements are arrived at by multiplying units by the appropriate costs, as specified in Clause submitted for testimony.

(2) Or last purchase date during the computation period in absence of purchase for the filing month.

*See Appendix B, page III-12, for use of these terms in the Gas Adjustment Formula.

EXHIBIT II-5
ADMINISTRATIVE PROCESS
GAS
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
- Cost of supplemental and emergency gas supplies (SG)*	System	. Units and charges	Computation period
- Cost of gas sold to customers from storage (ST)*	System	. Units withdrawn and beginning-of-the-month average inventory price	Computation period
- Monthly reconciliation balance (B)*	System	. Accrued revenue and cost	Months in computation period after the last annual reconciliation
- Plant level distribution to distribution customers (P)*	System	. Therms of gas .. Purchased .. Manufactured .. Purchased on supplemental and emergency basis .. From storage .. From cushion .. From exchanged gas returned .. Used by company and lost .. Stored in inventory .. Stored in cushion .. Returned to cushion .. Sold outside system .. Exchanged out	Computation period
- Unaccounted for gas in decimal (U)*	System	. Total gas purchased for sale to distribution customers . Unaccounted for gas	July 31 - June 30 of prior year

*See Appendix B, page III-12, for use of these terms in the Gas Adjustment Formula.

EXHIBIT II-5
ADMINISTRATIVE PROCESS
GAS
COMPONENT: REPORTING
PROPOSED DATA REQUIREMENTS

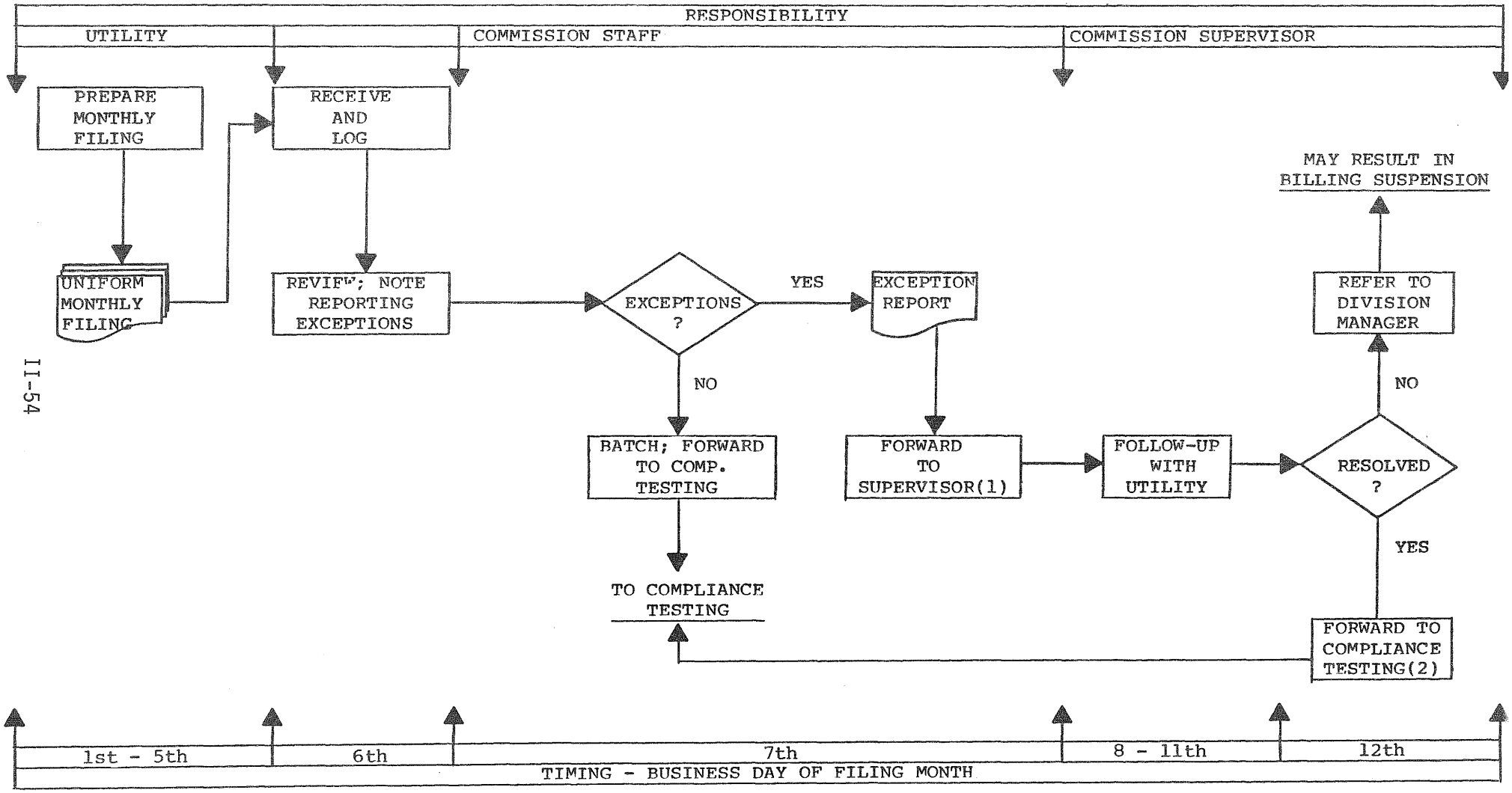
CATEGORY/TYPE	LEVEL	KEY ELEMENTS	SOURCE PERIOD FOR DATA
- Refund Subtracted from Gas Charge (RC)*	System	• Refunds from vendors	Month prior to the month of filing (lag month)
		• Adjustments to refunds	Termination of the refund period ending in the lag month
		• Annual reconciliation balance	Previous annual reconciliation
		• Credit for sales and exchange with non-distribution system customers	Unspecified in Clause
		• Invoiced retroactive gas charge increases applicable to gas charges under the PGA	Months prior to filing month

Note: Detailed cost and volume data of gas purchased and consumed as well as accounting data of inventory are necessary to support the reported PGA calculation data. These detailed data associated with each supplier, with jurisdictional and non-jurisdictional customers, and with the inventory sources of gas are available from the updated Forms submitted as testimony for "PGA Clause, Docket No. 78-0456" by Gerald P. Hoppe. The review and analysis of these Forms, however, was limited to identification of data requirement only. Its scope excludes the layout, cross-reference, and computation procedures of the Forms.

*See Appendix B, page III-12, for use of these terms in the Gas Adjustment Formula.

EXHIBIT II-6
ADMINISTRATIVE PROCESS
GAS
COMPONENT: REPORTING

EVENTS FLOW



(1) With filed utility reports which do not comply with reporting requirements.
(2) Note resolution on exception report and file.

ADMINISTRATIVE PROCESS

GAS

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the compliance testing component are: . To test the accuracy, reasonableness and consistency of data filed by the utilities on a monthly basis . To verify proper application of the calculation methodology employed in determining the allowable gas charge . To monitor key variables affecting system average costs through short-term and long-term analysis
Primary Activities	- Filed data review - Exception resolution (as required) - Spot audits (as required) - Special analyses (as required)
Frequency	- Monthly for filed data review - Ongoing as required for exception resolution, spot audits and special analyses
Data Requirements	- Same as data requirements specified in reporting component (Exhibit II-5) - Other data deemed necessary by the Commission for spot audit and special analyses purposes
Inputs	- Same as inputs specified in reporting component (subsequent to any exception resolution necessary)
Outputs	- Exception report, listing: . Data omissions or inaccuracies . Computational errors . Improper application of calculation methodology

ADMINISTRATIVE PROCESS

GAS

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Outputs (Continued)	- Suspect data report, listing data reported which appear to be inconsistent or unreasonable when compared to: . Other current month data (e.g. unit or plant level detail does not track to system summary) . Historical data or trends (e.g. seasonality pattern deviations, significant variance from historical average) . Current market/environmental conditions (e.g. deviations from industry average) - Gas cost/recovery summary . Current month operations summary .. Includable gas cost .. Allowable gas charge .. Allowable recovery .. Net position . Year to date summary .. Includable gas cost .. Allowable recovery .. Net position - Spot audit findings - Special reports . For a given utility . Comparison between utilities . Comparison to industry . Other

ADMINISTRATIVE PROCESS

GAS

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Work Program	- Monthly filed data review . Check of data filed .. Completeness .. Uniformity .. Timeliness . Accuracy Check .. Gas charge calculation .. Build up of system totals (costs and energy) . Consistency/reasonableness checks .. Trends (e.g. costs, consumption, conversion factors, etc.) .. Comparison to other utilities (e.g. purchase/sale of gas) . Validity checks .. Rates and tariffs compliance - Spot audit . Refer to audit program for specific area subject to audit - Special analyses . Gas mix . Conversion factor (manufactured gas) . Line loss (distribution)

ADMINISTRATIVE PROCESS

GAS

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations	- Monthly filed data review must be completed prior to the utility applying the gas charge to the consumer's bills. Therefore, monthly filing review should be completed by the 14th business day of the filing month (last business day of the filing month for exceptions resolution)
Controls	- Control log to record initial receipt of batched forms for review and status of forms in review process . Date received . Review responsibility . Review findings . Exception follow-up requirements/resolution . Date review completed and forms filed - Monthly reporting . Exception reporting . Suspect data reporting . Gas cost/recovery summary reporting - Other reporting . Spot audit review findings . Special analyses findings, conclusions and recommendations
Exception Follow-up and Resolution	- Consult supervisor for appropriate action

ADMINISTRATIVE PROCESS

GAS

COMPONENT: COMPLIANCE TESTING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Staffing Considerations	- Functions to be performed require personnel with accounting and engineering backgrounds - Estimated full-time equivalents (FTE) . Monthly filed data review - .5 FTE . Spot audit and special analyses - FTE requirement to be determined based upon frequency, scope and size of utilities studied. Other states evaluation indicates range of 1.0 to 2.0 FTE
Policy Considerations	- Monthly filed data review and exception follow-up shall be completed prior to application of allowable fuel charge in the billing period - Failure to resolve exceptions by the said billing period shall result in suspended billing for that period
Other Considerations	- EDP feasibility study should be performed to determine costs-benefit of development and implementation of automated applications for monthly filing review, special analyses, and enhanced management reporting

ADMINISTRATIVE PROCESS

GAS

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the gas audit are: . To verify the validity and accuracy of reported gas cost and recovery data . To check the application of the calculation methodology . To evaluate the utility's operating policies, procedures and controls . To evaluate the utility's gas procurement practices and contracts . To determine the annual reconciliation adjustment amount . To recommend and quantify, whenever possible, performance improvement opportunities
Primary Activities	- Audit scheduling - Approach determination - Scope definition - Work program development - Audit work/management - Report preparation and filing
Frequency	- Annual
Inputs	- Commission staff . Audit schedule . Definition of audit scope and approach .. Audit period .. Audit areas .. Special analyses .. Commission staff vs. external auditor

ADMINISTRATIVE PROCESS

GAS

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Inputs (Continued)	. Standard work program with special analyses and follow-up items noted
	- Utility (if external auditor utilized)
	. Request for Proposal (RFP)
	. Responses to RFP
	. Bids
	. Selection criteria, decision and rationale
Outputs	- Commission staff
	. Audit report (if performed internally)
	. Internal memorandum outlining key audit findings and issues for analysis or investigation during the hearing process
	- Utility/auditor
	. Audit report (if performed externally)
Timing Considerations	- Dates reflected in calendar days from hearing date of X
	. Audit schedule established, X-120 days
	. Audit scope and approach defined, X-120 days
	. RFP, bidding and selection process for external audits, X-110 to X-80 days.
	. Staffing assignments and work procedures finalized for internal audits, X-110 to X-80 days
	. Citation order issued, X-75 days
	. Audit begins, X-70
	. Audit report filed, X-30 days

ADMINISTRATIVE PROCESS

GAS

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Work Program	- Management of the audit when performed by other than the Commission staff - see Exhibit II-7 - Standard audit work program - see Exhibit II-8
Controls	- Schedules . Audit and associated audit activity dates . Commission staff assignments as appropriate - Checklists . To monitor compliance with required data filing dates (applicable to both Commission staff and the utility) - Documents . Audit scope and approach . RFP, bidding and selection process guidelines . Standard work program
Staffing Considerations	- The type and number of Commission staff personnel required to participate in the audit component are dependent upon the unique circumstances of each audit. For example: . The approach to be utilized . The size of the utility subject to audit . The complexity of issues to be addressed in the audit work . The scope and type of audit to be performed . The experience and background of the accounting staff

ADMINISTRATIVE PROCESS

GAS

COMPONENT: AUDIT

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Staffing Considerations (Continued)	. A standard audit as described in the standard work program is estimated to take approximately 3.0 FTE for 2 to 3 weeks for a medium sized utility - Management of the audit performed by an independent auditor is estimated to require 1.0 full-time equivalent supervisory level personnel
Policy Considerations	- Formalize timing considerations into policy statements

EXHIBIT II-7
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED APPROACH TO MANAGING THE AUDIT WHEN PERFORMED BY OTHER THAN THE COMMISSION STAFF

ACTIVITY	DESCRIPTION/EXPLANATION OF ACTIVITY
Same as Electric Exhibit II-3	Same of Electric Exhibit II-3

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- The proposed standard audit work program consists of the following sections:
  - Purpose
  - General
  - Scope
  - Objectives
  - Gas purchase
  - Feedstock procurement
  - Company owned or controlled gas supplies
  - Supplemental, emergency and exchanged gas
  - Purchased gas adjustment review
  - Audit report

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Purpose

- The purpose of this audit program is to provide a set of guidelines for use by an independent auditing firm to audit Gas Purchased Gas Adjustments and related procedures for Gas Utility Companies as required by the Illinois Commerce Commission.

- The overall objectives of the audit program are the following:

  . Determine that the practices followed assure that the quality and quantity of delivered gas and feedstock meet specifications.

  . Determine that computations of the Gas Charges are correct and that the correct Gas Charges have been passed on to the customers.

  . Ascertain the gas cost recovery revenues compared to the gas expenses.

  . Ascertain the procedures employed to assure that minimum prices are paid for feedstock purchased and that policies followed assure long-term supplies of feedstock at reasonable prices.

- The following program is only a guide for the review and should not be used to the exclusion of the auditors' initiative, imagination, and thoroughness in performing an audit.

General

- H.B. No. 748, Sec. 36 states: "Annually, the Commission shall initiate hearings to determine whether the clauses reflect actual costs of fuel or power prudently purchased and to reconcile any amount collected with actual costs."

- The standards used shall be those established by the Comptroller General of the United States (Standards for Audit of Governmental Organizations, Programs, Activities and Functions by the Comptroller General of the U.S., 1972).

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Scope

- Review purchasing procedures.
- Review company long-term contracts and amendments.
- Review procedures for accounting of feedstock receipts and testing.
- Review procedures for the accounting and reporting of gas purchased and sold.
- Review policies followed by the system dispatcher in the exchange of gas.
- Review accounts and reports including an evaluation of the compliance with the Purchased Gas Adjustment Clause procedures.
- Review the calculation of gas charges.

Objectives

- To determine whether the payments made as a result of acquisition and delivery costs have been erroneously reported.
- To determine the arithmetic accuracy of the amounts passed through to the customers of the company as reflected on bills to such customers mailed in the period covered by the report.
- To verify that procedures for the processing of gas and feedstock data are being followed and that the procedures are reasonable.
- To determine if the utility is attempting to obtain the lowest price for its feedstock.
- To determine the gas cost recovery versus includable gas costs.
- To evaluate the performance of the gas utilities procurement and utilization practices.

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Gas Purchase

- Procedures

  . Verify for each of the gas contracts:

    .. Duration of the contract.

    .. Ownership of gas supplies.

    .. Type of gas supplies and location of facilities where extracted and processed.

    .. Total and periodic amount of gas to be supplied.

Feedstock Procurement

- Procedures

  . Request from the company a copy of their purchasing department procedural manual and/or written instructions to follow in purchasing feedstock.

  . Determine whether or not these procedures are being followed.

  . Specify for each of the fuel contracts:

    .. Duration of the contract.

    .. Ownership of feedstock supplies.

    .. Type of feedstock supplies and location of facilities where extracted and processed.

    .. Total and periodic amount of feedstock to be supplied.

    .. Attempts to rectify abridgements of contracts of greater than one year duration.

    .. Check application of escalation provision to the contract terms.

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

.. Obtain and review the correspondence on the negotiations in the review of contract amendments.

.. Evaluate the delivery performance of the supplier on long-term contracts.

- Significant problems revealed through contract review may justify additional audit of feedstock purchasing and processing. For detailed procedures, refer to Exhibit II-4, Questionnaire, Processing Coal Orders, Station Visitation and Company Owned or Controlled Fuel Supplies Adapt these procedures to fit feedstock audit needs.

Company Owned or Controlled Gas Supplies

- Procedures

. Obtain copies of all contracts and agreements between the utility and the owned or controlled gas company. Obtain copies of contracts and agreements between the gas company and any other controlled company of the utility.

. Review the contracts and determine whether or not the contracts are in compliance with FERC regulations.

Supplemental, Emergency, and Exchanged Gas

- Procedures

. Obtain the policies followed by the utility company in purchasing supplemental, emergency and exchanged gas.

.. Determine that supplemental gas energy is used at the most advantageous periods.

.. Determine how emergency gas is purchased.

.. Determine on what basis the cost of gas is sold to and repurchased from other utilities.

.. Determine whether the company is participating to supply its proper share of stabilizing power to the gas exchange system.

. The volume of supplemental, emergency, and exchanged gas determines the scope and comprehensiveness of audit.

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Purchased Gas Adjustment Review

- Procedures

  . Obtain copies of monthly reports on Purchased Gas Adjustments sent to the Illinois Commerce Commission for the audit period.

  . Request copies of company working papers for computation of the gas charges. Check the computations and trace the costs shown in the working papers to the source.

  . Specifically, trace and test the following computation period data to their sources:

Data	Sources
.. Volume and cost of gas purchased	Suppliers' billings
... Base period purchase	Service contracts with suppliers
... Commodity rates and units ... Demand rates and units ... Other gas supply charges	Suppliers' billings, company inventory ledger, company monthly analysis of estimated cost of purchased gas
... Unit cost used in PGA computation ... Tariffs and rates of pipeline suppliers	Suppliers' Federal Energy Regulatory Commission Tariff sheets
.. Volume and cost of gas manufactured	Company ledgers
... Feedstock purchased	Suppliers' billings
... Plant conversion efficiency factor	Company report
.. Volume and cost of supplemental, emergency, and exchanged gas	Contracts with suppliers, suppliers' billing, company reports, Company ledgers

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

Data	Sources
.. Volume and cost of storage and cushion inventory .. Volume and cost of gas stored and withdrawn from storage and cushion .. Volume and cost of gas used by company .. Volume and cost of gas lost or unaccounted for .. Volume and cost of gas exchanged .. Volume and cost of gas sold outside the system	Company ledgers. Company demand requirement study
.. Sales volume	Suppliers' service contract, monthly summary billing statistics report, PGA riders, inventory accounts, gas withdrawal accounts, sales report
.. Revenue recorded .. Unit cost to be collected through application of base rate	PGA riders, Company ledgers
.. PGA factors applied to customer billings adjusted for refunds per PGA rider during the reconciliation period	Bills issued to customers
.. Refunds .. Reconciliation	Bills issued to customers, Company general ledger

EXHIBIT II-8
ADMINISTRATIVE PROCESS
GAS
COMPONENT: AUDIT
PROPOSED STANDARD AUDIT WORK PROGRAM

- Compare the computations on working papers to reports sent to the Illinois Commerce Commission. Determine whether the computation are in conformance with the Purchased Gas Adjustment Clause.

Audit Report

- Specific nature of the output as the audit is defined

  - The audit report shall include the scope and objective of the audit.

  - The audit shall enumerate the different steps followed in making the audit.

  - The audit shall present findings and conclusions objectively in a clear and concise manner.

  - The audit reports shall include only factual information, findings and conclusions that are adequately supported in the auditor's working papers to demonstrate or prove the basis for the matters reported and their correctness and reasonableness. Supporting schedules should be included in the report to make a convincing presentation.

  - Place primary emphasis on improvement rather than on criticism of the past.

  - Identify and explain issues, areas, and questions needing further study and consideration.

  - Include specific recommendations with an estimate of the savings to be realized by the implementation of the recommendations.

  - Compliment the company on the management or procedure improvements that may be applicable in another company.

ADMINISTRATIVE PROCESS

GAS

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Purpose	- The primary purposes of the hearing component are: . To provide a formal proceeding for review of the operations of the utility . To evaluate the compliance of the utility with the Purchased Gas Adjustment Clause . To determine whether gas costs incurred and passed through are fair, just and reasonable . To determine the settlement amount and reconciliation method
Primary Activities	- Hearing scheduling - Issuance of citation order - Data filing - Testimony and audit report filing - Public hearing notification - Formal hearing - Briefs filing - Issuance of opinion and order
Frequency	- Annual
Inputs	- Utility: . Annual summary of monthly filed data . Gas supply and feedstock contracts (or updates to contracts already on file) . Exchange agreements (or updates to contracts already on file) . Summary of contract shortfalls during the audit period

ADMINISTRATIVE PROCESS

GAS

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Inputs (Continued)	. Testimony (at the company's discretion or Commission request)
	. List of proposed witnesses
	- Auditor
	. Audit report
	. Testimony (at the company's discretion or Commission request)
	. List of proposed witnesses
	- Commission staff
	. Special analyses (as appropriate)
	. Testimony (as appropriate)
	- Any other data deemed necessary by the Commission
Outputs	- Commission opinion and order, including
	. Any specific requirements to utility deemed appropriate by the Commission
	. Reconciliation amount
	. Settlement method for reconciliation
	. Follow-up items for next audit
Timing Considerations	- Dates reflected in calendar days from hearing date of X
	. Hearing schedule established, X-120 days
	. Citation order issued, X-75 days
	. Data filing (excluding testimony and audit report) X-45 days
	. Utility and auditor testimony and audit report filing, X-30 days

ADMINISTRATIVE PROCESS

GAS

COMPONENT: HEARING

ELEMENTS	DESCRIPTION OF ELEMENT CONTENT
Timing Considerations (Continued)	. First formal hearing notification, X-20 days . Commission staff testimony filing, X-15 days . 2nd formal hearing notification, X-13 days . Hearing, X . Post hearing briefs filing, 15 days following completion of hearing . Opinion and order issued, 30 days following completion of hearing
Controls	- Schedules . Hearing and associated hearing activity dates . Commission staff assignments checklists . Data filing requirements and due dates . Post hearing filings and documents issued
Staffing Considerations	- Hearing examiners as required by procedures - Commission staff involved in FAC compliance testing and auditing or audit management, as required
Policy Considerations	- Formalize timing consideration into policy statements

III. APPENDIX

INTRODUCTION

The Appendix contains three Sections:

- Section A
  - . Clause design detail for Fuel Adjustment Clause, including
    - .. Significant features of Fuel Adjustment Clause
    - .. Calculation methodology of the Fuel Adjustment Formula
    - .. Summary of Includable Fuel Costs and Includable Energy
    - .. Fuel and energy flow
    - .. Cost, energy, and recovery flow
- Section B
  - . Clause design detail for Purchased Gas Adjustment Clause, including
    - .. Significant features of Purchased Gas Adjustment Clause
    - .. Calculation methodology of the Gas Adjustment Formula
    - .. Monthly gas costs and units flow
    - .. Summary of Includable Gas Costs and Includable Energy and Summary of Refunds
    - .. Cost, energy and recovery flow
- Section C
  - . Summary evaluation of selected other states, including
    - .. Data requirements summary for monthly reporting of electric utility
    - .. Data requirements summary for annual/hearing related reporting of electric utility
    - .. Data requirements summary for monthly reporting of gas utility
    - .. Data requirements summary for annual/hearing related reporting of gas utility

A. CLAUSE DESIGN DETAIL - ELECTRIC

APPENDIX - A

CLAUSE DESIGN DETAIL

ELECTRIC

SIGNIFICANT FEATURES OF FUEL ADJUSTMENT CLAUSE

The significant features of The Fuel Adjustment Clause are summarized as follows:

FEATURE	EXPLANATION
APPLICABILITY	Applied to each KWH of energy billed to all service classifications subject to fuel adjustment in the filed tariffs of all electric public utilities operating in the State of Illinois.
COST BASIS	Historical costs or estimates of historical costs incurred with adjustment to actual costs as they become available.
BASE FUEL COST	The fuel charge passed through the FAC is the total amount of allowable fuel and fuel related charges. The base rate should reflect only those fuel and fuel related costs incurred during the rate case test period which were not allowable for pass through via the FAC.
INCLUDABLE FUEL COSTS	Direct cost of fuel F.O.B. at the generating plant plus energy costs attributable to purchased power. The direct fuel costs are limited to costs entered into fuel expense accounts #501[1/] and #547 which have been cleared upon consumption from Fuel Stock Account #151. Costs cleared from Fuel Stock Accounts #152 and #153 are specifically excluded. The cost of nuclear fuel shall be that as expensed in account #518[2/], after deducting handling costs for nuclear fuel assemblies & spent fuel disposal costs. Also includes the energy cost portion only of all purchased power as recorded in Account #555. (See Exhibit A-2)

1/ All Account numbers refer to accounts in Uniform System of Accounts for Electric Utilities, General Order 180, Illinois Commerce Commission, January 1, 1962.

2/ Certain utilities, by Commission order, can account for the nuclear costs in accordance with FERC Accounts 120.1 through 120.5 in substitution of Account 518.

APPENDIX - A

CLAUSE DESIGN DETAIL

ELECTRIC

SIGNIFICANT FEATURES OF FUEL ADJUSTMENT CLAUSE

FEATURE	EXPLANATION
EXCLUDABLE FUEL COSTS	The consumed fuel costs associated with high test generation, kilowatt-hours received as a result of non-monetary exchanges of power, fuel costs associated with sales to other privately owned electric utilities under interchange power agreements, and sales to municipalities and cooperatives for resale are excluded.
FUEL CHARGE BASIS	The charge per KWH is based upon KWH's billed to ultimate consumers, energy furnished without charge, and interdepartmental sales during the determination period. Excluded are sales associated with test generation.
CAPTIVE SUPPLIER AND/OR TRANSPORTATION	Where the cost of fuel includes fuel and/or transportation costs from company owned or controlled services, that fact shall be described in any filing. Where the fuel and transportation prices are subject to the jurisdiction of a regulatory body, the costs shall be includable in the clause. Otherwise, the utility company shall file such contracts annually with the Commission.
REPORTING AND RECONCILIATION	Utilities are to report monthly in a format designated by the Commission. Costs and reviews associated with this clause shall be subject to annual reconciliation as per requirements set forth by the Commission.
BILLING AND DETERMINATION PERIODS	The billing period is the period beginning with the first billing cycle of the second month following the determination period and ending with the last billing cycle. The determination period is the first 2 of the prior 3 calendar months prior to the billing period. (See Exhibit A-1)

EXHIBIT A-1
CLAUSE DESIGN DETAIL
ELECTRIC
DETERMINATION AND BILLING PERIOD

Activities	1 Month	1 Month	1 Month	1 Month
2-month determination period for consumption and cost data to arrive at allowable charge of ¢/KWH. Current service month KWH. KWH consumption in this month will be billed to consumers in the next month. Billing period month.				

APPENDIX - A
CLAUSE DESIGN DETAIL
ELECTRIC
CALCULATION METHODOLOGY OF FUEL ADJUSTMENT FORMULA

- The calculation methodology is as follows:

  . The Fuel Adjustment Formula shall be of the following form:

$$FAC = \frac{(CF + CPP) - (CNS)}{(S) \quad (1-GT)}$$

  . Components of The Fuel Adjustment Formula include

  .. FAC = Fuel adjustment charge. The amount in cents per KWH, rounded to the nearest .001¢, to be charged for each KWH billed during any monthly billing period.

  The FAC is subject to refunds or increases due to undercollection, depending on the results of an annual reconciliation as defined in FAC clause, Section V. Administration.

  .. CF = Allowable fuel cost associated with company owned generating plants. Fuel cost shall be interpreted to include all fossil and nuclear fuel consumed in the utility's own plants and/or the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants during the determination period.

  .. CPP = Allowable energy cost associated with purchased power. Purchased power shall be interpreted to include emergency, contract, and economy purchases from other electric utilities. Only the energy portion of the power purchased during the determination period is to be included. All other associated charges are specifically excluded.

  .. CNS = Non-jurisdictional Sales - Fuel costs associated with Interchange Power Sales and Sales for Resale.

  .. S = KWH's billed to ultimate consumers, energy furnished without charge, and interdepartmental sales during the determination period.

  .. GT = 3% Portion of the Electric Revenue Tax, as a decimal.

EXHIBIT A-2

CLAUSE DESIGN DETAIL

ELECTRIC

SUMMARY OF INCLUDABLE FUEL COSTS AND INCLUDABLE ENERGY

INCLUDABLE FUEL CHARGE (¢/KWH)					
INCLUDABLE FUEL COSTS $			INCLUDABLE ENERGY (KWH)		
ADD	DEDUCT	NOT INCLUDABLE	ADD	DEDUCT	NOT INCLUDABLE
Acquisition costs of fossil fuel • Costs of legally extracting fuel • Processing costs • Excise taxes, insurance • Brokers/agents fees Delivery costs • Transportation • Demurrage Acquisition costs of nuclear fuel • Use charge • Amortization of fuel assembly and components costs • Burn up Purchased power • Emergency, contract, and economy purchases • Only the energy portion included	Acquisition costs of fossil fuels • Cash or other discounts Acquisition costs of nuclear fuel • Amortization of fuel assembly disposal cost Test Generation Costs	Acquisition costs of fossil fuels • Charges for unloading from the shipping medium • Cost of residuals produced Acquisition costs of nuclear fuel • Handling costs for fuel assemblies • Spent fuel disposal costs Non-jurisdictional sales: • Sales for resale fuel cost • Interchange power sales fuel cost	Total KWH billed • Fossil fuel • Nuclear Energy furnished without charge Interdepartmental sales during the determination period	Sales associated with test generation	Line losses Non-jurisdictional sales (Sales for resale, interchange sales) • Energy delivered • Related distribution losses

EXHIBIT A-3
CLAUSE DESIGN DETAIL
ELECTRIC
FUEL AND ENERGY FLOW

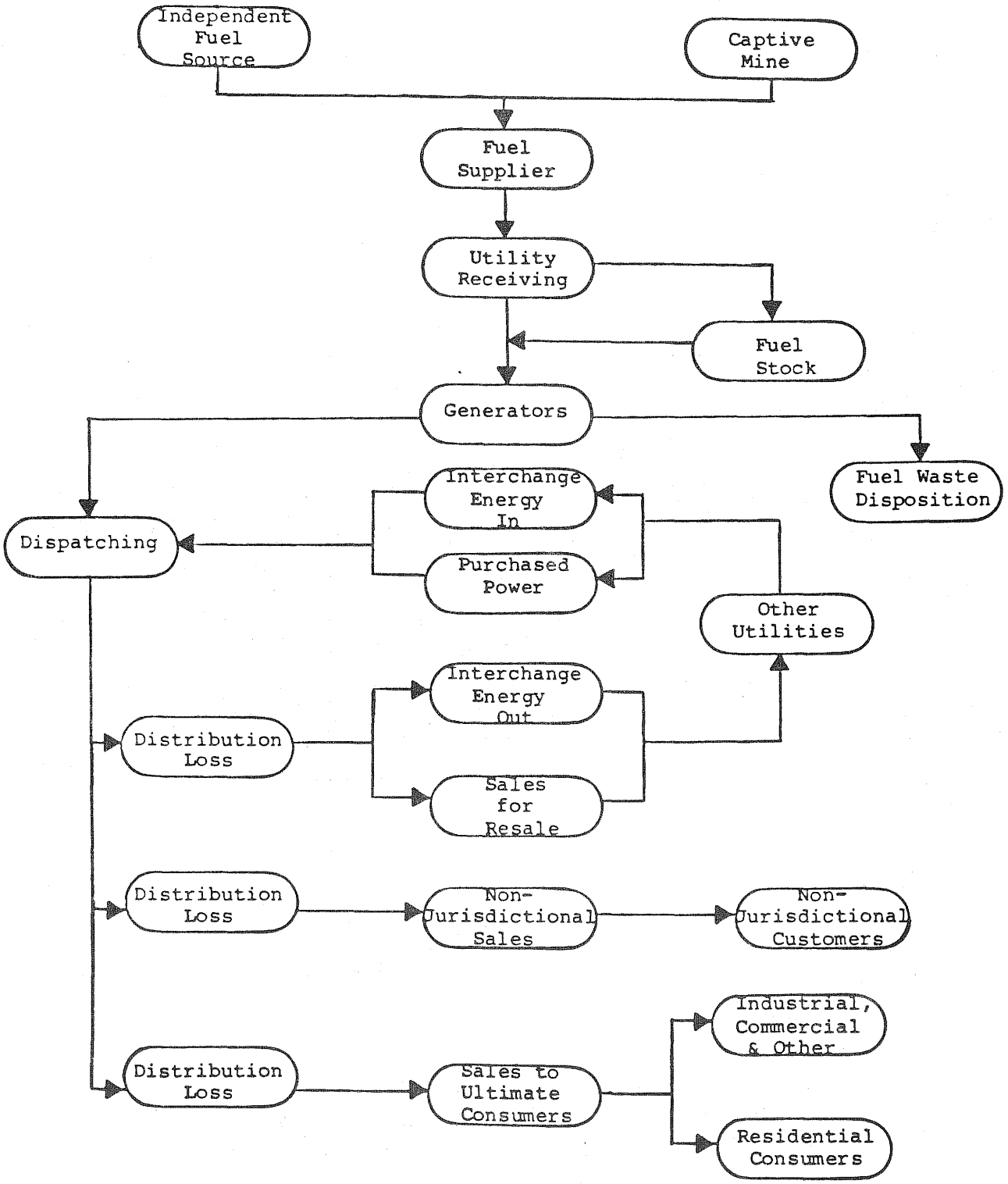
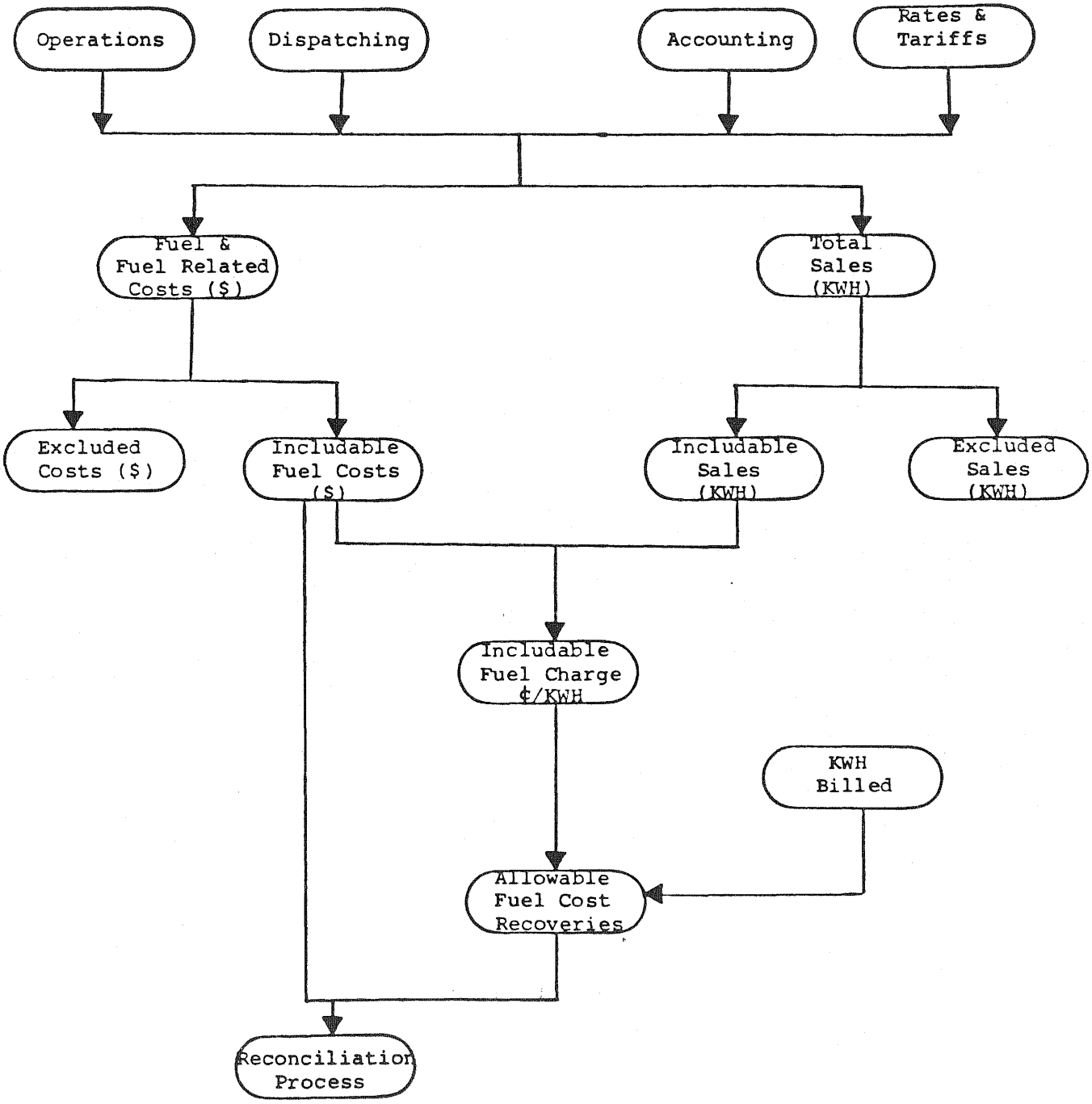


EXHIBIT A-4
CLAUSE DESIGN DETAIL
ELECTRIC
COST, ENERGY AND RECOVERY FLOW



B. CLAUSE DESIGN DETAIL - GAS

APPENDIX - B

CLAUSE DESIGN DETAIL

GAS

SIGNIFICANT FEATURES OF PURCHASED GAS ADJUSTMENT CLAUSE

The significant features of The Purchased Gas Adjustment Clause are summarized as follows:

FEATURE	EXPLANATION
APPLICABILITY	Applied to all therms of energy billed to service classifications subject to Purchased Gas Adjustment in the filed tariffs of all gas public utilities operating in the State of Illinois.
COST BASIS	Historical costs applied to the consumption data in the first 12 of the 13 months prior to the filing month.
BASE GAS COST	The cost of gas passed through the PGA is the total amount of allowable gas cost, feed stock and related costs. The base rate should reflect only those gas and gas related costs incurred during the rate case test period not allowable for pass through via the PGA.
INCLUDABLE GAS COSTS	All regulated gas purchased on a firm supply basis with related storage costs; all unregulated liquefied petroleum gases and other hydrocarbons purchased on a firm basis for injection into the gas stream; purchased feedstock for the production of manufactured gas with related transportation costs; 3% Gross Receipt Tax.
EXCLUDABLE GAS COSTS	Penalty charges, demurrage charges, leased storage charges, costs of company-used gas and unaccounted for gas.
GAS CHARGE BASIS	Total therms of gas purchased, manufactured, and net withdrawn, minus therms of gas used by the company, gas sold and exchanged outside the distribution system, and unaccounted for gas. The charge per therm, in other words, is based upon therms sold to ultimate customers.

APPENDIX - B

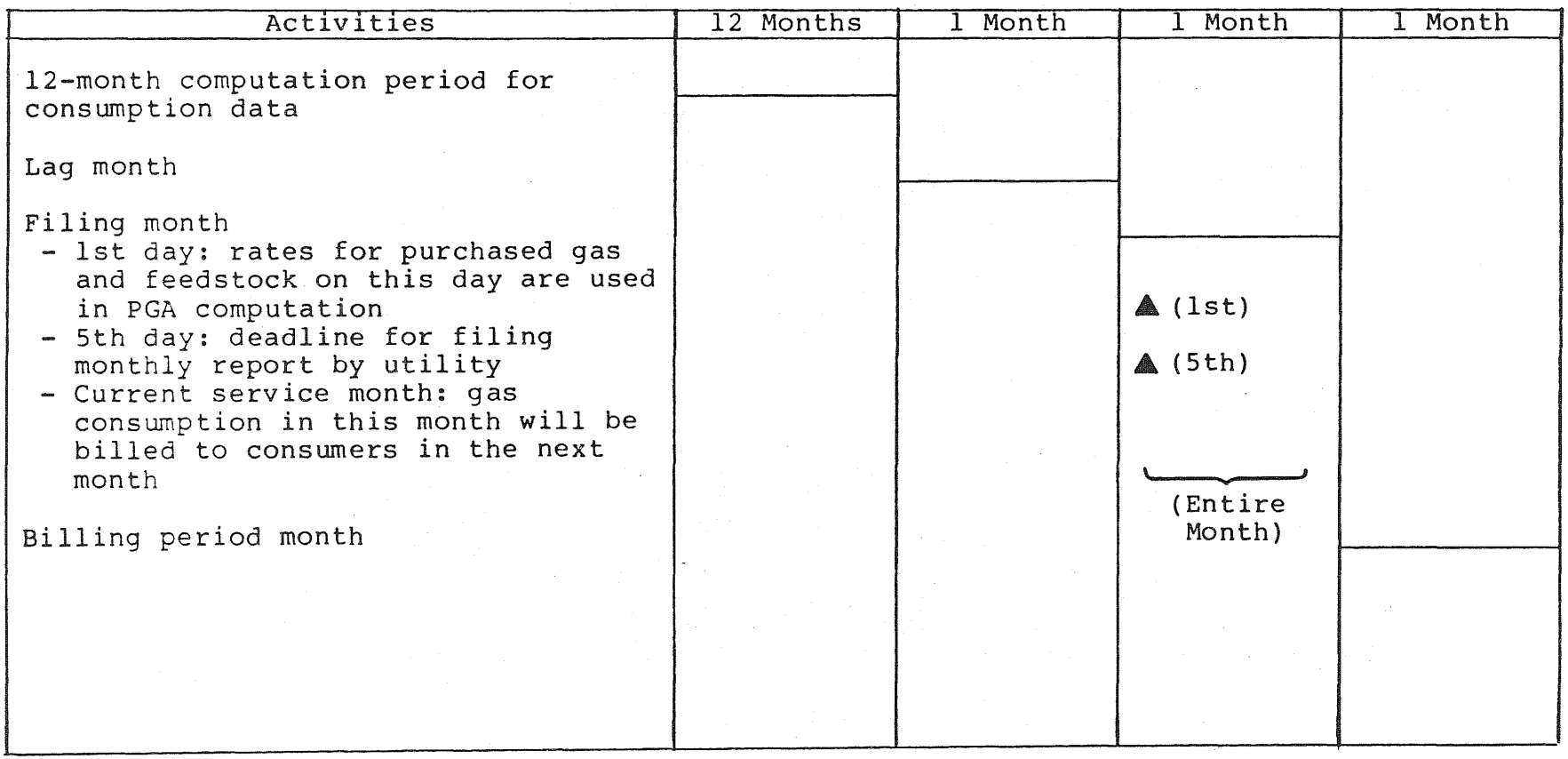
CLAUSE DESIGN DETAIL

GAS

SIGNIFICANT FEATURES OF PURCHASED GAS ADJUSTMENT CLAUSE

FEATURE	EXPLANATION
REFUNDS	The cost of gas passed through the PGA is reduced by any refunds paid by suppliers to the utilities, including any accrued interest. Refunds will be repaid over a period of 11 to 13 months. They will be spread over the gas charge basis.
FILING PERIOD	The Gas Charge shall be filed by the 5th day of the filing month, to be effective on bills rendered after the 1st of the following month.
MONTHLY RECONCILIATION	Each month the utility will determine the difference between (1) the purchased gas costs, exclusive of refund credits, recorded on the books for the month, and (2) the revenue arising through the application of Purchased Gas Adjustment to therms sold during the reconciliation period. If the difference exceeds a prescribed limit, it will be refunded over the next 12 months.
ANNUAL RECONCILIATION	Costs and reviews associated with this Clause shall be subject to annual reconciliation as per requirements set forth by the Commission.
BILLING AND TEST PERIODS	See Exhibit B-1.

EXHIBIT B-1
CLAUSE DESIGN DETAIL
GAS
COMPUTATION AND BILLING PERIODS



APPENDIX - B
CLAUSE DESIGN DETAIL
GAS
CALCULATION METHODOLOGY OF GAS ADJUSTMENT FORMULA

- The calculation methodology (Section A of the clause) is as follows:

  . The Gas Adjustment Formula shall be of the following form:

$$GC = \frac{G \times MG + SG + St + "B"}{P(1-U)} \times 103.09$$

  . Components of The Gas Adjustment Formula include:

  .. GC = The Gas Charge in cents per therm rounded to the nearest .01¢, and if there is no nearest .01¢ multiple, the charges shall be rounded to the next higher multiple.

  .. G = The sum of the calculated cost ($) of individual firm gas supplies purchased for resale as prescribed in Section B.

  .. MG = The sum of the calculated cost ($) of individual manufactured gas supplies produced for sale as prescribed in Section C.

  .. SG = The sum of the cost ($) of individual supplemental and emergency gas supplies purchased for resale as prescribed in Section D.

  .. St = The sum of the cost ($) of gas sold to the customers from storage as prescribed in Section E.

  .. "B" = The computed monthly reconciliation balance ($) between the monthly gas charges billed and the actual monthly gas costs occurring subsequent to the previous annual reconciliation adjustment as prescribed in Section F.

  .. P = Total therms of gas purchased, manufactured and withdrawn from storage minus the sum of therms stored, used by the company and gas sold and exchanged outside the distribution system.

  .. U = The percent of Unaccounted For Gas for the year ended on the previous June 30, expressed as a decimal.

APPENDIX - B
CLAUSE DESIGN DETAIL
GAS
CALCULATION METHODOLOGY OF GAS ADJUSTMENT FORMULA

- Reference Sections

. Section B - Determination of Cost of Purchased Gas

.. For each firm gas supply invoiced during the first 12 of the previous 13 months prior to the month of filing,

(1) Multiply the number of units of capacity and units of commodity purchased by the respective demand charge and commodity charge in effect on the first day of the filing month. If there is no purchase of a specific supply for the filing month, the last purchase price paid during the 12 month computation period shall be used.

(2) Subtract the sum of units of gas (net, but not less than zero) placed into storage (including net cushion gas, net exchange gas and the Company's self use) for each of the 12 months multiplied by the respective average cost of gas supply each month.

(3) Subtract the sum of units purchased and sold outside the distribution system for each of the 12 months multiplied by the respective average cost of gas sold each month.

. Section C - Determination of Cost of Manufactured Gas

.. For each type of gas manufactured and made available to the system during the first 12 of the previous 13 months prior to the month of filing,

(1) Multiply the number of units of feedstock taken from inventory (Account #151) for conversion to gas by a computed unit cost, including invoiced transportation charges, less demurrage and less revenue from the sale of residuals, if any. Said unit cost for each type of inventory shall be calculated by multiplying (i) the units of each feedstock supply

invoiced during the 12 month computation period by (ii) its respective charge in effect on the first day of the filing month (if there is no purchase of a specific supply for the filing month, the last purchase price paid during the 12 month computation period shall be used) and (iii) dividing the sum by (iv) the total units purchased.

(2) Divided by the respective annual plant Btu conversion efficiency factor (expressed in decimals) for the year ended on the previous July 31.

. Section D - Determination of Cost of Supplemental Gas

.. For each supplemental gas supply (temporary and emergency) invoiced during the first 12 of the previous 13 months prior to the month of filing,

(1) Multiply the units of each supplemental supply delivered to the system each month by its respective monthly unit vendor charge.

(2) Add invoiced transportation charges, if any.

. Section E - Determination of Cost of Storage Gas

.. For each type of gas storage facility supplying gas to the distribution system for sale during the first 12 of the 13 months prior to the month of filing.

(1) Multiply the units of supply (total withdrawals in a month) withdrawn each month by the beginning of the month average inventory price.

. Section F - Determination of the Monthly Reconciliation Balance

.. Each month the Company shall (i) determine the accrued revenues billed (exclusive of forfeited discounts) under the Gas Charge (exclusive of refunds, RC) for those months of the first 12 of the previous 13 months prior to the filing date

which occured subsequent to the last annual reconciliation and (ii) subtract from that amount the actual cost of gas billed to the customers served from the distribution system for the same period. On the 12th month following annual reconciliation, the computed balance shall be refunded (debit or credit) to the customers as R_3 under the refund formula. Factor B shall become 0 for the 12th month.

. Section G - Refund Provisions

.. Unless the Commission otherwise orders, the amount of each refund, including interest, received by the Company from its vendors in the month prior to the month of filing, for gas and feedstock previously purchased, shall be refunded to the Company's retail customers, with interest computed at an annual rate of 8% on the unrefunded balance, over the 12 month period beginning with bills rendered on and after the first day of the following month.

.. Refunds shall be determined in accordance with the following formula:

$$\underline{RC} = \frac{R_1 + .97i(R_1) + R_2 + R_3 + R_4 - R_5}{P(1-U)} \times 103.09$$

(1) $\underline{RC}$ = Refund charge in cents per therm to be subtracted from the monthly Gas Charge ($\underline{GC}$). The charge shall be computed to the nearest .01¢ multiple, and if there is no nearest .01¢ multiple, the charge shall be rounded to the next higher multiple.

(2) R_1 = Refunds, adjustments, rebates and credits ($) from vendors, plus interest, if any.

(3) R_2 = Over ($-R_2$) or under ($+R_2$) billing ($) of a refund to the customers computed at the termination of the refund period ending in the month prior to the filing month.

(4) R_3 = The annual reconciliation balance, if any, made pursuant to the Reconciliation provisions hereof for the 12 months following the previous annual reconciliation as prescribed in Section H. (under billing, $+R_3$; overbilling, $-R_3$)

(5) R_4 = A credit for sales made to non-distribution system customers and gas exchanges arranged with non-distribution system customers [Revenue billed ($) - average unit cost ($) of the gas delivered multiplied by the units sold in the month, divided by 2]

(6) R_5 = Invoiced increases in charges for gas made effective retroactively to the months prior to the filing month and applicable to gas and feedstock previously purchased and charged to gas distribution system customers under the gas adjustment provisions.

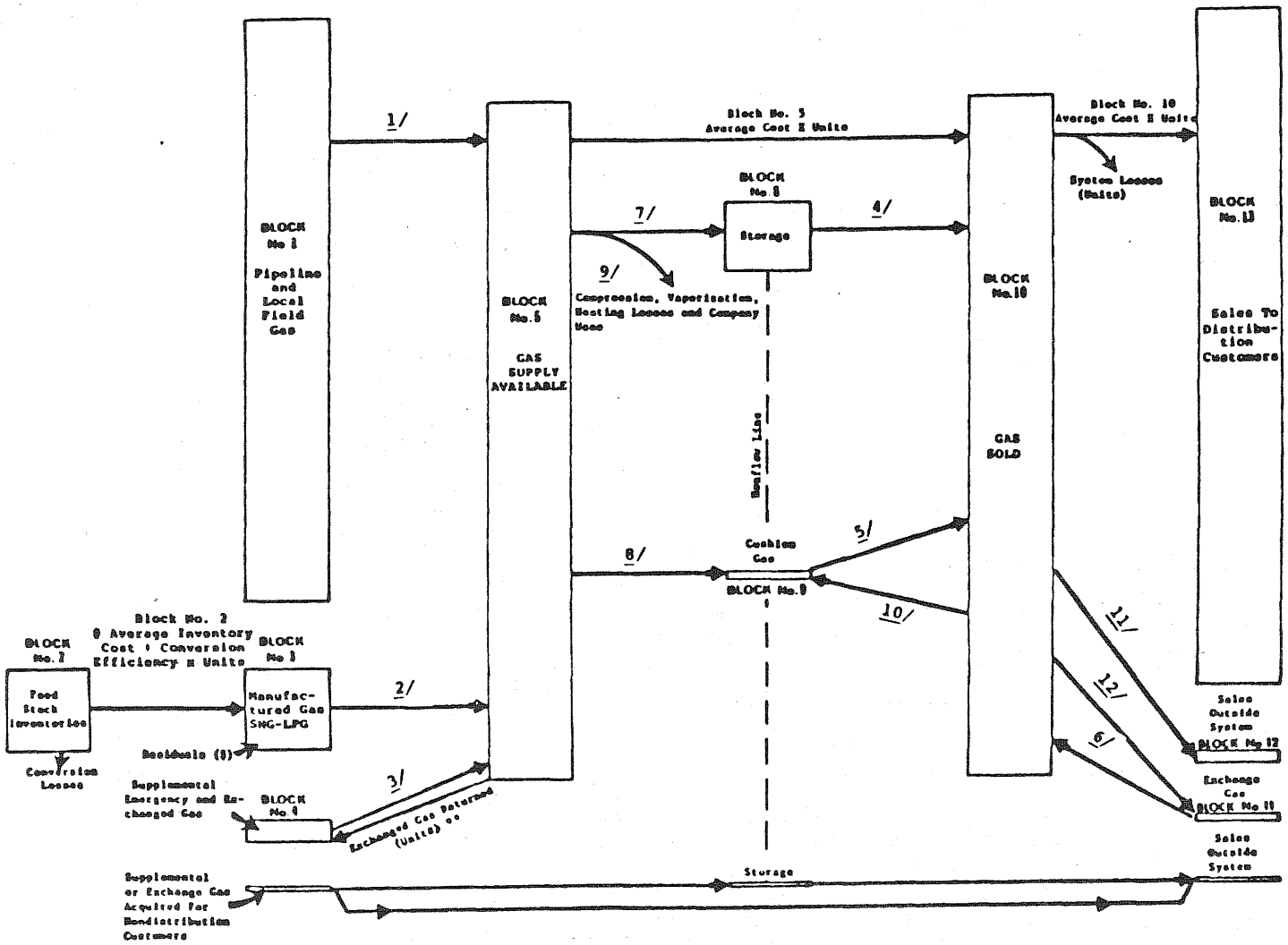
(7) i = An interest factor expressed in decimals to be applied to the sum of the refunds (R_1) at rate of 4%.

(8) P = Same as in GC formula.

(9) U = Same as in GC formula.

.. Should a refund more nearly pay out at the end of 11 or 13 months, the refund period may be shortened or lengthened accordingly upon the Company giving 25 days notice to the Commission of the change in refund period. Any refunds computed hereunder that are too small to compute to a full .01¢ increment shall be held in a Refund Due Customer Account until such month as the refunds accrued, when added to the next month's refund, will compute to one full or more increments.

EXHIBIT B-2
CLAUSE DESIGN DETAIL
GAS
MONTHLY GAS COSTS & UNITS FLOW*



* See reference numbers in Exhibit B-3 on Page III-18 for cost calculations.

** Original cost of gas exchanged out is the cost of gas returned.

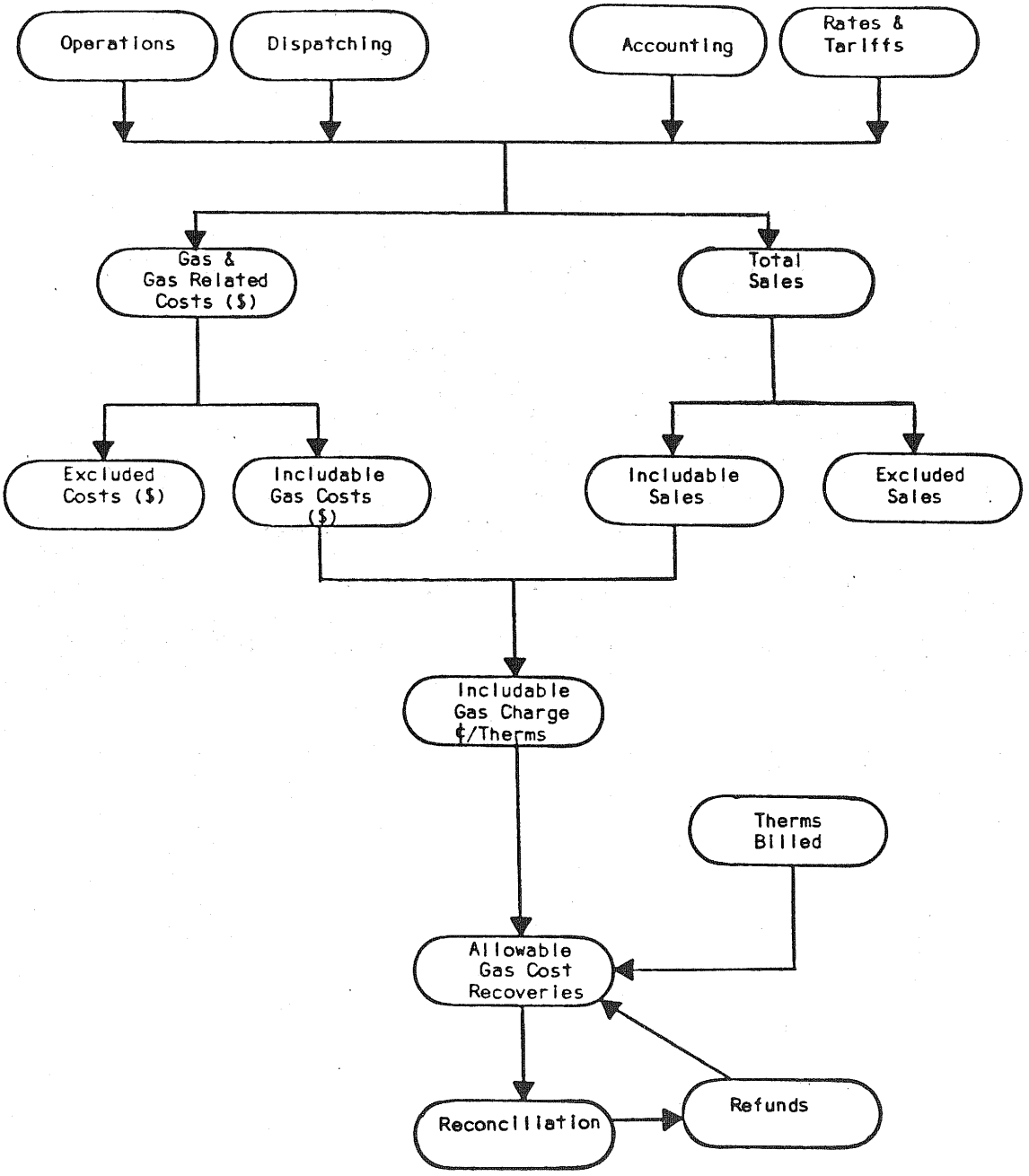
EXHIBIT B-3
CLAUSE DESIGN DETAIL
GAS
SUMMARY OF INCLUDABLE GAS COSTS AND INCLUDABLE ENERGY

INCLUDABLE GAS CHARGE (¢/THERM)				
INCLUDABLE GAS COSTS ($)			INCLUDABLE ENERGY (THERMS)	
ADD	DEDUCT	NOT INCLUDABLE	ADD	DEDUCT
[1]/Purchased Gas: . Capacity units X demand charge in block no. 1 . Commodity units X commodity charge in block no. 1 [2]/Manufactured Gas in block no. 3: . Fuel price . Transportation . Excise taxes, insurance . Purchasing agents' commissions [3]/Supplemented Gas: . Units delivered X monthly vendor charge in block no. 4 . Transportation charges [4]/Storage Gas Withdrawn: . Units of supply X beginning of month average inventory price in block no. 8 [5]/Cushion Gas Delivered: . Gas delivered X average cost of supply in storage in block no. 8 [6]/Exchange Gas Returned: . Gas returned X original cost of supply when exchanged out	[2]/Manufactured Gas in block no. 3 . Cash or other discounts . Revenue from sale of residuals [7]/Storage Gas Stored: . Average cost of supply in block no. 5 X units stored [8]/Cushion Gas Injections: . Average cost of supply in block no. 5 X units to cushion [9]/Company Use & Losses: . Average cost of supply in block no. 5 X units used [10]/Cushion Gas Reinjected: . Gas reinjected X original price when withdrawn [11]/Gas Sold Outside System: . Units billed X average cost of gas sold in block no. 10 [12]/Exchange Gas Delivered: . Units exchanged out X average cost of gas in block no. 10	Manufactured Gas: . Demurrage . Charges for unloading from the shipping medium	Total Therms of Gas: . Purchased . Manufactured . Withdrawn	Total Therms of Gas: . Stored in storage and cushion . Used by company . Sold and exchanged outside the distribution system . Unaccounted for gas .. System loss .. Leakage

EXHIBIT B-4
CLAUSE DESIGN DETAIL
GAS
SUMMARY OF REFUNDS

- INCLUDABLE REFUNDS: ADD
  - Refunds, adjustments, rebates, credits from vendors, any interest accrued
  - Over or under billing of refund
  - Annual reconciliation balance
  - Credit from profit of sales to non-distribution system customers and gas exchanges arranged with non-distribution system customers
  - Retroactive gas charge increases applicable to PGA
- INCLUDABLE ENERGY: Sames as for Includable Gas Charge

EXHIBIT B-5
CLAUSE DESIGN DETAIL
GAS
COST, ENERGY AND RECOVERY FLOW



C. SUMMARY EVALUATION OF SELECTED OTHER STATES

APPENDIX - C

SUMMARY EVALUATION OF SELECTED OTHER STATES

As part of the work performed, the administrative processes of certain other states were reviewed and evaluated. This section provides a brief summary of the following:

- The evaluation methodology,
- The primary selection criteria and the states reviewed,
- The major findings of the evaluations.

EVALUATION METHODOLOGY

The purpose of the evaluation of certain states' administrative processes was to better understand current adjustment clause regulatory practices, gain a perspective on the direction in which recognized regulatory leaders were moving and assess the applicability of desirable features in other states' processes to Illinois.

Evaluations were conducted of both electric and gas adjustment clause administrative processes. The evaluations were performed from a "top-down" management perspective point-of-view focusing on the following:

- Process objectives/legal requirements
- Process components
- Process flow and timing
- Primary data requirements (inputs/outputs)
- Level and type of EDP support
- Organizational structure and staffing
- Controls

Whenever possible, the evaluations were conducted with the key management personnel directly responsible for overseeing the administration of the adjustment clause(s).

SELECTION CRITERIA AND STATES EVALUATED

The primary criteria for the selection of states to be evaluated were defined by the Illinois Commerce Commission. The primary criteria included:

- States with adjustment clauses in existence (uniformity of the clauses was not required),
- States which were recognized as leaders in regulation, particularly as it relates to adjustment clauses,
- States in which the NRRI or Touche Ross & Co. had personal contacts who were familar with the existing or proposed administrative process(es).

Five states were evaluated with respect to electric adjustment clause administration. Three states were evaluated with respect to gas adjustment clause administration. These states were:

State	Process(es) Evaluated	
	Electric	Gas
Kansas	X	X
New York	X	X
Ohio	X	
Virginia	X	
Wisconsin	X	X

Evaluations in New York, Virginia and Wisconsin were performed on-site at the respective Commissions. The evaluations for Kansas and Ohio were based primarily upon information gained from prior work with those Commissions and updated by telephone interviews, as required.

In New York and Virginia, the evaluation of the electric clause administration focused upon proposed processes, currently in hearings, which are expected to be implemented within a year.

MAJOR FINDINGS

Based upon the evaluations performed, key findings related to process components, data requirements, organizational structure and staffing and data processing support have been documented on Exhibits C-1 through C-6 on the following pages. A brief summary of key findings is provided below, followed by a description of the information included on Exhibits C-1 through C-6.

- Summary of key findings (for both Electric and Gas)

  . At a minimum all processes evaluated contained the following components;

    .. Reporting (monthly)
    .. Compliance testing (pre-billing)
    .. Audit (frequency, scope and auditor varies)
    .. Hearing (frequency and duration varies)
    .. In addition, certain states include other components which Illinois should consider. These are:

      ... Forecasting
      ... Spot audits
      ... Standards

  . Most states require comprehensive reporting of both cost and operational data by electric utilities. Certain states require this reporting in machine readable format to facilitate handling and analysis. EDP support for compliance testing and special long-term/trend analysis appears to be emerging in numerous states. Illinois should undertake a feasibility study to investigate the costs/benefits of EDP support for the administrative processes to be implemented.

  . Based upon the evaluation findings, organizational and staffing requirements should not significantly impact Illinois. Many of the states evaluated were structured very similar to Illinois. Required staffing levels varied between states but were not greater than 4.0 full-time equivalents in any state evaluated.

- Description of information on exhibits C-1 through C-6

  . Exhibit C-1, Electric Administrative Process Summary

    .. Provides a summary of the process characteristics of the states evaluated and the specific states to which each individual characteristic applies.

  . Exhibit C-2, Electric Monthly Reporting Requirements

    .. Provides a summary of the data required by the various states evaluated. The summary identifies the data category, reporting level, key data elements, the period for which the data is reported and the specific states requiring such reporting.

  . Exhibit C-3, Electric Annual/Hearing Reporting Requirements

    .. Provides similar summary to Exhibit C-2 for annual and hearing reporting.

- Exhibit C-4, Gas Administrative Process Summary

  .. Same as Exhibit C-1

- Exhibit C-5, Gas Monthly Reporting Requirements

  .. Same as Exhibit C-2

- Exhibit C-6, Gas Annual/Hearing Reporting Requirements

  .. Same as Exhibit C-3

EXHIBIT C-1
EVALUATION OF SELECTED OTHER STATES
ADMINISTRATIVE PROCESS SUMMARY
ELECTRIC

PROCESS CHARACTERISTICS	STATES EVALUATED (1)				
	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
Process Status	Operational	Proposed	Operational	Proposed	Operational
Key Components					
- Forecast	Required annually	NA	NA	NA	NA
- Monthly Uniform Reporting (Cost and operational data)	X	X	X	X	X
- Compliance Testing	X (Manual)	X (Automated)	X (Manual)	X (Automated)	X (Manual)
- Spot Audits (By the Commission Staff)	X	X	NA	X	NA
- Audit					
. Special Fuel Audit	Informal	NA	X	X	NA
. Included in scope of rate case audit	NA	X	NA	NA	X
. Performed by	Commission Staff	Commission Staff	Independent Auditor	Independent Auditor	Commission Staff
. Frequency	Not Defined	Not Defined	Annual	Bi-Annual	Not Defined

(1) An X or other data in the column for a particular state indicates and defines applicability of the characteristic to that state. NA indicates the characteristic is not applicable to the state.

EXHIBIT C-1
EVALUATION OF SELECTED OTHER STATES
ADMINISTRATIVE PROCESS SUMMARY
ELECTRIC

PROCESS CHARACTERISTICS	STATES EVALUATED (1) KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
- Hearings					
. Separate Fuel Clause Hearing	Annual	Annual	Semi-Annual	Annual	NA
. Incorporated in Rate Case Hearings	NA	NA	NA	NA	X
- Organizational Structure					
. Special Fuels Group for Compliance Testing (and Spot Audits)	(2)	(2)	(2)	X	(2)
- Estimated Staffing for Compliance Testing (and Spot Audits)					
. Filing Refiew (full-time equivalents)	.5	.5	1.5	(3)	.5
. Spot Audits (full-time equivalents)	2.0	1.5	NA	(3)	NA

(1) An X or other data in the column for a particular state indicates and defines applicability of the characteristic to that state. NA indicates the characteristic is not applicable of the state.

(2) Only Virginia has a special fuels group to be responsible for compliance testing. In the other states evaluated, the compliance testing is performed by individuals in the Finance and Accounting, Economic Research and Rates and Tariffs departments. These individuals also have rate case related responsibilities in addition to their compliance testing responsibilities.

(3) Proposed staffing for Virginia fuels group is 4.0 full-time equivalents.

EXHIBIT C-2
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
ELECTRIC

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA				
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
Fuel Clause Charge/Recovery (1)										
Summary	System	. Total Includable Costs	X	(2)	(3)	X	X	X	X	X
- Costs		.. By fuel type								
- Energy		. Total Includable Energy	X	(2)	(3)	X	X	X	X	X
- Charge		.. By source								
- Billings		. Billings	X	(2)	(3)	X	X	X	X	X
- Revenues		.. By consumer classification								
- Recovery Position		. Total Allowable Recovery	X	(2)	(3)	X	X	X	X	X
Fossil Fuel Purchases	Plant &	. Quantity and Quality	X		(3)	X	X	X	X	
- By type of fuel	System	. Total and unit price	X		(3)	X	X	X	X	
- By supplier		.. Per quantity								
		.. Per MMBTU								
		.. FOB MINE						(4)	(4)	
		. Transportation Data	X		(3)		(5)	X	(5)	
		.. Mode								
		.. Cost per unit								
		. Supplier Data	X		(3)		X	X	X	
		.. Long term contract								
		.. Affiliated/Nonaffiliated								
		.. Spot (Direct or Broker)								
		. Contract Shortfalls	X		(3)		(6)	X	(6)	
		.. Supplier								
		.. Amount								
		. FPC 423 forms	X			X	X	X	X	X

FOOTNOTES:

(1) Specific elements reported vary by state based upon the state's clause.

(2) Reported in Kansas and Virginia.

(3) Reported annually, represents summation of 12 monthly reports.

(4) Ohio - depends on contract price basis; Virginia - required.

(5) New York - Not yet determined; Virginia - Cost per unit price required.

(6) Not specifically required at present. Individuals interviewed indicated such data would be required at least annually in the future.

EXHIBIT C-2
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
ELECTRIC

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA				
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
Nuclear Fuel										
- Assemblies Amortization and storage	Plant	. Accumulated Provision for Amortization		X		(2)	X	(2)	X	
		.. Fuel Assemblies Amortization								
		.. Processing and Storage Amortization								
		- Transportation								
		- Temporary Storage								
		- Separation of Materials								
		- Salvaged Uranium								
		- Salvaged Plutonium								
		- Disposal of Waste								
		.. Spent fuel assemblies expense		X		X	X	X	X	
		.. Spent fuel assemblies (units)		X					X	
		- Storage Capacity								
		- Stored to date								
Amortization Expense	Unit	. Assemblies Amortization			(3)		(4)		X	
		. Processing and Storage Amortization			(3)		(4)		X	
		- Same as above								
		. Accumulated Total Burn Provision			(3)		(4)		X	
		. Leased Fuel Levelized Carrying Expense			(3)		(4)		X	

FOOTNOTES:

(1) Detail by month for most current 12 months.

(2) Amortization detail not reported.

(3) Detail by month required for most current 12 months.

(4) Reporting requirements not yet finalized.

EXHIBIT C-2
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
ELECTRIC

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA				
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
Fossil Fuel Consumed	Unit,	. Quantity	X	(1)	(2)	(3)	X	(3)	X	(3)
- By type of fuel	Plant &	. Quality (BTU's)	X	(1)	(2)	(3)	X	(3)	X	(3)
- Associated energy output	System	. Cost	X	(1)	(2)	(3)	X	(3)	X	(3)
		.. Total dollars								
		.. Cents per MMBTU								
		.. Cents per KWH								
		. Net Generation (KWH)	X	(1)	(2)	(3)	X	(3)	X	(3)
		. Heat Rate	X	(1)	(4)	(5)	X	(6)	X	(3)
Fuel Inventory Summary	Plant	. Beginning Inventory	X			X	X	X	X	
- By type of fuel		.. Quantity								
		.. Cost								
		.. Average Cost/Quantity								
		. Adjustments	X			X	X	X	X	
		.. Inventory (quantity)								
		.. BTU, Sulfur or Ash Content (cost)								
		.. Escalator Clause (cost)								
		.. Supplier Settlement (cost)								
		.. Other (Quantity or cost)								
		. Purchases	X			X	X	X	X	
		.. Quantity								
		.. Cost (Total, Average per Quantity and MMBTU)								
		.. Heat Content								
		. Consumption (Same as Purchases)	X			X	X	X	X	
		. Ending Inventory (Same as beginning inventory)	X			X	X	X	X	

FOOTNOTES:

(1) Required by Virginia.

(2) Reported annually, represents summation of 12 monthly reports.

(3) Required at only system and plant level for these states.

(4) Rolling weighted average.

(5) System level only required.

(6) Actual measure is thermal efficiency (inverse of heat) at system level.

EXHIBIT C-2
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
ELECTRIC

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA				
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
Monetary Purchase/Sale of Power - By Supplier (Purchase) - By Buyer (Sales) - By Type Power Transaction (Power Code)	System	. Quantity (KWH) . Cost ($) .. Fuel .. Energy .. Demand/Capacity Charge . Cost (Cents per KWH) .. Fuel .. Total	X X X		(1) (1) (1)	X X X	(2) (2) (2)	X X X	(2) (2) (2)	
Non-Monetary Interchanges - By Supplier/Receiver	System	. KWH	X		(1)	(3)	(2)	(4)	(2)	
System Characteristics	Unit, Plant & System	. Unit Data .. Availability Factor .. Equivalent Availability Factor .. Net Capacity Factor .. Equivalent Forced Outage Rate .. Net Heat Rate . Plant and/or System data (Energy and Cost) .. Net Generation .. Test Generation .. Company Use .. Line loss .. Jurisdictional (Sales/Billings) .. Nonjurisdictional (Sales/Billings) .. Load Factor .. Fuel Mix	X X	X	X X	(5) (7)	X X	(5) (7)	(6) X	(7) (7)

FOOTNOTES:

(1) Reported annually, represents summation of 12 monthly reports.

(2) Detailed reporting requirements at supplier/buyer level not yet finalized.

(3) Also requires cost estimate.

(4) New requirement as of approximately 6/79.

(5) Required on an annual basis only.

(6) Virginia also requires 10 years of annual historical data by unit.

EXHIBIT C-3
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
ELECTRIC

ANNUAL/HEARING RELATED REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA				
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	OHIO	VIRGINIA	WISCONSIN
12 Month Summary of Monthly Reporting Requirements (See Exhibit C-2)					X	X	X	X	X	X
Fuel Procurement Contract Related Data	By Contract	. Copy of current contracts in effect	(3)			X	X	X	X	X
		. Summary of contract changes during the year (e.g. escalations, etc.)	(3)		X	X	X	X	X	X
		. Contract shortfall summary .. Supplier .. Shortfall quantity .. Specific reasons for shortfall .. Shortfall impact .. Action taken			X		X	X		
Interconnect Agreements for Purchase or Sale of Power	By Utility	. Copy of agreements	(3)			X	X	X	X	X
		. Summary of changes	(3)			X	X	X	X	X
Audit Report (1)	As specified by the Commission	. Findings related to operations under the clause for the audit period .. Financial .. Operational .. Performance improvement recommendations .. Reconciliation adjustments								
Other data deemed relevant by the Commission (2)	As specified by the Commission	. As specified by the Commission								

FOOTNOTES:

(1) By Commission staff or independent auditor. Audits not required annually by all states evaluated. Scope of audits vary by state. Working paper should be available for review as required.

(2) All commissions reserve the right to request any and all data necessary to insure fuel costs incurred and passed through are fair, just and reasonable

(3) All current contracts and agreements are to be filed with the Commission on an ongoing basis.

EXHIBIT C-4
EVALUATION OF SELECTED OTHER STATES
ADMINISTRATIVE PROCESS SUMMARY
GAS

PROCESS CHARACTERISTICS	STATES EVALUATED (1) KANSAS	NEW YORK	WISCONSIN
Process Status	Operational	Operational	Operational
Key Components			
- Reporting (Primarily cost data, limited operational data)	Monthly in uniform format	Monthly not in uninform format	Monthly not in uniform format
- Compliance Testing	Manual	Manual	Manual
- Spot Audits (By the Commission Staff)	X	NA	NA
- Audit (As part of rate case)	X	X	X
- Annual Reconciliation (2)	X	X	X
- Hearings (As part of rate case)	X	X	X

(1) An X or other data in the column for a particular state indicates and defines applicability of the characteristic to that state. NA indicates the characteristic is not applicable to the state.

(2) May involve hearings, but hearings are not specifically required.

EXHIBIT C-4
EVALUATION OF SELECTED OTHER STATES
ADMINISTRATIVE PROCESS SUMMARY
GAS

PROCESS CHARACTERISTICS	STATES EVALUATED (1) KANSAS	NEW YORK	WISCONSIN
- Organizational Structure (for Compliance Testing and Spot Audits)	(2)	(2)	(2)
- Estimated Staffing (for Compliance Testing and Spot Audits)			
. Filing review (full-time equivalents)	.5	1.0	.5
. Spot Audits (full-time equivalents)	1.0	NA	NA

(1) An X or other data in the column for a particular state indicates and defines applicability of the characteristic to that state. NA indicates the characteristic is not applicable to the state.

(2) Individuals performing compliance testing are part of the Finance and Accounting, Economic Research and Rates and Tariffs departments. These individuals also have rate case related responsibilities in addition to compliance testing responsibilities.

EXHIBIT C-5
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
GAS

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA		
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	WISCONSIN
Fuel Clause Charge/Recovery Summary - Costs - Distribution Volume - Charge - Refunds - Revenues - Recovery Position	System	. Total Includable Costs .. By type of gas . Total Includable Volume .. By source . Total Refunds Applicable .. By type . Total Allowable Revenues .. By customer classification	(1) (1) (1) X	 X	 (2)	X X X X	X X X X	X X X X
Gas Purchases - By type of gas - By supplier	System & Plant	. Quantity . Total and unit price .. Per quantity .. Per therm . Composition of Price .. Demand .. Commodity .. Other . Supplier Tariff Data	X X X X	 	X X X X	X X X X	X X X X	X X X X

FOOTNOTES:

(1) Filing month data based upon current rates and volume for historical 12 month period.

(2) Reported annually, represents summation of 12 monthly reports.

EXHIBIT C-5
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
GAS

MONTHLY REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA		
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	WISCONSIN
Gas Consumption - By type of gas	System	. Quantity .. MCF .. Therms	X		X	X	X	X
		. Cost (Average method) .. Total .. Cents per MCF .. Cents per Therm	X		X	X	X	X
Gas Inventory Summary - By type of gas	System	. Beginning Inventory .. Quantity .. Cost	X			X	X	X
		. Purchases .. Quantity .. Cost	X			X	X	X
		. Consumption .. Quantity .. Cost	X			X	X	X
		. Ending Inventory .. Quantity .. Cost	X			X	X	X
System Characteristics	System	. Load Factor	X		X	X	X	X
		. Line Loss	X		X	X	X	X
		. Conversion efficiency (Manufactured)	X		X	X	X	X
		. Mix in sources of gas	X		X	X	X	X

EXHIBIT C-6
EVALUATION OF SELECTED OTHER STATES
DATA REQUIREMENTS SUMMARY
GAS

ANNUAL/HEARING RELATED REPORTING

DATA REQUIRED			PERIOD REPORTED			STATES EVALUATED WHICH REQUIRE THIS DATA		
CATEGORY/TYPE	REPORTING LEVEL	KEY ELEMENTS	CURRENT MONTH	YEAR TO DATE	12 MONTH TOTAL	KANSAS	NEW YORK	WISCONSIN
12 Month Summary of Monthly Reporting Requirements (See Exhibit C-5)					X	X	X	X
Current Supplier Tariffs and Contracts	By Supplier or Contract	. Copy of tariffs in effect . Copy of contracts in effect	(3) (3)			X X	X X	X X
Audit Report (1)	As specified by the Commission	. Finding related to operations under the clause for the audit period						
Other data deemed relevant by the Commission	As specified by the Commission	. As specified by the Commission						

FOOTNOTES:

(1) By Commission staff or independent auditor. Audits not required annually by all states. Scope of audits varies by state. Working papers should be available for review as required.

(2) All commissions reserve the right to request any and all data necessary to ensure gas costs incurred and passed through are fair, just and reasonable.

(3) All current tariffs and contracts are to be filed with the Commission on an ongoing basis.