ILLINOIS COMMERCE COMMISSION

ANNUAL REPORT ON ELECTRICITY, GAS, WATER AND SEWER UTILITIES 2007

ILLINOIS
COMMERCE COMMISSION

ANNUAL REPORT
ON ELECTRICITY, GAS, WATER
AND SEWER UTILITIES

2007

ICC Annual Reports

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

Annual Report on Electricity, Gas, and Water Utilities
(issued 1985—1995 as Annual Report on Public Utilities)
This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434
Also on: www.icc.illinois.gov

Annual Report on Telecommunications
This report may be obtained from:
Illinois Commerce Commission
Chief Clerk's Office
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-7434
Also on: www.icc.illinois.gov

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

Annual Report on the Use of the Grade Crossing Protection Fund
This report may be obtained from:
Illinois Commerce Commission
Transportation Division
Walk-In Center
527 E. Capitol Avenue
Springfield, Illinois 62701
217/782-4654

The ICC On Line

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

ICC's Electronic Docketing System
http//eweb.icc.illinois.gov/e-docket

Plug In Illinois—Choosing an Electric Supplier
www.icc.illinois.gov/Plugin

Contacting the ICC

Springfield and Chicago Offices

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

Illinois Commerce Commission
160 N. LaSalle, Suite C-8OO
Chicago, Illinois 60601

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

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

Chicago:
Illinois Commerce Commission
Consumer Services Division
160 N. LaSalle Street
Suite C-8OO
Chicago, IL 60601

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

On matters pertaining to trucking, and household goods moving, which are under the Commission's jurisdiction, please contact the Transportation Division Walk-In Center in Springfield.
217/782-4654
217/782-4915 (TTY)

For Railroad Safety issues, please contact:
217/782-7660

For Relocation Towing issues please contact:
Illinois Commerce Commission
Des Plaines Compliance Office
847/294-4326

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January 31, 2008

The Honorable Rod Blagojevich
Governor, State of Illinois
State Capitol, Springfield, Illinois

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

Dear Governor, Chairman and Members of the Joint Committee:

We are pleased to submit to you the Commission's 2007 Annual Report on Electricity, Gas, Water, and Sewer Utilities. This Report covers the period of January 1, 2007, through December 31, 2007.

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

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

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

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

Sincerely,

Charles E. Box, Chairman

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ILLINOIS COMMERCE COMMISSION

YEAR IN REVIEW

2007

ENERGY ISSUES: Electricity

Electric Restructuring

The electric market was opened to approximately 4.4 million residential customers May 1, 2002. At the end of 2007, 25 alternative suppliers were eligible to serve non-residential customers, and four suppliers were eligible to serve residential customers. Companies providing alternative retail electric service and the names, addresses and contact personnel and telephone numbers are posted to the ICC website to assist customers who may be considering switching to an alternative provider for electric service.

Illinois Power Agency Act

The Illinois Power Agency Act, P.A. 095-0481 ("IPAA"), provides almost $1 billion of rate relief to Commonwealth Edison and Ameren customers. It sets up a mechanism to procure power for the utilities through a sealed bid process administered by the Illinois Power Agency. The IPAA also acknowledges a power contract between each utility and its affiliated generation company and provides for the utility to procure power through mechanisms described in the IPAA for power needed to replace expiring contracts from the 2006 electric procurement auction. The IPAA also set requirements for renewable resources in the utilities' portfolios. The Commission solicited comments and held hearings on the utility procurement plans. In December 2007, the Commission accepted the utilities' procurement plans, subject to modification, and the power procurements will occur in early 2008. After the 2008 procurement, the Illinois Power Agency will be responsible for procuring power for the utilities and will be providing its plans to the Commission for approval.

Rate Stabilization Programs

The Commission approved rate stabilization programs for the customers of Commonwealth Edison and of the three Ameren utilities operating in Illinois. Under the programs, most Ameren customers would have had the option to cap and defer their rate increase to a maximum of 14 percent for each of three years (2007 through 2009). However, due to downgrading of Ameren's securities to junk status, Ameren's rate stabilization program was not implemented. Commonwealth Edison residential customers had the option to cap and defer their rate increase to a maximum of 10 percent for each of the next three years. Deferred amounts will be repaid by customers over a three-year repayment period beginning in 2010 at a 3.25% interest rate.

Ameren's rate stabilization plan was accompanied by a pledge to contribute $15 million to energy assistance programs for low-income and elderly customers, conservation, efficiency and renewable energy initiatives, which it stated it would not seek to recover through future rates. However, Ameren's rate stabilization program was never implemented. The Commission strongly encouraged Commonwealth Edison, and Commonwealth Edison agreed, to contribute $30 million over the next three years to low-income assistance and senior programs as well as energy efficiency and renewable energy programs.

Electric Rate Proceedings

During 2007, the Commission reviewed rate filings for Commonwealth Edison and the Ameren companies for electricity procurement (Docket Nos. 07-0528/0531; 07-0527), delivery services (Docket Nos. 07-0566; 07-0585/0586/0587) and rate redesign proposals (Docket Nos. 07-0166; 07-0165). Orders were issued in the procurement and rate redesign dockets in 2007. Orders in the Commonwealth Edison and Ameren delivery services dockets will be decided in September 2008. In addition, Mt. Carmel Public Utility Company filed for an increase in electric rates in May 2007. An order will be approved by April 1, 2008.

Alternative Retail Electric Supplier Service

The number of customers purchasing power from an alternative supplier quadrupled since October 2006. As of October 2007, approximately 54,000 non-residential customers were purchasing purchase power and energy from an Alternative Retail Electric Supplier or an electric utility selling outside its service area. Switching rates now surpass the 80% level among customers with a peak demand that exceeds one megawatt in the service territories of the three Ameren Companies and Commonwealth Edison. However, no residential customer has switched to an alternative supplier. Detailed electric customer switching statistics can be viewed on the Commission's web page at http://www.icc.illinois.gov/industry/publicutility/energy/switchingstatistics.aspx.

ENERGY ISSUES: Gas

Gas Price Increases

During 2007, Peoples Gas, North Shore Gas, Mt. Carmel Public Utility Co., AmerenCILCO, AmerenCIPS and AmerenIP filed for gas rate increases.

During 2007, the Commission monitored the commodity cost of natural gas through its reviews and reconciliations of Purchase Gas Adjustment filings submitted by the gas utilities. Additionally the Commission continued its examination of the gas-purchasing practices of Nicor Gas, Peoples Gas, and North Shore.

WATER AND SEWER ISSUES

Illinois-American Water Company ("IAWC") is the state's largest investor-owned water and sewer utility. The Commission is currently investigating IAWC's requests for general increases in rates for five operating districts and decrease in rates for two operating districts. The rate case was filed in August 2007 with a Commission decision due in July 2008. In June 2007, the Commission approved a reorganization of IAWC that allows its parent company to become a publicly-traded company. In April 2007, the Commission issued an Order addressing the complaints from the Village of Homer Glen, the Attorney General, and customers against IAWC regarding rates, billing, and service related issues. In March 2007, the Commission issued a Certificate of Public Convenience and Necessity to IAWC to acquire the Village of Pesotum's water system.

Aqua Illinois Water Company filed for water and sewer rate increases for Hawthorn Woods and Willowbrook districts.

The Commission issued Certificates of Public Convenience and Necessity to Aqua Illinois, Inc. to acquire the Village of Manteno's water system and to Rockwell Utilities, LLC to operate as a public water and sewer utility.

The Commission authorized civil penalties in March 2007 against Cedar Bluff Utilities, Inc., Apple Canyon Utility Company, Charmar Water Company, Cherry Hill Water Company, and Northern Hills Water and Sewer Company for failure to maintain continuing property records.

Water and sewer utilities continued their use of surcharges for purchased water, purchased sewage treatment, and qualifying infrastructure plant.

FERC

During 2007, the Federal Energy Regulatory Commission ("FERC") adopted Order 890 that ensured that transmission service is provided on a nondiscriminatory and just and reasonable basis, as well as provide for more effective regulation and transparency in transmission grid operation. FERC finalized a series of fundamental reforms to its market-based rate program that are intended to strengthen competitive markets and protect consumers by reinforcing regulations for just and reasonable wholesale electric power sales. FERC also issued the third of a series of orders, designed to establish a new regime to ensure reliability for the bulk electric power system and laying the foundation for mandatory, enforceable electric reliability standards. FERC also continued its efforts to improve wholesale electricity markets by issuing an advanced notice of proposed rulemaking seeking comment on how to improve the role of demand response in organized markets, increase opportunities for long-term power contracts, strengthen market monitoring and improve the responsiveness of RTOs/ISOs to customers and other stakeholders.

UTILITY REORGANIZATIONS/MERGERS/PLANT SALES

A corporate reorganization affecting the ownership of the parent of Illinois-American Water Company continued throughout 2007. On April 21, 2006, Thames Water Aqua Holdings GmbH, Thames Water Aqua US Holding, Inc. ("TWAUSHI"), American Water Works Company, Inc. ("American Water"), and Illinois-American Water Company filed pursuant to Section 7-204 of the Act requesting Commission approval of the sale by Thames GmbH of up to 100% of the shares of common stock of American Water in one or more public offerings and prior to the closing of the initial public offering, the merger of TWAUSHI with and into American Water, with American Water being the surviving corporation. Following the proposed transaction, American Water would be a publicly traded corporation that will own operating subsidiaries, including Illinois-American Water Company (Docket No. 06-0336). The Commission entered its Order approving the transaction on June 27, 2007. RWE, the indirect owner of American Water has postponed the equity offering as the timing of the IPO has not yet been determined because the RWE expects the current value paid for American Water will not be sufficient to fund RWE's planned dividend payments and share repurchase program.

The merger affecting Peoples Gas Light and Coke Company ("Peoples Gas"), and North Shore Gas Company ("North Shore") was completed in early 2007. On August 2, 2006, WPS Resources ("WPS"), Peoples Energy Corporation ("PEC"), Peoples Gas, and North Shore filed pursuant to Section 7-204 of the Act for Commission approval for the merger of PEC to become a wholly-owned subsidiary of WPS (Docket No. 06-0540). The Commission entered its Order approving the transaction February 7, 2007.

On February 22, 2006 Interstate Power and Light Company (Interstate) filed an amended petition, pursuant to Section 7-102 of the Act seeking approval by the Commission of the sale of Interstate's Illinois electric distribution and natural gas distribution assets to Jo-Carroll Energy Inc. (Docket No. 05-0835). Interstate also requested Commission authorization to abandon electric and natural gas retail service pursuant to Section 8-508 of the Act; and to cancel Interstate's electric and natural gas tariffs upon transfer of ownership to Jo-Carroll Energy Inc. pursuant to Section 9-201 of the Act. The Commission approved the transaction in its Order dated January 3, 2007. The sale was completed on February 6, 2007.

On February 22, 2006 South Beloit Water, Gas and Electric Company (South Beloit) filed an amended petition, pursuant to Section 7-102 of the Act seeking approval by the Commission of the sale of South Beloit's Illinois electric distribution and natural gas distribution assets to Rock County Electric Cooperative Association (RCECA)(Docket No. 05-0836). South Beloit also requested Commission authorization to abandon electric and natural gas retail service pursuant to Section 8-508 of the Act; and to cancel SBWGE's electric and natural gas tariffs upon transfer of ownership to RCECA pursuant to Section 9-201 of the Act. The Commission approved the transaction in its Order dated January 3, 2007. The sale was completed on February 6, 2007.

INTRODUCTION

The following report for calendar year 2007 was prepared to meet the requirements of the Public Utilities Act (PA-84-617). Section 4-304 of this Act instructs the Illinois Commerce Commission to prepare an annual report and provide copies to the Joint Committee on Legislative Support Services of the General Assembly, the Public Counsel, and the Governor.

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

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

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

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

During 2007, the following persons (listed alphabetically) served as members of the Illinois Commerce Commission.

Charles E. Box

Lula M. Ford

Robert F. Lieberman

Erin M. O'Connell-Diaz

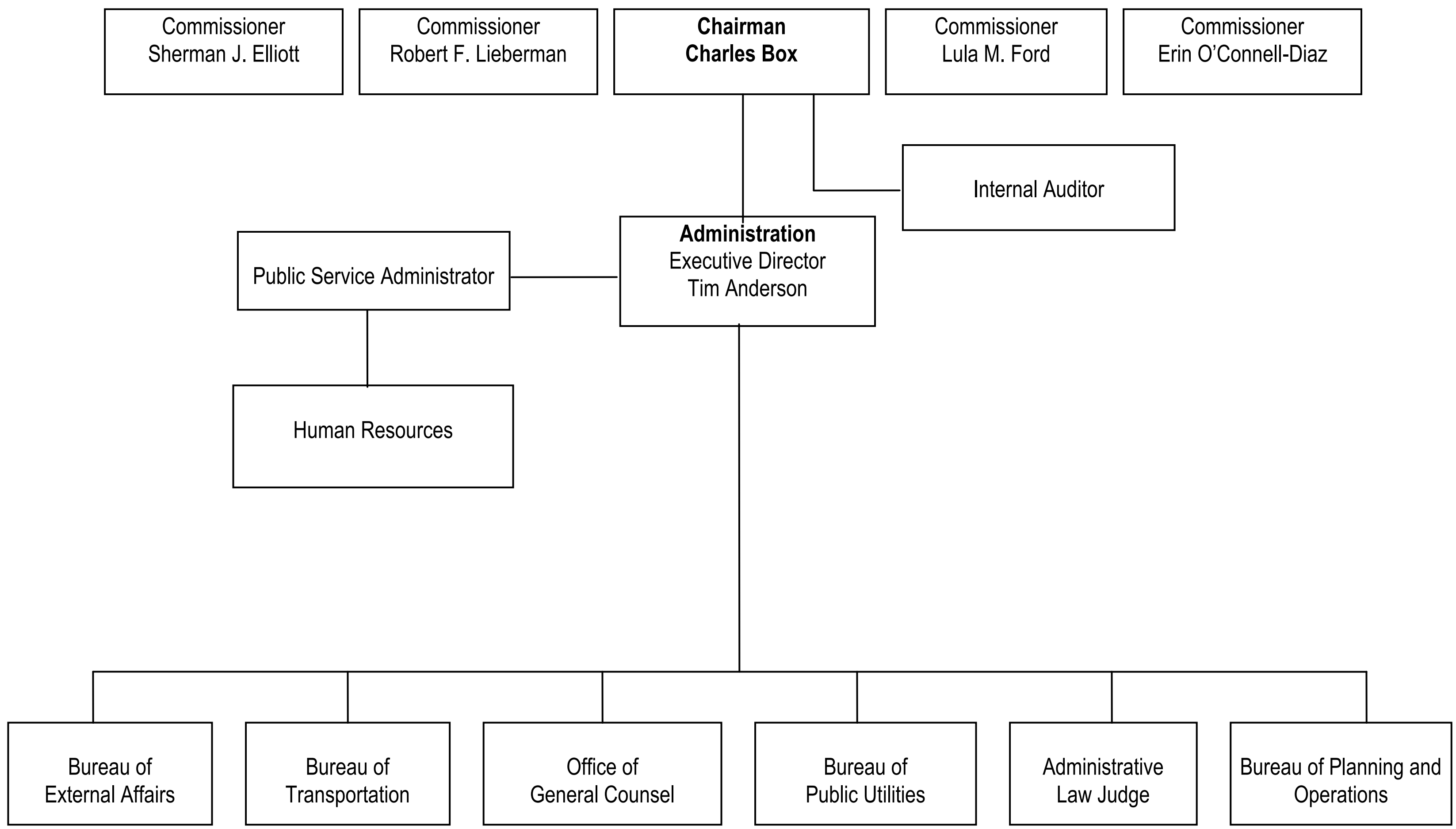
Kevin K. Wright

ILLINOIS COMMERCE COMMISSION

STATEMENT OF MISSION

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

ILLINOIS COMMERCE COMMISSION
ORGANIZATION CHART



Office of Public Affairs 1/08

SECTION 1

General Review of Agency Activities

Public Utilities Act Section 4-304 requires:

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

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

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

REVIEW OF SIGNIFICANT COMMISSION DECISIONS

Appendix A of this report contains summaries of significant Commission decisions made and other regulatory actions taken in 2007. These summaries are by no means exhaustive, but they do provide a representative sampling of Commission actions. If the reader would like to know more about any of the cases discussed in this report, both the Commission's order and the record for decision are available for examination in the Commission's Springfield office. In any proceeding in which the Commission has entered an order on the merits, the best summary of positions advocated and reasons for the Commission's adoption of a position is contained in the order itself.

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

PENDING CASES

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

SIGNIFICANT REGULATORY ACTIONS

Significant actions taken by the Commission during 2007 are described in the summary statement, "The Year in Review," immediately preceding this section.

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

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

CASES FILED DURING 2007

Table 1-1, Utility Cases Monthly Report, on the following page shows the cases and filings for each month for the years 2005, 2006 and 2007. This table also shows the totals by type for the year.

e-DOCKET: ICC's ELECTRONIC DOCKET FILING SYSTEM

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

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

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

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

e-DOCKET USERS MANUAL
PROVIDES INSTRUCTIONS FOR SEARCHING FOR DOCUMENTS

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

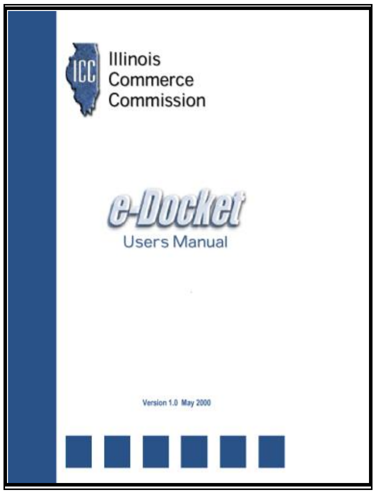


Table 1-1
Utility Cases Monthly Report

MONTHLY TOTALS	Current Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Calander Year To Date
	Prior Year													
Filings:														
New Cases	2007	87	71	75	53	67	45	33	31	37	34	50	46	629
	2006	87	81	99	79	77	53	62	60	47	60	69	41	815
	2005	68	60	102	59	46	82	53	94	71	58	60	115	868
Filings/Reports (SPI)	2007	825	586	697	596	534	494	504	519	517	646	474	613	7,005
	2006	891	719	803	737	717	640	683	729	498	630	583	481	8,111
	2005	667	660	841	1,118	933	767	679	785	737	739	462	719	9,107
Filings/Reports (CHI)	2007	-	-	-	-	-	-	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-	-	-
Hearing & Commission Action Notices	2007	167	78	136	156	142	115	142	137	125	112	114	93	1,517
	2006	218	192	174	161	224	173	216	187	134	174	151	141	2,145
	2005	166	154	237	223	235	189	142	183	181	254	148	168	2,280
Supplemental/Reopen Petitions	2007	-	-	-	1	1	-	-	-	-	-	1	-	3
	2006	-	-	5	-	-	-	3	-	-	-	-	-	8
	2005	-	1	37	1	-	-	1	1	-	-	-	-	41
Petitions for Rehearing	2007	1	2	1	-	3	1	2	2	2	2	1	-	17
	2006	5	37	2	-	2	1	2	10	4	7	2	6	78
	2005	-	1	4	1	5	4	6	36	-	6	3	7	73
Cases Closed	2007	90	45	82	60	49	71	40	51	44	45	40	36	653
(Orders/Commission Actions)	2006	147	90	113	76	73	58	97	56	118	75	33	54	990
	2005	73	85	94	72	61	137	57	57	90	65	82	74	947
Tariff Filings	2007	133	118	144	130	87	223	100	159	145	129	102	132	1,602
	2006	131	140	174	117	122	148	146	138	146	137	140	217	1,756
	2005	141	134	139	128	222	140	130	184	143	124	134	171	1,790

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

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

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

TABLE 1-3

Budget and Headcount by Division

For Fiscal Year 2008

	Chairman & Commissioners		Public Utility Division		Transportation Division		Totals	
	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $	Head Count	Budget $
Public Utility Fund	14	1,426,600	205	26,293,100	0	0	219	27,719,700
Transportation Fund	1	136,200	0	0	89	18,414,500	90	18,550,700
Digital Divide Infrastructure Fund	0	0	0	5,010,823	0	0	0	5,010,823
Capital Development Fund	0	0	0	0	0	74,275	0	74,275
Underground Utilities Damage Prevention Fund	0	0	0	75,000	0	0	0	75,000
Wireless Carrier Reimbursement Fund	0	0	1	19,500,000	0	0	1	19,500,000
Wireless Services Emergency Fund	0	0	1	45,900,000	0	0	1	45,900,000
Totals	15	1,562,800	207	96,778,923	89	18,488,775	311	116,830,498

Headcount is shown at the authorized level.
Budget $ shown represent the FY08 appropriation.

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

AGENCY ORGANIZATION AND ADMINISTRATION

There were no significant changes in Commission policies or programs with respect to agency organization or administration in 2007.

SECTION 2

A Discussion of the Utility Industry in Illinois

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

SIGNIFICANT CHANGES AND TRENDS IN THE UTILITY INDUSTRY

SIGNIFICANT DEVELOPMENTS IN THE ILLINOIS REGULATORY ENVIRONMENT

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

Illinois Power Agency Act

The IPAA provides almost one billion dollars of rate relief to Commonwealth Edison and Ameren customers. It sets up a mechanism to procure power for the utilities through a sealed bid process administered by the Illinois Power Agency. The IPAA also acknowledges a power contract between each utility and its affiliated generation company and provides for the utility to procure power through mechanisms described in the IPAA for power needed to replace expiring contracts from the 2006 electric procurement auction. The IPAA also set requirements for renewable resources in the utilities' portfolios. The Commission solicited comments and held hearings on the utility procurement plans. In December 2007, the Commission accepted the utilities' procurement plans, subject to modification, and the power procurements will occur in early 2008. After the 2008 procurement, the Illinois Power Agency will be responsible for procuring power for the utilities and will be providing its plans to the Commission for approval.

With respect to energy efficiency and demand response, the IPAA set standards for the utilities to meet and required them and the Department of Commerce and Economic Opportunity to file three-year plans to meet those standards with the Commission. The Commission has opened proceedings to examine those plans to ensure compliance with the standards of the IPAA.

Retail Electric Choice

The IPAA did not reverse the movement toward retail choice provided in the 1997 Law. The 1997 Law had a fixed a timetable for the introduction of electric retail choice in Illinois, beginning with opening the electric market on October 1, 1999. On that date, approximately 64,000 non-residential electric customers, about one-seventh of all non-residential customers, became eligible to choose a new electric supplier. An additional 609,000 non-residential customers became eligible on January 1, 2001, to choose a new electric supplier. The electric market was opened to the state's approximately 4.4 million residential customers in May 2002 so that now all customer classes are eligible to choose alternative suppliers, although to date no residential customer has switched to an alternative supplier. At the end of 2007, 25 suppliers were eligible to serve non-residential customers, and four suppliers were eligible to serve residential customers.

As of October 2007, approximately 53,787 non-residential customers were purchasing power and energy from an Alternative Retail Electric Supplier or from an electric utility selling outside its service area. Switching rates now surpass the 80% level among customers with a peak demand that exceeds one megawatt in the service territories of the three Ameren Companies and Commonwealth Edison. The number of customers buying from an alternative supplier increased over 300% from 2006. However, no residential customer has switched to an alternative supplier. Detailed electric customer switching statistics can be viewed on the Commission's web page at http://www.icc.illinois.gov/industry/publicutility/energy/switchingstatistics.aspx.

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

ELECTRICITY

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

AmerenCILCO
AmerenCIPS
AmerenIP
Commonwealth Edison Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company

Electric service is also provided in Illinois by municipal systems and electric cooperatives not subject to regulation by the Commission.[1]

The ICC approved the sales of Interstate Power and Light Company and South Beloit Water, Gas and Electric Company to separate buyers on January 3, 2007. With the Commission's approval, both the systems and their customers became part of two different electric cooperatives. These systems are no longer under the jurisdiction of the ICC.

A detailed presentation of the 2006 sales statistics presented below can be found in the Commission's "Comparison of Electric Sales Statistics for Calendar Years 2006 and 2005" at http://www.icc.illinois.gov/industry/publicutility/energy/salesstatistics.aspx.

Northern Illinois

Two public utilities provide electric service in northern Illinois: Commonwealth Edison Company, and MidAmerican Energy Company. Commonwealth Edison Company is the largest investor-owned electric utility in Illinois, serving 3,738,629 customers in over 400 communities including the Chicago metropolitan area. MidAmerican Energy Company provides service to 84,376 customers in 42 communities in northwestern Illinois.

For 2002 through 2006, these two utilities charged the following average prices, shown in cents per kWh, for bundled service class customers:

	2002	2003	2004	2005	2006
Commonwealth Edison	7.64¢	7.75¢	7.82¢	7.80¢	7.74¢
MidAmerican	6.11	6.05	5.92	6.22	6.17

Central Illinois and Southern Illinois

Four investor-owned public utilities provide electric service to central Illinois and southern Illinois: AmerenCILCO, AmerenCIPS, AmerenIP, and Mt. Carmel Public Utility Company. AmerenCILCO serves 209,989 customers in 136 communities in central Illinois. AmerenCIPS serves 387,934 customers in 576 communities across central and southern Illinois. AmerenIP serves 616,210 customers in approximately 420 Illinois communities in central and southern Illinois. Mt. Carmel Public Utility Company serves 5,561 customers in two communities in southeastern Illinois.

For 2002 through 2006, these four utilities charged the following average prices, shown in cents per kWh, for bundled service class customers:

	2002	2003	2004	2005	2006
AmerenCILCO	6.12¢	6.06¢	5.24¢	6.22¢	6.30¢
AmerenCIPS	6.30	6.51	5.85	5.86	5.78
AmerenIP	6.84	6.97	7.05	6.86	6.68
Mt. Carmel	7.33	7.44	7.62	7.70¢	7.75

Table 2-1

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

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

Table 2-1

Illinois Electric Utilities

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

2006

Class of Service	Ameren CILCO	Ameren CIPS	Ameren IP	ComEd	Interstate Power	Mid-American	Mt. Carmel	South Beloit
Bundled Service								
Residential Sales	6.94	7.26	7.71	8.66	7.74	8.35	9.76	7.03
Small (or Commercial) Sales	6.58	6.31	7.44	7.80	6.54	6.54	10.33	6.29
Large (or Industrial) Sales	5.20	3.92	4.61	5.45	3.97	3.97	5.82	4.80
Public Street & Highway Lighting	5.31	8.64	7.19	6.54	16.68	8.69	-	11.97
Other Sales To Public Authorities	-	5.55	6.71	5.98	5.67	5.22	7.39	-
Sales To Railroads	-	-	-	5.73	-	-	-	-
Sales to Ultimate Customers	6.30	5.78	6.68	7.74	6.07	6.17	7.75	5.98

Electric Reliability

Pursuant to Section 16-125 of the Public Utilities Act and the Commission's electric reliability rules as found in 83 Ill. Adm. Code 411, each of the six investor-owned public utilities is to file an annual electric reliability report summarizing the entity's reliability performance, actions to maintain or improve its reliability, and other electric system reliability issues specific to the utility. Each utility's annual electric reliability report can be found on the Commission's web site at http://www.icc.illinois.gov/industry/publicutility/energy/electricity/electricreliability.aspx.

The following two tables show that the overall reliability of service decreased in 2006 compared to previous years. All six utilities stated that the main reason for the reduction in the overall service reliability was the number and severity of storms in 2006. The utilities report two indices that can be used to compare system reliability: the system (all customers) average interruption duration index ("CAIDI") and the system average interruption frequency index ("SAIFI"). The following table presents the CAIDI, which is the sum of all interruptions, in minutes, divided by the total number of customer interruptions, for years 2002 through 2006:

			CAIDI		
	2002	2003	2004	2005	2006
AmerenCILCO	224	312	247	165	489
AmerenCIPS	113	119	143	112	754
AmerenIP	166	228	268	196	1,545
Commonwealth Edison	96	168	128	104	149
MidAmerican	66	77	70	72	87
Mt. Carmel	84	50	177	66	224

The following table presents the SAIFI, which is calculated by dividing the total number of customers served into the total number of customer interruptions (the lower the value—the better the reliability), for years 2002 through 2006:

			SAIFI		
	2002	2003	2004	2005	2006
AmerenCILCO	1.61	1.86	1.45	1.23	1.61
AmerenCIPS	1.58	1.36	1.66	1.38	2.04
AmerenIP	1.15	1.27	1.49	1.38	2.53
Commonwealth Edison	1.06	1.31	1.21	1.18	1.43
MidAmerican	1.97	2.10	2.03	1.77	1.89
Mt. Carmel	3.59	2.71	2.69	1.39	1.90

NATURAL GAS

Eleven (11) investor-owned gas public utilities currently provide natural gas service in the State of Illinois:

AmerenCILCO
AmerenCIPS
AmerenIP
Atmos Energy Corporation
Consumers Gas Company
Illinois Gas Company
MidAmerican Energy Company
Mt. Carmel Public Utility Company
Nicor Gas Company
North Shore Gas Company
Peoples Gas Light and Coke Company.

Natural gas service is also provided in Illinois by municipal gas systems and gas cooperatives not subject to regulation by the Commission.[2]

During 2007, natural gas service was available without major interruption to all firm customers served by these 11 Illinois gas utilities. A considerable number of commercial and industrial customers chose to purchase gas directly from wholesale suppliers and use the local gas utility as a transporter. Residential customers served by Nicor Gas Company, North Shore Gas Company,

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

Peoples Gas Light and Coke Company are allowed to purchase gas directly from wholesale suppliers. During 2008, sufficient supplies of natural gas are expected to be available to all customers.

There were 13 natural gas utilities in the state at the beginning of 2007. However, the sale of two utilities, Interstate Power and Light Company and South Beloit Water, Gas and Electric Company, were approved by the ICC. On February 6, 2007, both systems ceased operating as public utilities, and their customers become part of two different natural gas cooperatives. These systems are no longer under the jurisdiction of the ICC.

A detailed presentation of the 2006 sales statistics presented below can be found in the Commission's "Comparison of Gas Sales Statistics for Calendar Years 2006 and 2005" at http://www.icc.illinois.gov/industry/publicutility/energy/salesstatistics.aspx.

Northern Illinois

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

Nicor Gas Company is the largest gas distribution company in the state and provides service to 1,930,275 customers in 642 communities in northern Illinois. Peoples Gas Light and Coke Company, which serves the City of Chicago, is the second largest gas utility in Illinois with 784,271 customers. North Shore Gas Company serves 150,786 gas customers in 54 communities north of the Chicago area. Finally, MidAmerican Energy Company serves 65,474 customers in 26 communities.

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

For 2002 through 2006, these four utilities charged the following average prices shown in cents per therm:

	2002	2003	2004	2005	2006
MidAmerican	60.59¢	84.68¢	90.24¢	112.78¢	102.90¢
Nicor Gas	49.70	75.01	79.26	101.38	89.72
North Shore	68.36	83.05	94.11	117.43	114.58
Peoples Gas	74.20	94.18	106.36	130.15	130.80

Central Illinois

Three public utilities distribute and sell natural gas in central Illinois: AmerenCILCO, AmerenCIPS, and AmerenIP. AmerenCILCO provides gas service to 212,415 customers in 110 communities including Peoria and Springfield. AmerenCIPS serves mostly rural areas in central and southern Illinois, providing service to 296 communities with 185,558 customers. AmerenIP provides gas service to 418,388 customers in 309 communities in various parts of the state, ranging from Galesburg in west-central Illinois to areas in southwestern Illinois including the East St. Louis metropolitan area.

For 2002 through 2006, these three utilities charged the following average prices shown in cents per therm

	2002	2003	2004	2005	2006
AmerenCILCO	69.54¢	83.50¢	93.11¢	112.22¢	114.85¢
AmerenCIPS	80.73	91.17	105.61	122.32	120.92
AmerenIP	69.48	84.46	97.46	112.01	120.76

Southern Illinois

Gas distribution and sale of natural gas is provided in southern Illinois by two large distribution companies discussed above, AmerenCIPS and AmerenIP, and the following four smaller distribution companies: Atmos Energy Corporation, Consumers Gas Company, Illinois Gas Company, and Mt. Carmel Public Utility Company. Atmos Energy Corporation provides service to 23,018 customers in 30 communities in a number of distinct service areas in southern Illinois. Illinois Gas Company serves 9,937 customers in 15 communities in the Lawrenceville-Olney area. Consumers Gas Company serves 5,649 customers in 13 communities in the Carmi area. Finally, Mt. Carmel Public Utility Company serves 3,614 customers in 7 communities in the Mt. Carmel area.

For 2002 through 2006, these four utilities charged the following average prices shown in cents per therm

	2002	2003	2004	2005	2006
Atmos Energy	74.12¢	91.42¢	93.26¢	128.72¢	114.91¢
Consumers Gas	70.45	85.02	101.63	123.51	123.88
Illinois Gas	74.72	91.34	97.22	130.79	127.75
Mt. Carmel	77.40	88.25	99.57	128.77	136.86

Table 2-2

The price of gas sold by the gas utilities varied between utilities and within utilities depending upon the class of customer served. A major portion of the price per therm of gas is determined by the suppliers of natural gas that serve the local distribution company. Table 2-2 shows detailed 2006 price per therm information for all gas utilities under the Commission's jurisdiction.

Table 2-2
Illinois Gas Utilities
Revenue in Cents per Therm by Class of Service and by Company
2006

	Ameren CILCO	Ameren CIPS	Ameren IP	Atmos Energy	Consumers Gas	Illinois Gas	Interstate Power
Residential Sales	123.29	123.92	127.09	122.01	129.28	137.90	100.51
Small (or Commercial) Sales	114.07	119.25	119.86	104.73	115.32	131.70	90.50
Large (or Industrial) Sales	85.36	100.07	87.59	84.94	112.09	105.66	105.57
Other Sales To Public Authorities	-	55.54	27.75	98.90	115.92	-	-
Total Sales To Ultimate Customers	114.85	120.92	120.76	114.91	123.88	127.75	98.03

	Mid-American	Mt. Carmel	Nicor Gas	North Shore Gas	Peoples Gas	South Beloit
Residential Sales	106.64	139.57	89.90	115.71	133.00	92.23
Small (or Commercial) Sales	98.11	130.75	89.42	109.90	121.13	85.48
Large (or Industrial) Sales	81.30	-	85.74	106.33	113.76	76.66
Other Sales To Public Authorities	-	-	-	-	-	-
Total Sales To Ultimate Customers	102.90	136.86	89.72	114.58	130.80	88.96

WATER AND SEWER UTILITIES

Overview

The Commission currently regulates 27 water, 4 sewer, and 14 combined water and sewer investor-owned utilities. While the number of investor-owned utilities is a small percentage of the 1,789 public water suppliers and 808 public sanitary sewage systems with treatment facilities in the state, these investor-owned utilities provide water service to approximately 1.2 million people and sewer service to 164,000 people. These investor-owned utilities serve customers in 37 counties and are concentrated in the Chicago metropolitan area. The number of water and sewer customers served ranges from 24 to 304,974. Only nine water utilities serve more than 1,000 customers. Table 2-3 presents a comparison of bills for water utility rate areas where 1,000 or more customers are served.

While the total number of investor-owned water and sewer utilities has remained relatively stable during the past year, one new investor-owned water and sewer utility received a Certificate of Public Convenience and Necessity to provide water and sewer service. The Commission has continued its efforts to reduce the number of small utilities. Small utilities, due to their limited number of customers, typically have difficulties generating sufficient revenues to maintain the system and to hire employees with the necessary expertise to function efficiently as an investor-owned utility.

The Commission has found that, in most cases, customers receive better service at lower rates from larger utilities due to realized economies of scale. The Commission has promoted acquisitions or mergers of small systems by larger municipal and investor-owned utilities to take advantage of these economies of scale. When acquisitions and mergers are not practical, the possibility of operating a small system as a mutual by a homeowners association is investigated. Mutual operations, which are exempt from Commission jurisdiction, often result in lower costs to customers for small systems. This type of activity was evident during 2007:

- Rockwell Utilities, LLC, acquired the water and sewer system of Sullivan Lake Water and Wastewater System, a private service provider. The Commission issued a Certificate of Public Convenience and Necessity to Rockwell Utilities, LLC to operate as a public water and sewer utility in August 2007 (Docket No. 06-0522). This water and sewer system is expected to provide service to approximately 1,400 customers in Lake County when it becomes fully developed.
- The Commission issued a Certificate of Public Convenience and Necessity to Aqua Illinois, Inc. to acquire the Village of Manteno's water system in June 2007 (Docket No. 06-0203). This system currently serves approximately 3,400 customers in Kankakee County.
- The Commission issued a Certificate of Public Convenience and Necessity to Illinois-American Water Company to acquire the water system of the Village of Pesotum in March 2007 (Docket No. 06-0564). This system currently serves approximately 258 customers in Champaign County.
- Aqua Illinois, Inc. filed a Petition in Docket No. 07-0296 seeking to acquire the Village of Sun River Terrace's water system currently serving approximately 200 customers in Kankakee County.

Regulatory Activities

In late 2006 and early 2007, water utilities filed tariffs with the Commission to establish the maximum percentages of unaccounted-for water ("UFW") that would be considered in the determination of any rates or surcharges. (See Section 8-306(m) of the Public Utilities Act.) Although the Commission's regulations do not define UFW, the term generally includes water lost through leaks anywhere within the water distribution system, as well as apparent losses caused by unauthorized consumption, water meter inaccuracies, and data handling errors. The percentages of UFW of the filed tariffs range from 1.0% to 25.5%, with a median of 15.0%. The amounts that water utilities charge for UFW may not exceed these percentages unless the water utilities provide well-documented support and justification to the Commission.

The Commission issued an Order, on December 20, 2006, authorizing increased water rates for Aqua Illinois, Inc., in Docket No. 06-0285; the increase applied only to the Kankakee Division serving 24,761 customers. Additionally, the Commission approved the issuance of revised rate tariffs for Woodlawn Utilities Corporation through the Simplified Rate Case Procedures on March 6, 2007, providing for increased water rates for approximately 100 customers.

In March 2007, the Commission assessed civil penalties for failure to maintain complete continuing property records, which are necessary to establish evidentiary support in rate cases, against five of the twenty four utilities owned by Utilities, Inc.: Cedar Bluff Utilities, Inc., Apple Canyon Utility Company, Charmar Water Company, Cherry Hill Water Company, and Northern Hills Water and Sewer Company (Docket No. 06-0360).

The Village of Homer Glen filed a complaint (Docket No. 06-0095) against Illinois-American Water Company ("IAWC"). The Village generally alleged that IAWC was improperly billing customers. This Complaint was joined by CUB, and consolidated with an individual customer billing complaint (Docket No. 05-0681) and a related billing complaint by the Illinois Attorney General (Docket No. 06-0094). On April 18, 2007, the Commission issued an Order instructing IAWC to correct immediately billing, metering, and fire hydrant inspection issues. The Commission issued specific deadlines for inspections and maintenance, meter replacements, customer notifications, and customer service improvements. The Commission also determined that it would reopen IAWC's last rate case to determine the reasonableness of rates currently charged for those services if IAWC failed to file a rate case within six months. IAWC subsequently filed a rate case in Docket No. 07-0507 on August 31, 2007. On August 29, 2007, the Commission issued an Order on Rehearing directing IAWC to implement a fire hydrant reporting protocol that involves immediate and follow-up reports to fire departments on inoperable fire hydrants and schedules of repair.

On June 27, 2007, the Commission issued an Order approving the merger and sale of the shares of common stock of IAWC's parent companies, American Water Works Company, Inc. and Thames Water Aqua US Holdings, Inc. (Docket No. 06-0336).

The Commission held a series of public forums in September and October 2007 to hear public comments on fire protection service charges, as required by the General Assembly. (See Section 9-223(b) of the Public Utilities Act.) Utilities may apply a fixed charge sufficient to meet fire protection costs in a community or fire protection district. Aqua Illinois, Inc. and IAWC are the only utilities currently levying such charges to customers. IAWC also charges some municipalities and fire protection districts.

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

Discussion of Water and Sewer Utilities

Water supplies for investor-owned water utilities were generally adequate in 2007.

Many of the larger investor-owned water utilities serve municipalities adjacent to the state's major rivers; these utilities use the rivers as their source of water supply. River supplies are generally adequate. When treated, the river water meets the standards established by the Illinois EPA with the exception of nitrate levels. In some water systems, the nitrate levels exceed the Illinois EPA standards during periods of heavy water run-off from agricultural lands. Affected utilities have taken steps to reduce nitrates to safe levels during these periods.

Most of the smaller investor-owned water utilities serve unincorporated residential developments, often a single subdivision, and are typically located in the northern half of the state. Wells serve as the source of water supply for most small systems. Well water quality varies considerably, and well water can contain undesirable minerals such as iron, manganese, and calcium that, while not injurious to health, do cause aesthetic problems. Aesthetic problems have caused several well systems located in the Chicago metropolitan area to obtain Lake Michigan water. Another main water quality concern for groundwater is the presence of arsenic, a naturally occurring element, at concentrations above the federal standard of 10 ppb. Water systems had until January 2006 to come into compliance with this revised standard, which is an 80% reduction from the prior standard. No investor-owned water utilities were cited for arsenic level violations during 2006 and 2007.

Of the 18 investor-owned utilities that provide sewer service, only two systems provide service to more than 5,000 customers. The other sewer systems are small, although one does provide sewer service to a major manufacturing plant. Some of the sewer systems have difficulty meeting the effluent discharge standards established by the Illinois EPA. Due to the prohibitive cost of constructing new sewage treatment plants for a limited number of customers, the smallest sewer systems have, where possible, sought treatment from nearby regional plants. For example, sewer utilities located within the boundaries of the Metropolitan Water Reclamation District of Greater Chicago ("MWRD") discharge their waste to the MWRD for treatment. The investor-owned sewer utilities provide sewer service primarily to residential customers and serve a very limited number of commercial and industrial customers.

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

Table 2-3
Illinois Water Utility Rate Areas Serving 1,000 or More Customers
Bill Comparison - Residential Customers with 5/8 Inch Meters
Based upon Rates in Effect on November 30, 2007

Area of State/ Utilities/ Service Areas	Total Number of Customers	Bill Comparison Based upon Water Usage 2,000 Gallons	7,000 Gallons	12,000 Gallons
NORTHERN				
Apple Canyon	2,646	$ 14.83	$ 38.13	$ 61.43
Aqua Illinois				
Candlewick	1,793	23.16	46.06	68.96
Kankakee	24,761	27.14	47.28	67.41
University Park	2,298	15.22	23.40	31.58
Willowbrook	1,023	13.80	32.70	47.36
Woodhaven-Campsite	6,157	15.68	15.68	15.68
Galena Territory	2,150	18.00	28.08	40.68
Illinois-American				
Chicago Metro				
Well Water	1,551	20.32	37.30	54.28
Lake Water				
Chicago Suburban	4,289	33.66	59.82	85.98
DuPage County	6,149	29.42	51.78	74.14
Fernway	1,995	24.67	52.53	80.39
Sante Fe/SW & W Suburban	28,815	27.29	61.70	96.11
South Beloit	2,591	14.32	33.23	52.15
Sterling	6,498	25.11	42.20	59.28
Streator	7,635	21.80	39.05	56.30
Lake Holiday	2,074	11.14	26.49	41.84
Lake Wildwood	1,418	17.58	35.68	53.78
New Landing	1,004	14.68	26.38	38.08
Rockwell	1,400	15.40	33.90	52.40
Whispering Hills	2,349	11.34	26.84	42.34
CENTRAL				
Aqua Illinois				
Vermilion	21,045	26.87	52.11	77.35
Illinois-American				
Champaign	49,582	15.14	27.87	40.61
Lincoln	5,827	18.43	36.46	54.50
Pekin	13,935	16.93	25.79	.34.66
Peoria	51,371	22.23	39.63	57.04
Pontiac	4,268	24.69	42.25	59.81
SOUTHERN				
Illinois-American				
Alton	18,174	21.21	38.50	55.79
Cairo	1,183	25.63	42.66	59.69
Interurban	68,344	21.18	38.45	55.71

FINANCIAL HEALTH OF THE UTILITY INDUSTRY IN ILLINOIS

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

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

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

Electric Utility Bond Ratings by Standard and Poor's
2003 through November 30, 2007

	2003	2004	2005	2006	2007
Electric Utility Industry Average	BBB	BBB	BBB	BBB	BBB
AmerenCILCO	A-	A-	BBB+	BBB-	BB
AmerenCIPS	A-	A-	BBB+	BBB-	BB
AmerenIP	B	A-	BBB+	BBB-	BB
Commonwealth Edison	A-	A-	BBB+	BBB-	BB
MidAmerican	A	A-	A-	A-	A-

In April 2007, Standard & Poor's ("S&P") downgraded the corporate credit ratings of the three Ameren Companies to BB, two ratings notches below investment grade. In June 2007, S&P downgraded Commonwealth Edison to BB. The credit downgrades were due to the possible extension of the electric rate freeze. S&P changed the credit watch for the three Ameren Companies and Commonwealth Edison from negative to stable with the signing into law of Illinois Power Agency Act, P.A. 095-0481; however, the credit ratings were not upgraded, as the credit agencies remain wary of political intervention in the new power procurement process. The non-investment grade corporate credit ratings have led suppliers to tighten credit terms in the form of shorter payment periods and demands for credit security. The secured credit ratings of the three Ameren Companies and Commonwealth Edison remain investment grade (AmerenIP at BBB-; AmerenCILCO, AmerenCIPS and Commonwealth Edison at BBB), which facilitates a relatively broad market and thus competitive cost for the Companies' mortgage bonds.

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

Gas Utility Bond Ratings by Standard and Poor's
2002 through November 30, 2007

	2003	2004	2005	2006	2007
Gas Distribution Industry Average	BBB+	A-/BBB+	A-/BBB+	A-	A-
Nicor Gas	AA	AA	AA	AA	AA
North Shore	A-	A-	A-	A-	A-
Peoples Gas	A-	A-	A-	A-	A-

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

SECTION 3

A Discussion of Energy Planning

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

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

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

INTEGRATED RESOURCE PLANNING

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

COGENERATION

Commission Rule

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

The most important portion of the rules is the requirement that a utility must purchase cogenerated power at a price commensurate with the utility's avoided cost. Table 3-1 lists the 2007 avoided costs as filed annually by Illinois electric utilities.

Special Rates

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

Table 3-1
Illinois Electric Utilities
Avoided Cost Rate Structure
2007

Electric Utility	Summer Rates	Winter Rates
AmerenCILCO		
On-Peak	7.70¢/kWh	5.95¢/kWh
Off-Peak	3.94¢/kWh	3.85¢/kWh
AmerenCIPS		
On-Peak	7.70¢/kWh	5.95¢/kWh
Off-Peak	3.94¢/kWh	3.85¢/kWh
AmerenIP		
On-Peak	7.70¢/kWh	5.95¢/kWh
Off-Peak	3.94¢/kWh	3.85¢/kWh
Commonwealth Edison		
On-Peak	7.329¢/kWh	6.577¢/kWh
Off-Peak	3.984¢/kWh	3.939¢/kWh
MidAmerican		
On-Peak	2.37¢/kWh	1.84¢/kWh
Off-Peak	1.65¢/kWh	1.30¢/kWh
Mt. Carmel		
On-Peak	2.489¢/kWh	2.489¢/kWh
Off-Peak	2.489¢/kWh	2.489¢/kWh

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

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

SECTION 4

Availability of Utility Services to All Persons

(4) A discussion of the extent to which utility services are available to all Illinois citizens including:
(a) Percentage and number of persons or households requiring each such service who are not receiving such service, and the reasons therefore, including specifically the number of such persons or households who are unable to afford such service.
(4-b) a critical analysis of existing programs designed to promote and preserve the availability and affordability of utility services.

PROGRAMS DESIGNED TO PROMOTE THE AFFORDABILITY OF UTILITY SERVICES

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

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

To determine a rough estimate of the number of persons lacking utility service, one can look at the aggregate disconnection/reconnection figures for a 12-month period. The results for the period of December 2006 through November 2007 are as follows.

The average heat related residential class customer base equaled 7,298,374 households. In this class 118,057 accounts were disconnected and 72,035 were reconnected. This yields a 61 percent reconnection rate leaving 46,022 accounts not reconnected. The disconnected accounts represent 1.6 percent of the average residential customer base, while those accounts not reconnected represent a rate of 0.6 percent.

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

Temperature-Based Termination

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

Disconnection of Military Personnel on Active Duty

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

Disconnection of Certain Customers During the Winter Heating Season

Customers Receiving LIHEAP funds

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

Certain Electric Space-Heating Customers

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

Preferred Payment Date

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

Deferred Payment Agreement

This agreement allows a customer who owes the utility for a past due bill to maintain utility service by paying the past due amount in installments over a period of four to twelve months while continuing to pay current bills as they become due. Of the customers whose service was reconnected during the winter of 2006 – 2007 and who were given a payment plan, 18.4 percent were allowed six months or longer to pay the past due amount. Depending on the outstanding amount, the amount of the current bills, and the customer's income, this rule helps many customers, but it falls short of assisting those customers who simply have utility bills that are greater than their income can afford. Commission rules do allow for reinstatement after default and renegotiation of the payment agreement if the customer's financial circumstances change for the worse.

Reconnection

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

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

As required in the "winter reconnection" rule, on or about October 1, 2007, letters were sent to 47,763 former customers statewide who, according to utility records, were not then receiving heat related utility service. A total of 12,183 former customers requested that their service be reconnected. Of these, 4,301 customers were reconnected upon payment of the total bill and 6,255 were reconnected upon payment of a portion of the past due utility bill. Reconnection requests of 1,627 customers were denied. The reasons for denial are categorized as follows:

- 468 former customers failed to make a required down payment;
- 1,158 former customers failed to pay one-third of the amounts billed since December 1, 2006;

- 0 former customers had been reconnected under this rule last year; and
- 1 former customer resided where equipment tampering or diverted utility service was detected.

The above information indicates that 35,580 former customers did not respond to the inquiries posed by the utilities. It is impossible to determine whether these households are truly without utility service and, if so, why they do not have service.

Financial Assistance:

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

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

THE FINANCIAL IMPACT OF UNCOLLECTIBLE EXPENSES

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

To illustrate the amount of uncollectible expense for electric and gas utilities, the years 2006 and 2005 provide the most recent data available at the Commission. The actual amount recovered in utility rates at any one time depends on the test year expense in the utility's last rate case. For example, if a utility utilized a 2002 test year for its last rate case, the amount of uncollectible expense approved for the test year is included in that utility's rates until the next rate case.

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

Electric Utilities

Total 2006 Uncollectible Expense for Illinois electric utilities was $32,345,925 compared to $49,854,405 in 2005. These amounts represent 0.41% of total Revenue from Sales to Ultimate Customers[3] in 2006 and 0.62% of total Revenue from Sales to Ultimate Customers in 2005. ComEd had the largest amounts of Uncollectible Expense with $33,021,031 in 2006 and $32,082,072 in 2005; these amounts represented 0.59% of its 2006 Revenue from Sales to Ultimate Customers and 0.56% of its 2005 Revenue from Sales to Ultimate Customers. The Commission's "Comparison of Electric Sales Statistics for Calendar Years 2006 and 2005" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on page 33; this Comparison can be found on the Commission's web site at http://www.icc.illinois.gov/industry/publicutility/energy/salesstatistics.aspx.

Gas Utilities

Total 2006 Uncollectible Expense for Illinois gas utilities was $90,625,337 compared to $93,932,127 in 2005. These amounts represent 1.88% of total Revenue from Sales to Ultimate Customers[4] in 2006 and 1.70% of total Revenue from Sales to Ultimate Customers in 2005. Nicor Gas and Peoples Gas had the largest amounts of Uncollectible Expense. Nicor Gas had Uncollectible Expense of $38,058,000 in 2006 and $42,591,000 in 2005; these amounts represented 1.82% of its 2006 Revenue from Sales to Ultimate Customers and 1.67% of its 2005 Revenue from Sales to Ultimate Customers. Peoples Gas had Uncollectible Expense of $34,619,281 in 2006 and $39,624,003 in 2005; these amounts represented 2.67% of its 2006 Revenue from Sales to Ultimate

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

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

Customers and 2.71% of its 2005 Revenue from Sales to Ultimate Customers. . The Commission's "Comparison of Gas Sales Statistics for Calendar Years 2006 and 2005" provides a detailed presentation of Uncollectible Accounts and Forfeited Discounts on pages 21 and 22; this Comparison can be found on the Commission's web site at http://www.icc.illinois.gov/industry/publicutility/energy/salesstatistics.aspx.

CONSUMER EDUCATION ACTIVITIES

Customer Choice—"Plug In Illinois"

Section 16-117 of the Public Utilities Act, the Illinois Electric Service Customer Choice and Rate Relief Law of 1997, restructures the state's electric utility industry. It requires the Illinois Commerce Commission to maintain a consumer education program to provide residential and small commercial retail customers with information to help them understand their service options, rights, and responsibilities. In accordance with the law, the ICC formed a working group consisting of representatives of the investor-owned utilities, alternative retail electric suppliers, consumer organizations, and ICC staff to develop information. The group developed competitively-neutral brochures and bill inserts for small commercial retail customers and for residential customers. Details regarding the initial development and implementation of the program are included in the annual reports from 1998 through 2002. Residential customers have been eligible for choice since May 2002; four residential suppliers have been certified however, no suppliers have entered the market to serve them as of the end of 2007.

The ICC Plug In Illinois web site has information for consumers containing an overview of the electric service restructuring and customer choices and a list of alternative suppliers certified by the Commission.

SECTION 5

Implementation of The Commission's Statutory Responsibilities

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

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

COMMISSION REORGANIZATION

During 2007, there were no organizational changes resulting from statutory responsibilities. Various changes made since the passage of the new Public Utilities Act have been reported in previous Commission annual reports.

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

CONSTRUCTION AND RATE SUPERVISION

CONSTRUCTION AUDITS

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

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

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

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

Section 8-407 (b) Activities
No activities were required during 2007.

Section 9-213 Activities
No activities were required during 2007.

MANAGEMENT AUDITS

Statutory Requirements

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

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

Commission Responsibilities

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

In August 2006, the Commission, in its Order for Docket No. 06-0556, initiated a management audit of Peoples Gas Light and Coke Company and North Shore Gas Company. This management audit will focus upon the two gas utilities' gas purchasing practices, gas storage operations, and storage activities, as well as affiliate transactions in these areas. This management audit will be completed in early 2008.

EXCESS CAPACITY, USED, AND USEFUL

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

No activities were required during 2007.

RATE MODERATION PLAN

The Public Utilities Act authorizes the Commission to consider the adoption of a rate moderation plan that would lessen rate impacts associated with new power plants coming into service. During 2007, no new power plants were placed in service in Illinois that fall under the Commission's jurisdiction. As a result, the Commission did not use its authority to adopt a rate moderation plan.

COST-BASED RATES

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

The Commission made consistent progress towards the establishment of cost-based rates in utility rate cases conducted over the years 1998-2007. However, new cost-based rates that became effective on January 2, 2007, for ComEd and Ameren impacted residential customers, especially residential electric space heat customers, to such an extent that the Commission opened two proceedings for the purpose of adopting redesigned rates that were not based solely on cost but were rather based on a more even distribution of percentage increases for each of the customer classes, so that the burden to the residential electric space heat customers was significantly lessened.

A total of 21 gas rate cases and nine electric rate cases were filed during this period. Additionally, with the passage of the Electric Service Customer Choice and Rate Relief Law of 1997, nine electric utilities filed cases for delivery services implementation and for residential delivery services implementation and eight electric utilities filed cases for metering services unbundling. The gas cases were filed by MidAmerican Energy Company ("MEC"), Central Illinois Light Company ("AmerenCILCO"), Northern Illinois Gas Company ("Nicor Gas"), Peoples Gas Light and Coke Co. (Peoples Gas"), North Shore Gas Company ("North Shore"), Mt. Carmel Public Utility Co. ("Mt. Carmel"), Illinois Gas Company ("IGC"), Central Illinois Public Service Company ("AmerenCIPS"), Union Electric Company ("AmerenUE"), South Beloit Water Gas and Electric Company ("SBWGE"), Consumers Gas Company, and Illinois Power Company ("AmerenIP"). The electric rate cases were filed by Mt. Carmel, ComEd, AmerenCILCO, AmerenCIPS, and AmerenIP. The electric delivery service cases were filed by ComEd, AmerenIP, AmerenCIPS, AmerenUE, Mt. Carmel, MEC, AmerenCILCO, SBWGE, and Interstate Power and Light Company ("IPC"). Additionally, except for Mt. Carmel, the same electric Companies filed for unbundling of delivery services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2007, Peoples Gas and North Shore Gas filed gas rate cases (Docket Nos. 07-0241 & 07-0242). These proposed rates were suspended by the Commission. An order for these proceedings will be approved by February 5, 2008.

In November 2007, Ameren Illinois filed a gas rate case for each of its three Illinois Utilities (Docket Nos. 07-0588, 07-0589, & 07-0590). These proposed tariffs were suspended by the Commission. An order for these proceedings will be approved by September 30, 2008.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In October 2007, ComEd filed a delivery services rate case (Docket No. 07-0566) for delivery services tariffs. These proposed tariffs were suspended by the Commission. An Order for this proceeding will be approved by September 14, 2008.

In November 2007, Ameren Illinois filed an electric delivery services rate case for each of its three Illinois Utilities (Docket Nos. 07-0585, 07-0586, & 07-0587). These proposed tariffs were suspended by the Commission. An Order for these proceedings will be approved by September 30, 2008.

MERGERS

On April 21, 2006, Thames Water Aqua Holdings GmbH, Thames Water Aqua US Holding, Inc. ("TWAUSHI"), American Water Works Company, Inc. ("American Water"), and Illinois-American Water Company filed pursuant to Section 7-204 of the Act requesting Commission approval of the sale by Thames GmbH of up to 100% of the shares of common stock of American Water in one or more public offerings and prior to the closing of the initial public offering, the merger of TWAUSHI with and into American Water, with American Water being the surviving corporation. Following the proposed transaction, American Water would be a publicly traded corporation that will own operating subsidiaries, including Illinois-American Water Company (Docket No. 06-0336). The Commission entered its Order approving the transaction on June 27, 2007. RWE, the indirect owner of American Water has postponed the equity offering as the timing of the IPO has not yet been determined because the RWE expects the current value paid for American Water will not be sufficient to fund RWE's planned dividend payments and share repurchase program.

On August 2, 2006, WPS Resources ("WPS"), Peoples Energy Corporation ("PEC"), Peoples Gas Light and Coke Company, and North Shore Gas Company filed pursuant to Section 7-204 of the Act for Commission approval for the merger of PEC to become a wholly-owned subsidiary of WPS (Docket No. 06-0540). The Commission entered its Order approving the transaction

February 7, 2007. On February 21, 2007, pursuant to that certain Agreement and Plan of Merger dated as of July 8, 2006, as amended, by and among PEC, WPS, and Wedge Acquisition Corp., the merger of Wedge with and into Peoples Energy was completed. As a result of the merger, Peoples Energy became a wholly-owned subsidiary of WPS Resources.

ASSET TRANSFERS OR SALES

On February 22, 2006 Interstate Power and Light Company (Interstate) filed an amended petition, pursuant to Section 7-102 of the Act seeking approval by the Commission of the sale of Interstate's Illinois electric distribution and natural gas distribution assets to Jo-Carroll Energy Inc. (Docket No. 05-0835). Interstate also requested Commission authorization to abandon electric and natural gas retail service pursuant to Section 8-508 of the Act; and to cancel Interstate's electric and natural gas tariffs upon transfer of ownership to Jo-Carroll Energy Inc. pursuant to Section 9-201 of the Act. The Commission approved the transaction in its Order dated January 3, 2007. The sale was completed on February 6, 2007.

On February 22, 2006 South Beloit Water, Gas and Electric Company (South Beloit) filed an amended petition, pursuant to Section 7-102 of the Act seeking approval by the Commission of the sale of South Beloit's Illinois electric distribution and natural gas distribution assets to Rock County Electric Cooperative Association (RCECA)(Docket No. 05-0836). South Beloit also requested Commission authorization to abandon electric and natural gas retail service pursuant to Section 8-508 of the Act; and to cancel SBWGE's electric and natural gas tariffs upon transfer of ownership to RCECA pursuant to Section 9-201 of the Act. The Commission approved the transaction in its Order dated January 3, 2007. The sale was completed on February 6, 2007.

On January 5, 2007, Illinois Bell Telephone Company (AT&T Illinois) filed a petition with the Commission seeking approval of the sale of its interest in a license for certain radio spectrum granted the company by the Federal Communications Commission (FCC) for seven 0.025 megahertz channels serving the Chicago metropolitan area. The channels had been constructed in the early 1990s as base station facilities to operate on the frequencies covered by the license. AT&T Illinois used the spectrum for dispatch and other communications between the base station and the company's field technicians for coordination of installation, maintenance, and repair functions. AT&T Illinois held that it no longer needed the spectrum to communicate with its field technicians and wanted to make it available for other uses. The interest in the spectrum license was transferred to ESP Wireless Technology Group, Inc. for a consideration of $875,000. The Commission approved the transaction in its Order dated February 7, 2007.

On January 8, 2007, Illinois Power Company (AmerenIP) and the City of Princeton (Princeton) filed a Joint Petition with the Commission for approval of an agreement to purchase and sell 16 poles, conductor and associated equipment, except certain customer meters and transformers and to transfer four customers pursuant to Section 8-508 of the Act and Section 11-117-6 of the Illinois Municipal Code (65 ILCS 5/11-117-6) (Docket No. 07-0031). The Agreement was initiated in response to a beautification project Princeton is performing along Main Street in the City and entails the removal of power poles and overhead power lines and the subsequent burial of the power lines in Princeton's right-of-way along Main Street. Certain assets of AmerenIP inside the city limits of Princeton along and adjacent to Main Street were affected by the project. To avoid the duplication of new facilities, the assets were sold to Princeton and removed and replaced by Princeton with buried facilities. In addition, Princeton agreed to serve any new customers along and adjacent to the current route of the assets sold to Princeton. The Commission entered its Order on February 15, 2007, approving the transaction.

On April 6, 2007, Interstate Power and Light Company (Interstate) and ITC Midwest (Midwest) filed a joint petition for the Commission approval of the sale of Interstate's transmission assets to Midwest pursuant to Section 7-102 of the Act (Docket No. 07-0246). The subject of the transaction was 6,791 miles of transmission line and related assets in Illinois, Iowa, and Minnesota, of which there were 126 miles of transmission line in Illinois serving only one customer, Jo-Carroll Energy Inc. The Commission approved the transaction in its Order dated November 28, 2007.

On June 8, 2007, Peoples and North Shore filed a petition in compliance with Condition 10 with the Commission's order in Docket No. 06-0540 approving the reorganization by which WPS Resources Corporation became the owner of all the common stock of Peoples Energy Corporation (Docket No. 07-0361). The petition requested Commission approval of a Master Regulated Affiliated Interest Agreement and the proposed allocation methodology, the transfer of certain assets of Peoples Gas to Integrys Support, and a series of transaction by which Integrys Support would form a centralized service company. The value of the assets transferred to Integrys Support was about $13 million. The Commission approved the transaction in its Order dated December 5, 2007.

On November 5, 2007, Illinois Bell Telephone (IBT) filed a petition for approval of the sale of real estate located at 225 W. Randolph in Chicago Illinois (Docket No. 07-0542). The sale was accompanied by a simultaneous lease of the property back from the AT&T Services, Inc., the primary real estate procurement and management subsidiary for the AT&T family of companies. The purchase price was $273.75 million. The Commission approved the transaction in its Order dated December 5, 2007.

INFORMATIONAL FILINGS

During 2007, the following notices were reviewed by the Commission under Section 16-111(g) of the Act.

On November 28, 2006, ComEd filed a notice of intent to commit to transfer intellectual property rights. The intellectual property rights consist of certain patents and licensing agreements relating to the operation of nuclear generating assets that were previously transferred to Exelon Generation Company, LLC in Docket Nos. 00-0369 and 00-0394 (Cons.). These said patents and licensing agreements were inadvertently omitted from the list of assets in the Contribution Agreement that was approved as part of that transfer. The value of the intellectual property rights was determined by an independent appraisal of the fair market value of the assets as of November 21, 2006.

On December 28, 2006, MidAmerican Energy Company (MEC) filed an agreement that is a binding commitment among the participating utilities to provide to each other, for purchase, certain designated types of transformers, under certain conditions, in the event of a terrorist attack on a participating utility's electric transmission system. On July 18, 2006, the Edison Electric Institute, on behalf of 41 jurisdictional signatories (including MEC), filed an application with the Federal Energy Regulatory Commission (FERC) for blanket authorization under section 203 of the Federal Power Act for any jurisdictional public utility party to the Agreement to engage in future transfers of transformers pursuant to the Agreement, including transfers of transformers by public utilities to their affiliates. An Order approving the application was issued by FERC on September 22, 2006.

DECOMMISSIONING

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

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

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

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

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

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

The Commission's rules concerning ex parte communications (83 Ill. Adm. Code 200.710) and the circulation of recommended orders (83 Ill. Adm. Code 200.820) remained in effect in 2007 and were applied throughout the year. Closed meetings were transcribed verbatim as required by Section 10-102 of the Public Utilities Act.

SECTION 6

Appeals from Commission Orders

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

This section includes only appeals either filed in 2007 or upon which a judicial decision was received in 2007. Excluded are appeals involving motor carriers, rail carriers, or other regulated transportation and all non-appeal judicial actions, such as enforcement and collection actions, employment suits, or federal administrative and judicial actions, in which the Commission may have participated as plaintiff, defendant, intervenor, or *amicus*. However, federal cases taken under 47 USC 252(e)(6) are included.

APPEALS INVOLVING PUBLIC UTILITIES FILED IN 2007

A. Under the Public Utilities Act, 220 ILCS 5

1. *Village of Bolingbrook v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 3-07-0619, Ill.C.C. Docket No. 06-0336. Appeal from grant or denial of a proposed reorganization and change in control of a utility pursuant to Section 7-204 of the Public Utilities Act, 220 ILCS 5/7-204.
   Status: Cause is being briefed.

2. *Chicago Transit Authority, et al., v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 2-07-0066, 2-07-0071, 2-07-0078, 2-07-0079 and 2-07-0104. These five appeals were consolidated with three earlier appeals taken by Commonwealth Edison Company, Illinois Appellate Court Nos. 2-06-1284, 2-06-1285 and 2-06-1286, Ill.C.C. Docket No. 05-0597. Appeals from proposed general increase in rates for delivery service.
   Status: These causes are fully briefed and awaiting oral argument.

3. *Illinois Power Co. d/b/a AmerenIP v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket No. 3-07-0569, Ill. C.C. Docket No. 04-0677. Appeal from disallowance of fuel cost recovery under Section 9-220 of the Public Utilities Act, 220 ILCS 5/9-220.
   Status: Cause has been fully briefed, and oral argument has been set for January 8, 2008.

4. *Clinton A. Krislov v. Illinois Commerce Commission and Illinois Bell Telephone Co. (AT&T Illinois),* Illinois Appellate Court No. 1-07-2860, Ill.C.C. Docket No. 06-0421. Appeal from Commission Order denying consumer complaint and class action under Section 10-108 of the Public Utilities Act, 220 ILCS 5/10-108.
   Status: Cause is being briefed.

5. *Level 3 Communications, LLC v. Illinois Commerce Commission, et al.,* Illinois Appellate Court No. 1-07-2509, Ill.C.C. Docket No. 07-0277. Appeal of the Commission order finding that Level 3 Communications engaged in anti-competitive behavior in violation of Sections 13-514 and 13-702 of the Universal Telephone Service Protection Law of 1985, 220 ILCS 5/13-514 and 13-702. This case is related to appeal of Level 3 Communications, LLC, in the US District Court for Northern Illinois, Eastern Division, Docket No. 07-C-6716, involving the same Commission proceedings.
   Status: Cause is being briefed.

6. *Northern Moraine Wastewater Reclamation District v. Illinois Commerce Commission and Rockwell Utilities, LLC,* Illinois Appellate Court No. 2-07-1080, Ill.C.C. Docket Nos. 06-0522 and 06-0523. Appeal from grant or denial of certificates of public convenience and necessity under Section 8-406 of the Public Utilities Act, 220 ILCS 5/8-406.
   Status: Cause is being briefed.

B. Under Other Utility-Related Acts

1. *Illinois Bell Telephone Co. v. Charles Box, et al.,* US District Court for Northern Illinois, Eastern Division, Docket No. 07-C-5171, Ill. C.C. Docket No. 06-0029. Complaint for declaratory and other relief challenging a decision of the Commission investigating Illinois Bell Telephone Company's designation of certain of its wire centers as non-impaired.
   Status: Cause is being briefed.

2. *Level 3 Communications, LLC v. Illinois Commerce Commission, et al.,* US District Court for Northern Illinois, Eastern Division, Docket No. 07-C-6716, Ill. C.C. Docket No. 07-0277. Illinois Appellate Court No. 1-07-2509, Ill.C.C. Docket No. 07-0277. Complaint for declaratory and other relief challenging the Commission order which found that Level 3 Communications engaged in anti-competitive behavior in violation of Sections 13-514 and 13-702 of the Universal Telephone Service Protection Law of 1985, 220 ILCS 5/13-514 and 13-702. This case is related to appeal of Level 3 Communications, LLC, in the Illinois Appellate Court for the First District, Docket No. 1-07-2509, involving the same Commission proceedings.
   Status: Cause is being briefed.

II. APPEALS AND OTHER JUDICIAL REVIEW PROCEEDINGS INVOLVING PUBLIC UTILITIES OR TELECOMMUNICATIONS CARRIERS DECIDED IN 2007

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

1. Under the Public Utilities Act, 220 ILCS 5

(1) *Commonwealth Edison Co., et al. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Nos. 2-06-0149, 2-06-0381, 1-06-0664, 1-06-0858, 1-06-0859, 1-06-0876 & 1-06-0966 (cons.), Ill.C.C. Docket Nos. 05-0159 (ComEd) and 05-0160, 05-0161, and 05-0162 (Ameren). Appeals from proposal to implement a competitive procurement process for Commonwealth Edison Company and the three Ameren utilities by establishing riders.
These causes were dismissed on October 9, 2007. The underlying causes were rendered moot by the passage of Public Act 95-0481.

(2) *Forte Communications, Inc. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket No. 1-06-1022, Ill.C.C. Docket No. 05-0171. Appeal from complaint brought by Illinois Bell Telephone Co. under Section 10-108 of the Public Utilities Act, 220 ILCS 5/10-108, challenging the construction and existence of the interconnection agreement between Forte and Illinois Bell by the Commission under 47 USC 252. This case is related to appeal of Forte Communications, Inc., in the US District Court for Northern Illinois, Eastern Division, Docket No. 06-C-2607, involving the same Commission proceedings.
Cause dismissed by voluntary motion on March 2, 2007.

(3) *Illinois Bell Telephone Co. v. Illinois Commerce Commission, et al.,* Illinois Appellate Court Docket Nos. 4-06-0882 and 4-06-0911 (cons.), Ill.C.C. Docket No. 06-0027. {Appeals from the Illinois Appellate Court for the First District, *People of the State of Illinois and City of Chicago v. Illinois Commerce Commission, et al.,* Docket Nos. 1-06-3014 and 1-06-3126 (cons.) were transferred, consolidated with 4-06-0882,renumbered as 4-06-1063 and 4-06-1106, and are pending under Supreme Court Docket Nos. 105131 and 105151.} Appeals from investigation of specified tariffs declaring certain services to be competitive pursuant to Section 13-502 of the Public Utilities Act, 220 ILCS 5/13-502.
Appeal Docket Nos. 4-06-0882 and 4-06-0911 were dismissed on January 12, 2007.

(4) *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Reliant Energy Solutions East, LLC,* Illinois Appellate Court No. 5-05-0725, Ill.C.C. Docket No. 05-0600. Appeal of grant or denial of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
On October 9, 2007, the cause was voluntarily dismissed with prejudice. The underlying cause was rendered moot by the passage of Public Act 95-0130.

(5) *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Direct Energy Services, LLC,* Illinois Appellate Court Nos. 5-06-0030 and 2-06-0142 (cons. under 5-06-0030) Ill.C.C. Docket No. 05-0722. Appeal of grant of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
On October 30, 2007, a joint motion to dismiss the appeal with prejudice was granted. The underlying cause was rendered moot by the passage of Public Act 95-0130.

(6) *International Brotherhood of Electrical Workers, Local Nos. 15, 51, and 702 v. Illinois Commerce Commission and Sempra Energy Services,* Illinois Appellate Court No. 5-06-0538, Ill.C.C. Docket No. 06-0442. Appeal of grant of an ARES certificate under Section 16-115 of the Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILCS 5/16.
Motion to dismiss with prejudice was granted on December 6, 2007. The underlying cause was rendered moot by the passage of Public Act 95-0130.

(7) *Resource Technology Corp., et al. v. Illinois Commerce Commission, et al.,* Supreme Court Docket No. 104943, Illinois Appellate Court Docket No. 1-06-2950, Ill.C.C. Docket No. 02-0461. Interlocutory appeal from Commission Interim Actions from a citation proceeding investigating compliance with Commission orders issued pursuant to Section 8-403.1 of the Public Utilities Act, 220 ILCS 5/8-403.1.
On May 4, 2007, the Illinois Appellate Court granted the Commission's Motion to Dismiss. On September 26, 2007, the Illinois Supreme Court denied leave to appeal.

2. Under Other Utility-Related Acts

(1) *Forte Communications, Inc. v. Illinois Bell Telephone Co., Charles Box, et al.,* US District Court for Northern Illinois, Eastern Division, Docket No. 06-C-2607, Ill.C.C. Docket No. 05-0171. Complaint for declaratory and other relief challenging the construction and existence of the interconnection agreement between Forte and Illinois Bell by the Commission under 47 USC 252. This case is related to appeal of Forte Communications, Inc., in the Illinois Appellate Court for the First District No. 1-06-1022, involving the same Commission proceedings.
Cause was dismissed with prejudice on February 14, 2007

(2) *Harrisonville Telephone Co. et al. v. Illinois Commerce Commission, et al.,* US District Court for Southern Illinois Docket No.: Civ. No. 06-73-GPM, Ill.C.C. Docket Nos. 05-0259, etc. (cons.) and Docket No. 05-0402. Complaint for declaratory and other relief in which three rural incumbent local exchange carriers challenge the Commission's order to enter into negotiated agreements with Sprint Communications, Inc., pursuant to 47 USC 251 and 252.
Cause was dismissed on October 1, 2007.

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

(1) *Peoples Energy Services Corp. v. Illinois Commerce Commission, et al.*

Illinois Appellate Court No. 1-04-2878,
Ill.C.C. Docket No. 03-0592.

On September 18, 2007,, the Illinois Appellate Court for the First District affirmed in a Rule 23 Order a Commission order which had found that Peoples Energy Service Corp. ("PESCO") had mislead its customers in its marketing of natural gas services in violation of the Alternative Gas Supplier Law which is Article XIX of the Public Utilities Act ("Act"), 220 ILCS 5/19. The matter had been brought to the Commission's attention by complaint of the Citizens Utility Board. The Commission had found that PESCO's marketing materials had inadequately disclosed material facts and information, thereby rendering three of the terms of PESCO's offer and contract misleading and potentially deceptive in violation of Section 19-115(f) of the Act, 220 ILCS 5/19-115(f). A fourth violation which concerned PESCO's failure to comply with Section 19-115(g) of the Act, 220 ILCS 5/19-115(g), was not contested on appeal. The Commission had imposed on PESCO a $10,000 civil penalty for the four violations and required the issuance of a clarifying letter to PESCO's customers who were affected by the inadequately disclosed information.

The Appellate Court rejected PESCO's contention that Section 19-115(f) of the Act, supra, was unconstitutionally vague, thereby violating procedural due process by failing to give fair notice of the conduct proscribed. Similarly the Court rejected PESCO's contentions that the Commission had added a materiality requirement to the statute, that there was insufficient evidence to support the imposition of a civil penalty, and that the Commission's decisions on the three, inadequately disclosed terms were neither unreasonable nor without sufficient support in the record.

(2) *Peoples Gas Light and Coke Co. and Recycling Services, Inc. v. Illinois Commerce Commission, et al.*

Illinois Appellate Court No. 1-05-3892,
Ill.C.C. Docket No. 04-0614.

On September 28, 2007, the Illinois Appellate Court for the First District affirmed the Commission order in Docket No. 04-0614 in a Rule 23 Order. The Commission found that Peoples Gas Light and Coke Co, ("Peoples") had failed to provide gas service to Recycling Services, Inc. ("RSI") without delay in violation of Section 8-101 of Public Utilities Act ("Act"), 220 ILCS 5/8-101. However, the Commission also found that RSI had failed to prove that Peoples had discriminated against RSI. In addition, the Commission rejected RSI's claim that the Commission could award damages to RSI from Peoples for its violation of the Act.
The Appellate Court found that substantial evidence supported the Commission's decision that Peoples had unreasonably delayed the provision of gas service to RSI. The Court rejected Peoples' contention that proof of discrimination is an additional required finding before Peoples could be found to have unreasonably delayed the provision of gas service to RSI. The Court further agreed with the Commission's finding that the evidence did not support a finding of unlawful discrimination. Finally, the Appellate Court agreed that any damage claim against Peoples can be pursued only in the Courts. The Appellate Court rejected the contention that the long-established caselaw on the authority of the Commission and the courts over damage claims had been superseded by more recent caselaw.

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

1. Appeal from determination of liability under the Illinois Underground Utility Facilities Damage Prevention Act, 220 ILCS 50

Quality Saw and Seal, Inc. v. Illinois Commerce Commission

Illinois Appellate Court No. 2-06-0637,
Ill.C.C. Docket No. 05-0407.

On June 27, 2007, the Illinois Appellate Court for the Second District entered its Opinion in the first appeal from a Commission decision under the Illinois Underground Utility Facilities Damage Prevention Act ("Act"), 220 ILCS 50. The Commission had found that Quality Saw and Seal, Inc. ("Quality Saw") had failed to provide adequate notice to the owners or operators of underground utility facilities prior to beginning excavation in violation of Section 4(d) of the Act, 220 ILCS 50/4(d). The Commission had imposed a $450 civil penalty on Quality Saw whose excavation had hit a gas line owned by the North Shore Gas Company. The Appellate Court agreed that Quality Saw's saw-cutting of the concrete pavement and curbs constituted an excavation within the meaning of Section 2.3 of the Act, 220 ILCS 50/2.3. The Appellate Court also affirmed that the Commission's finding that Quality Saw had willfully violated Section 4(d) of the Act, *supra*, and, therefore, was subject to the imposition of a civil penalty was not against the manifest weight of the evidence.

2. Complaint for declaratory and other relief challenging an arbitration decision of the Commission under 47 USC 252.

Illinois Bell Telephone Co. v. Charles Box, et al.,
US District Court for Northern Illinois, Eastern Division, Docket No. 06-C-3550,
Ill. C.C. Docket No. 05-0442.

Illinois Bell Telephone Co. (AT&T) filed suit seeking declaratory and injunctive relief against an arbitration decision of the Commission under the Telecommunications Act of 1996, 47 USC 252(e)(6). AT&T challenged two aspects: (1) the requirement that AT&T must make pieces of its telecommunications network known as "entrance facilities" available to competitors if they are used for the sole purpose of interconnection; and (2) the decision that the FCC's rules for certain loops – lines running from a customer location to a telecommunications carrier's switch – apply only to loops used to serve "mass market" customers (*i.e.* residential and small business customers with 4 DSO lines or less).

On September 21, 2007, the District Court issued its Memorandum Opinion and Order. The District Court found for the Commission on the first issue and against the Commission on the second issue. The District Court agreed with the Commission that, under the applicable FCC rules and decisions, AT&T was required to lease entrance facilities used for interconnection by the competitive telecommunications carriers. On the second issue, the District Court held that the Commission's decision which limited unbundling to only "mass market" loops was contrary to and preempted by federal law because the FCC rules are unambiguous and contain no limitation concerning "mass market" customers.

AT&T has appealed, and the Commission has cross-appealed, to the U.S. Court for the Seventh Circuit, Appeal Nos. 07-3557 and 07-3683, where the appeals are still pending.

SECTION 7

Studies and Investigations Required by State Statutes

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

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

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

Appendix B presents information that the Commission has collected under Section 4-305 of the Public Utilities Act since the last Annual Report. Appendix B contains fourth quarter 2006 reports and third quarter 2007 reports.[5] The third quarter 2007 reports present a running total of all allowance allocations and transactions during the first three quarters of 2007.

Section 8-304: Estimated Billing Practices

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

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

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

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

For the study, the companies provided such information as a three year history of the total number of estimated bills broken down by customer class, time of year, geographic location, customer group, and frequency of consecutively estimated bills; the reasons for estimated billing; the costs of relocating and reading meters; the methods or formulas used for establishing the

[5] On February 6, 2007, Interstate Power and Light Company ceased providing electric and natural gas retail service pursuant to Commission Order in Docket No. 05-0836; thus, the final report from Alliant Energy covered only the first quarter of 2007.

amounts of estimated bills; and the programs or instruments used to minimize the frequency of estimated bills. The study was conducted in 1987. An analysis of the data received was conducted by Commission staff. No activities were required in 2007.

Section 8-403: Cogeneration/Small Power Production

Section 8-403 states that the Commission shall conduct a study to encourage the full and economical utilization of cogeneration and small power production. In addition to the independent power generation aspect of the study, the Commission is also required to examine the wheeling of electricity between governmental agencies. This study was completed in 1987. No activities were required in 2007, and no further activities are anticipated in the future.

Section 8-405.1: Feasibility of Wheeling in Illinois

Section 8-405.1 directs the Commission, in cooperation with the Illinois Department of Energy and Natural Resources, to investigate the major economic and legal issues surrounding the wheeling of electricity in Illinois and to report the results of its investigation to the General Assembly. In December 1987, the Commission submitted the report titled *Electric Wheeling in Illinois* to the General Assembly. No activities were required in 2007, and no further activities are anticipated in the future.

Section 9-202: Temporary Rate Increase

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

Section 9-214: Study of CWIP

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

Section 9-216: Rulemaking for Cancellation Costs

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

Section 9-223: Evaluation of the Fire Protection Charge

Section 9-223(b) directs the Commission to evaluate the purpose and use of each fire protection charge imposed under Section 9-223. The Commission must report its findings to the General Assembly no later than the last day of the veto session in 2008. Section 9-223(b) was added to the Public Utilities Act as part of Public Act 94-0950 with an effective date of June 27, 2006.

Economic Development Program

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

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

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

- requirements for alternative electric suppliers
- consumer-education materials
- delivery services tariffs
- distributed resources
- real-time pricing.

Verification of Commonwealth Edison's Commitments Related to the Downers Grove Substation Fire Investigation

On Wednesday, August 10, 2005, a fire broke out in the cable space of the Downers Grove Substation, causing a service interruption for customers in portions of Darien, Downers Grove, Bolingbrook, and DuPage Township. Service was not fully restored until the afternoon of Friday, August 12, 2005. The intervening period was one of hot summer weather, and Commonwealth Edison's inability during that hot weather to switch feeds to neighboring substations during this outage focused renewed attention on ComEd's power delivery infrastructure capacity. The Commission retained The Liberty Consulting Group ("Liberty") to investigate the root causes and implications of this fire because the Downers Grove Substation is one of 264 larger, transmission level substations in Commonwealth Edison's power delivery infrastructure; ComEd's system also includes an additional 775 smaller distribution level substations. The conclusion from the subsequent investigations was that the Downers Grove fire on August 10, 2005, should not have happened if Commonwealth Edison had implemented lessons that it should have learned from prior, similar events. On September 8, 2006, the Commission retained Liberty to verify for the Commission over the next three years Commonwealth Edison's compliance with its plan to implement the lessons learned from the Downers Grove Substation fire.

In their first of three annual reports to the Commission, Liberty found that, overall, Commonwealth Edison was on schedule on the installation of fire protection enhancements at substations. Liberty will continue to verify Commonwealth Edison's installation of important fire protection enhancements at substations that will continue for the next two years.

Peoples Gas Pipeline Safety Program Investigation

During January 2004, Commission Pipeline Safety inspectors determined that Peoples Gas Light And Coke Company's ("Peoples Gas") records of corrosion control test point readings indicated that Peoples Gas had failed to properly inspect corrosion test points on its gas distribution system in compliance with required schedules. In response to a January 2004 notification from Commission Staff of its deficiencies respecting corrosion test point monitoring and its obligations to promptly remedy such deficiencies, Peoples Gas responded that it would bring its scheduled test point monitoring into compliance and would promptly remedy past deficiencies in that monitoring.

When Commission Staff Pipeline Safety inspectors returned in early 2005 to re-examine the Peoples Gas corrosion monitoring records, records indicated that additional failures to monitor corrosion test points in compliance with mandatory inspection schedules had occurred during the intervening year and that certain deficiencies noted in early 2004 still persisted. Peoples Gas was notified in early 2005 of its noncompliance with pipeline safety requirements and its failure to promptly remedy past deficiencies. Again, Peoples Gas responded to the notification of noncompliance with a commitment to bring itself into compliance.

In early 2006, Commission Pipeline Safety inspectors returned to Peoples Gas to determine whether or not the deficiencies had been rectified. While the Peoples Gas pipeline safety records indicated that compliance had been achieved, field examinations of actual corrosion test point readings indicated a number of incidents of noncompliance.

Following the completion of the 2006 record examination, Staff recommended to the Commission that a citation proceeding be initiated against Peoples Gas. In April 2006, the Commission ordered Peoples Gas to show cause why it should not be found to have failed to comply with Pipeline Safety program requirements. Litigation in that case has been completed, and the Commission found that Peoples Gas had failed to comply with Pipeline Safety requirements.

On April 17, 2007, the Commission contracted The Liberty Consulting Group ("Liberty") to: (1) determine the degree to which the Peoples Gas pipeline safety program conforms to standards established in 49 CFR Part 192 and the Illinois Gas Pipeline Safety Act; (2) prepare a report to the Commission that details its findings including recommendations regarding the actions Peoples Gas must take, if any, to bring its Pipeline Safety Program into compliance with federal and state requirements and industry best practices; (3) subsequently monitor on a quarterly basis for two years Peoples Gas' efforts to implement recommendations to bring the Peoples Gas pipeline safety program into compliance with federal requirements and industry best practices; and (4) prepare interim and final reports to the Commission regarding the results of its monitoring activities.

Liberty has been actively engaged in regular field investigations of the Peoples Gas program and anticipates delivery of the final report to the Commission by August 4, 2008.

Investigation of Ameren's Illinois Utilities' Storm Outage

On July 19 and 21, 2006, windstorms struck the service areas of all three Ameren utilities in Illinois. Over 300,000 electric customers lost service in Illinois. Restoring service to AmerenCILCO, AmerenCIPS, and AmerenIP customers took over a week. On November 30, 2006, an ice storm struck central Illinois. The storm interrupted electric service to over 200,000 Ameren Illinois customers. The Ameren utilities took about 9 days to restore service to all Illinois customers. The Commission had previously adopted assessments of Ameren's Illinois utilities' electric service reliability that contained criticism of Ameren utility tree trimming, other distribution line maintenance issues, and the placement of lightning arrestors and tap fuses. These assessments had suggested that the condition of Ameren electricity delivery facilities could contribute to the effects of storms on service to Ameren's customers.

Recognizing the above facts, the Commission began an investigation of Ameren's service restoration response to learn if it was adequate and appropriate and to investigate the condition of Ameren's electricity delivery facilities to learn if it contributed to the large numbers of service interruptions during the storms. On August 29, 2007, the Commission signed a contract with Liberty Consulting Group to perform the Ameren investigation. Liberty Consulting Group began working under the contract immediately, and the Commission expects a final investigation report by August 25, 2008. After completing the investigation and providing recommendations for improvement, Liberty Consulting Group will spend up to three years verifying that the Ameren utilities fully implement those recommendations.

SECTION 8

Impacts of Federal Activity on State Utility Service

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

COMMISSION POLICY AND ACTIONS IN FERC PROCEEDINGS

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

DEVELOPMENTS IN THE NATURAL GAS INDUSTRY

Interstate natural gas pipeline transportation service operates under the Order 636 open access rules adopted by FERC in 1992. In recent years, FERC's focus in the natural gas arena has been to hone its interstate natural gas transportation policy through incremental modifications with the implementation of Order 637. FERC's gas policy continues to focus on improving the efficiency of the natural gas market, encourage the development of new natural gas storage capacity and infrastructure, increasing competition, and protecting consumers against the exercise of market power by pipelines. To that end, FERC initiated several significant natural gas rulemakings in 2007, including proposing new rules to increase price transparency in the sale and transportation of natural gas and proposing revisions in pipeline reporting requirements to better reflect the state of the natural gas markets. FERC has also worked to expanded natural gas infrastructure by approving numerous pipeline expansions and liquefied natural gas import terminals. FERC also proposed rules removing price caps from pipeline capacity releases of a less than a year and removing some restrictions from asset managers of capacity owned by local distribution companies.

DEVELOPMENTS IN THE ELECTRIC POWER INDUSTRY

In 1996, FERC issued Order 888, which opened the nation's transmission grid through open access transmission tariffs. In 1999, the Commission issued Order No. 2000, which called for the voluntary creation of regional transmission organizations ("RTOs"). RTOs are intended to bring about increased efficiency through both improved grid management and increased access to competitive power supplies by end-users. The Midwest ISO and PJM are the RTOs operating in Illinois. In 2005, the Midwest ISO successfully launched its energy market. Both PJM and the Midwest ISO are operating transparent energy spot markets. Major FERC initiatives for 2005 included the implementation of the EPAct of 2005, improving the efficiency of energy markets operated by RTOs and the development of Electric Reliability Organization ("ERO") and mandatory electricity reliability standards. In 2006, FERC's efforts were primarily focused on completing its obligations under EPAct of 2005; strengthening the reporting requirements of utilities and power marketers that have market-based rate authority; and improving the clarity and transparency of transmission use and planning.

In 2007, FERC initiatives included adopting Order 890 to ensure that transmission service is provided on a nondiscriminatory and just and reasonable basis, as well as provide for more effective regulation and transparency in transmission grid operation. FERC finalized a series of fundamental reforms to its market-based rate program that are intended to strengthen competitive markets and protect consumers by reinforcing regulations for just and reasonable wholesale electric power sales. FERC also issued the third of a series of orders, designed to establish a new regime to ensure reliability for the bulk electric power system and laying the foundation for mandatory, enforceable electric reliability standards. FERC also continued its efforts to improve wholesale electricity markets by issuing an advanced notice of proposed rulemaking seeking comment on how to improve the role of demand response in organized markets, increase opportunities for long-term power contracts, strengthen market monitoring and improve the responsiveness of RTOs/ISOs to customers and other stakeholders.

With regards to the RTOs in Illinois, a few events of note in 2007 include FERC initiating settlement proceedings to help resolve disputes regarding the independence of market monitoring in the PJM RTO and to preserve the integrity of PJM market operations. These disputes arose after PJM's market monitor raised allegations during a FERC technical conference that PJM management had interfered with the completion of his market monitoring duties. FERC also issued an order finding that the costs of all new transmission facilities planned in the PJM RTO that will operate at, or above 500 kV, should be allocated on a region-wide ("postage stamp") basis. As a result, hundreds of millions of dollars in costs for PJM transmission projects will be allocated to Illinois ratepayers without any corresponding benefits to those ratepayers. This order is currently pending rehearing before FERC. In late 2007, the Midwest ISO is expected to file with the FERC its plan for establishing long-term resource adequacy in that RTO. The FERC also issued an order providing the Midwest ISO with guidance regarding its efforts to develop a competitive market for ancillary services. The Midwest ISO proposes to start this market in June of 2008.

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

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

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

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

Accordingly, the ICC continues to be actively engaged at FERC, working to ensure that the components of delivery service for which FERC has regulatory oversight responsibility are provided at rates, terms, and conditions that are appropriate for Illinois' retail direct access program. Similarly, the ICC has been advocating transparent wholesale electricity markets, believing that a transparent wholesale market is a prerequisite that must be developed in order for Illinois' open access retail program to provide greater benefits to retail customers.

NATIONAL DEVELOPMENTS

The Energy Policy Act of 2005 charged FERC and the U.S. Department of Energy ("DOE") with the implementation of numerous initiatives. As in 2005 and 2006, 2007 saw FERC and the DOE completing numerous initiatives, studies and requests for comment on the multitude of EPAct of 2005 provisions that Congress charged FERC and DOE to implement. Some of the EPAct of 2005 related initiatives completed in 2007 include FERC detailing how it will administratively process and assess civil penalties and the completion of a study on the benefits of cogeneration and small power production. FERC also established an Office of Electric Reliability that is charged with continuing the development and implementation of mandatory and enforceable reliability standards for the users, owners, and operators of the nation's bulk power system and an Energy Innovations Sector intended to manage FERC's activities with regard to demand response, energy efficiency, distributed generation, renewable energy issues, greenhouse gas emissions policies and advanced technologies relevant to the transmission grid and wholesale market.

The EPAct of 2005 required the DOE's Office of Electricity Delivery and Energy Reliability to lead Federal efforts related to several sections of the EPAct of 2005 and to complete a number of activities and studies. In particular, in 2006, the DOE issued the first triennial study regarding national transmission congestion study that will serve as a basis for the DOE's possible designation of selected geographic areas as "National Interest Electric Transmission Corridors" ("NIETCs"). In 2007, the DOE identified the Southwest and Mid-Atlantic regions of the United States as "critically congested" and designated them as NIETCs. Illinois was not designated as an NIETC. As an NIETC, applicants for transmission projects proposed within the designated corridors that are not acted upon by state siting authorities within one year may request FERC to exercise federal backstop siting authority and approve the siting of the proposed project. Each NIETC designation remains in effect for twelve years.

SECTION 9

Recommendations for Proposed Legislation

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

The Commission's legislative agenda for the 95th General Assembly is currently being formulated. A detailed discussion of specific proposals currently under consideration would be premature at this time.

Appendix A

Summary of Significant Commission Decisions

SUMMARY OF SIGNIFICANT COMMISSION DECISIONS

Electric and Gas

06-0525 Illinois Commerce Commission On Its Own Motion
Consideration of the Federal Standard on Interconnection in Section 1254 of the Energy Policy Act of 2005.

This docket sets new standards for the interconnection of electric customers that both supply to, and purchase electricity from, electric suppliers. The interconnection process is an important step toward reducing the necessity for expensive electricity procured during "peak" times. This process also will be used by persons or entities that with renewable sources of energy, like solar panels.

06-0686 Lt. Governor Pat Quinn
Petition for an Emergency Investigation of ComEd's Relationship to CORE and Advertising Misleading Information.

Petition asked the Commission to investigate the relationship between ComED and advertising by CORE, an entity funded by ComEd. On February 7, 2007, the Commission dismissed the Complaint finding that it had no jurisdiction over CORE which is not a regulated entity. ComEd promised to disclose the relationship between it and CORE in future advertisements.

07-0065 Illinois Commerce Commission On Its Own Motion
Amendment of 83 Ill. Adm. Code 415.

On July 11, 2007, the Commission entered an Order adopting an amendment to 83 Ill. Adm. Code 415, "Uniform System of Accounts for Electric Utilities." The amendment updates Part 415 by incorporating 18 CFR 101 as of June 15, 2006. The prior version of Part 415 incorporated 18 CFR 101 as of August 8, 2003. The effective date of the amendment was August 1, 2007.

07-0165 Illinois Commerce Commission On Its Own Motion -vs- Central Illinois Light Company d/b/a AmerenCILCO; Central Illinois Power Company d/b/a AmerenCIPS; Illinois Power Company d/b/a AmerenIP
Investigation pursuant to Section 9-250 of Electric Rate Design.

This contested multi-party proceeding was initiated by the Commission for the purpose of considering rate design changes to alleviate the bill impacts on some customers which occurred after the end of the rate freeze on January 1, 2007. Orders in 07-0165 were entered in October, 2007 approving rate relief to those customers who have faced the largest increases, particularly electric space-heating customers, while ensuring that other customer groups are not unduly impacted by these rate mitigation measures.

07-0166 Illinois Commerce Commission On Its Own Motion -vs- Commonwealth Edison Company
Investigation pursuant to Section 9-250 of Electric Rate Design.

This contested multi-party proceeding was initiated by the Commission for the purpose of considering rate design changes to alleviate the bill impacts on some customers which occurred after the end of the rate freeze on January 1, 2007. The Order in 07-0166 was entered in October, 2007 approving rate relief to those customers who have faced the largest increases, particularly electric space-heating customers, while ensuring that other customer groups are not unduly impacted by these rate mitigation measures.

07-0246 Interstate Power and Light Company and ITC Midwest LLC

Joint Petition for Approval of Sale of Utility Assets Pursuant to Section 7-102; Transfer of Franchises, Licenses, Permits or Rights to Own Pursuant to Section 7-203; Transfer of Certificates of Convenience and Necessity pursuant to Section 8- 406; Approval of the Discontinuance of Service Pursuant to 8-508; and the Granting of All Other Necessary and Appropriate Relief.

In this docket, the Commission approved the sale of Interstate Power's last remaining Illinois asset, a transmission line that runs from Minnesota through Illinois to Missouri. The sale price, including federal tax deferrals, is $1.5 billion.

07-0483 Illinois Commerce Commission, on its own Motion
Development of Net Metering Standards required by P.A. 95-0420.

This rulemaking docket sets new standards for the installation of net electric meters. Net meters have the capacity to track electricity for electric customers that both supply electricity to, and buy electricity from, electric suppliers. Installation of a net meter is an essential part of the interconnection process.

07-0527 Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS and Illinois Power Company d/b/a AmerenIP
Approval of Initial Procurement Plan.

In this complicated multi-party 60-day proceeding, Central Illinois Light Company d/b/a AmerenCILCO, et al. sought approval of its initial procurement plan for obtaining electric supply for the 12-month period beginning in June 2008. The utility also sought approval of related cost recovery tariffs and of a Procurement Administrator, all pursuant to Section 16-111.5 of the Public Utilities Act and recently enacted Public Act 95-0481. An order approving the plan, with modifications, was entered on December 19, 2007.

07-0528 Commonwealth Edison Company
And
07-0531
(Cons.) Petition for Approval of Initial Procurement Plan. Verified Petition for Approval of Tariffs Implementing a New Competitive Procurement Process and Recovering Procurement Costs.

In these proceedings, Commonwealth Edison Company sought approval of its initial procurement plan for obtaining electric supply for the 12-month period beginning in June 2008, pursuant to Section 16-111.5 of the Public Utilities Act. It also sought approval of related cost recovery tariffs and of a Procurement Administrator. These filings were required by recently enacted Public Act 95-0481. An order in this complicated multi-party 60-day proceeding was entered December 19, 2007. The order approved the initial procurement plan, with modifications.

<u>Gas</u>

01-0703 Illinois Commerce Commission on its Own Motion -vs- MidAmerican Energy Company
Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.

On November 7, 2001, the Illinois Commerce Commission ("Commission") entered an Order commencing PGA Reconciliation Proceedings, in accordance with the requirements of Section 9-220 of the Public Utilities Act ("Act"), which directed MidAmerican Energy Company ("MidAmerican" or "Respondent") to present evidence in this docket at a public hearing to show the reconciliation of Respondent's purchased gas adjustment clause ("PGA") revenues collected with the actual cost of such gas supplies prudently purchased for the 12 months ended December 31, 2001.

This matter began with a single issue, whether Respondent had improperly waived imbalance charges totaling $444,139 on 111 days during the audit period for its affiliate, Cordova Energy Center ("Cordova"). Respondent waived imbalance charges for Cordova when it was in "start-up" phase prior to a certain date, which resulted in intermittent gas use, and when Cordova had difficulty with its natural gas fueled equipment and was unable to burn supply on certain days. Respondent's Rider 8 contained the method for imposing daily imbalances and Rider 7 permitted Respondent to waive Rider 8.

After this matter had been initially marked "Heard and Taken" and resolution of the imbalance charges issue was still pending, Commission Staff motioned to reopen this Docket. Staff had learned in a subsequent audit that Respondent had engaged in the untariffed sale of natural gas, which created two additional issues: whether Respondent had engaged in untariffed sales during the audit period subject to this Docket and, if so, whether the costs and revenues of such sales should be included in the PGA.

While resolution of each of these three issues was pending, 220 ILCS 5/7-210 was introduced for enactment. It states, among other things, that costs and revenues from the unregulated sale of natural gas shall not be included in the calculation of the utility's regulated gas rates and charges. This law became effective on January 1, 2005, thereby raising yet another issue, whether the statute was effective retroactive to the reconciliation period in this Docket.

The Order in this Docket found that the language of Rider 7 permitted waiver of imbalance charges for problems after Respondent was in production mode, not during "start-up", and for unanticipated, non-recurring problems with its natural gas fueled equipment. Imbalance charges that did not meet this language were found to have been improperly waived on 111 days during the reconciliation period and recovery of $444,139 was disallowed.

The Order also found that Respondent had engaged in the untariffed sales of gas during the reconciliation period. It agreed with Respondent that 220 ILCS 5/7-210(e) clearly exempted the costs and revenues from such sales from the PGA, but only after the effective date of the statute. The Order cited People v. Jamerson in support, (292 Ill. App. 3d 944, 687 N.E. 2d 329 [1997]), which stated that a newly enacted statute is limited to prospective action, so as not to interfere with vested substantive rights.

On January 24, 2007, Respondent was directed by the Commission to refund to its customers for the 2001 calendar year a Factor O of $1,467,936, which included $444,139 in improperly waived imbalance charges and $1,023,797 in costs and revenues associated with Respondent's untariffed sale of natural gas.

01-0705 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company**
Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.
02-0067 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company d/b/a NICOR Gas Company**
Proceeding to review Rider 4, Gas cost, pursuant to Section 9-244(c) of the Public Utilities Act.
02-0725 **Illinois Commerce Commission On Its Own Motion -vs- Northern Illinois Gas Company d/b/a Nicor Gas Company**
Reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred.
Consol.

This is a highly contested case with multiple issues. It was scheduled to go to trial in April of 2004. Due to the discovery of some additional evidence (audio tapes and other information from Entergy-Koch Trading, L.P. (EKT)), the hearings have been delayed. The tapes and other information were finally produced and the parties are currently reviewing the information in preparation of proceeding to hearing in this matter. This is probably one of the more high profile cases at the Commission.

06-0540 **WPS Resources Corporation, Peoples Energy Corporation, The Peoples Gas Light and Coke Company, and North Shore Gas Company**

Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, to enter into an agreement with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.

In this docket, the Commission approved the merger between The Peoples Gas Light and Coke Company, North Shore Gas Company and WPS Resources Corporation. There were 39 Conditions to approval of the merger, including implementation of an energy efficiency program

07-0069 Illinois Commerce Commission On Its Own Motion

Amendment of 83 Ill. Adm. Code 590.

On July 11, 2007, the Commission entered an Order adopting an amendment to 83 Ill. Adm. Code 590, "Minimum Safety Standards for Transportation of Gas and for Gas Pipeline Facilities." The amendment updates Part 590 by incorporating 49 CFR 191.23, 192, 193, and 199 as of January 1, 2007. The prior version of Part 590 incorporated 49 CFR 191.23, 192, 193, and 199 as of January 1, 2005. The effective date of the amendment was August 1, 2007.

07-0070 Illinois Commerce Commission On Its Own Motion
Amendment of 83 Ill. Adm. Code 505.

On July 11, 2007, the Commission entered an Order adopting an amendment to 83 Ill. Adm. Code 505, "Uniform System of Accounts for Gas Utilities." The amendment updates Part 505 by incorporating 18 CFR 201 as of June 15, 2006. The prior version of Part 505 incorporated 18 CFR 201 as of August 8, 2003. The effective date of the amendment was August 1, 2007.

07-0241 North Shore Gas Company
07-0242 The Peoples Gas Light and Coke Company
Consol.
Proposed general increase in natural gas rates. (tariffs filed March 9, 2007)

Request for general rate increase. This consolidated rate case proceeding was initiated on March 9, 2007. Proposed order issued November 26, 2007. A Final Order must be entered by February 5, 2008.

07-0358 Illinois Commerce Commission On Its Own Motion -vs- The Peoples Gas Light and Coke Company
Determination of the necessity for and the funding of a public awareness program regarding inside safety inspections.

Determination of the necessity for and funding of a public awareness program regarding inside safety inspections. This case was brought by the Commission because the Company was not conducted the necessary inside inspections for gas service lines within the 5 year time period. Peoples Gas proposes to revise its inspection year from a calendar year basis to an inspection year running from July 1 to June 30 of the following year. This new inspection year will assist Peoples Gas in obtaining 100% compliance by allowing for disconnection of service in the final three months of the inspection year in the cases of customers who have not permitted access to Peoples Gas to perform ISIs. In light of the hardship caused by service disconnections during cold weather, Peoples Gas is reluctant to terminate gas service during cold weather months (e.g., November, December, January, and February) to customers who fail to provide access to their premises for ISIs. A July to June inspection year would allow Peoples Gas to make every effort to complete ISIs while providing for more time to discontinue service to non-complying customers prior to cold weather months. The Staff of the Commission and the City of Chicago support the proposed changes. This plan requires a waiver from both the Department of Transportation and the Illinois Commerce Commission. An interim order was recently approved by the Commission to allow the Company to apply for the waivers for this program.

Water

05-0681 Kevin Grens -vs- Illinois-American Water Company
Complaint as to billing/charges in Lemont, Illinois.
06-0094 People of the State of Illinois -vs- Illinois-American Water Company
Consol.
Investigation of failure to provide service on just and reasonable terms, and violation of the Public Utilities Act and Commission rules.
06-0095 Village of Homer Glen -vs- Illinois-American Water Company
Complaint as to billing/charges in Homer Glen, Illinois.

These were consolidated complaint cases against IAWC alleging a variety of rule violations relating to service, metering and rates. The Complaints sought an audit of certain operations of IAWC, civil penalties, and other relief. The Grens Complaint sought a review of IAWC's rates for water and wastewater service. The Commission granted the Complaints, in part, and denied the Complaints, in part.

Appendix B

Emission Allowance Reports

ALLOWANCE REPORTING FORM

Reporting Period

October , 2006

To

December , 2006

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2006	52892	54900	52307	0	1000	6	56491
2	2007	0	54900	0	0	0	6	54906
3	2008	0	54900	0	0	0	6	54906
4	2009	0	54900	0	0	0	6	54906
5	2010	0	53696	0	0	0	0	53696
6	2011	0	53696	0	0	0	0	53696
7	2012	0	53696	0	0	0	0	53696
8	2013	0	53696	0	0	0	0	53696
9	2014	0	53696	0	0	0	0	53696
10	2015	0	53696	0	0	0	0	53696
11	2016	0	53696	0	0	0	0	53696
12	2017	0	53696	0	0	0	0	53696

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

ALLOWANCE REPORTING FORM

Reporting Period

January , 2007

To

March , 2007

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2007	56491	54900	13854	0	0	6	97543
2	2008	0	54900	0	0	0	6	54906
3	2009	0	54900	0	0	0	6	54906
4	2010	0	53696	0	0	0	0	53696
5	2011	0	53696	0	0	0	0	53696
6	2012	0	53696	0	0	0	0	53696
7	2013	0	53696	0	0	0	0	53696
8	2014	0	53696	0	0	0	0	53696
9	2015	0	53696	0	0	0	0	53696
10	2016	0	53696	0	0	0	0	53696
11	2017	0	53696	0	0	0	0	53696
12	2018	0	53696	0	0	0	0	53696

Line No.	Compliance Use (A)	Beginning (B)	USEPA (C)	YTD Allowance (D)	Allowance Sales (E)	Allowance (F)	USEPA Allocation (G)	YTD Allowance (H)
13	2019	0	53696	0	0	0	0	53696
14	2020	0	53696	0	0	0	0	53696
15	2021	0	53696	0	0	0	0	53696
16	2022	0	53696	0	0	0	0	53696
17	2023	0	53696	0	0	0	0	53696
18	2024	0	53696	0	0	0	0	53696
19	2025	0	53696	0	0	0	0	53696
20	2026	0	53696	0	0	0	0	53696
21	2027	0	53696	0	0	0	0	53696
22	2028	0	53696	0	0	0	0	53696
23	2029	0	53696	0	0	0	0	53696
24	2030	0	53696	0	0	0	0	53696
25	2031	0	53696	0	0	0	0	53696
26	2032	0	53696	0	0	0	0	53696
27	2033	0	53696	0	0	0	0	53696
28	2034	0	53696	0	0	0	0	53696
29	2035	0	53696	0	0	0	0	53696
30	2036	0	53696	0	0	0	0	53696

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

October 1, 2006
to
December 31, 2006

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	1995	0	121,154	(95,222)	(18,798)	9,071	0	16,205
2	1996	16,205	121,154	(131,888)	(16,000)	25,694	0	15,165
3	1997	15,165	121,154	(151,751)	(36,300)	87,797	1	36,066
4	1998 *	36,066	114,176	(102,252)	(26,000)	27,360	0	49,350
5	1999 **	49,350	107,830	(87,461)	(16,000)	20,817	0	74,536
6	2000	74,536	64,225	(105,162)	(132)	55,571	2,409	91,447
7	2001	91,447	64,225	(90,673)	(107,061)	87,140	545	45,623
8	2002	45,623	64,225	(100,305)	(16,150)	61,074	545	55,012
9	2003	55,012	64,225	(90,120)	(13,866)	17,137	545	32,933
10	2004	32,933	64,225	(90,532)	(12,358)	28,407	545	23,220
11	2005	23,220	64,225	(83,905)	(41,044)	81,134	545	44,175
12	2006	44,175	64,225	(56,443)	(69,280)	40,453	545	23,675
13	2007	-	64,225	-	(54,280)	50,227	545	60,717

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2008	-	64,225	-	(54,280)	50,952	545	61,442
15	2009	-	64,225	-	0	0	545	64,770
16	2010	-	64,649	-	0	0	(702)	63,947
17	2011	-	64,649	-	0	0	230	64,879
18	2012	-	64,649	-	0	0	230	64,879
19	2013	-	64,649	-	0	0	230	64,879
20	2014	-	64,649	-	0	0	230	64,879
21	2015	-	64,649	-	0	0	230	64,879
22	2016	-	64,649	-	0	0	230	64,879
23	2017	-	64,649	-	0	0	230	64,879
24	2018	-	64,649	-	0	0	230	64,879
25	2019	-	64,649	-	0	0	230	64,879
26	2020	-	64,649	-	0	0	(702)	63,947
27	2021	-	64,649	-	0	0	230	64,879
28	2022	-	64,649	-	0	0	230	64,879
29	2023	-	64,649	-	0	0	230	64,879
30	2024	-	64,649	-	0	0	230	64,879
31	2025	-	64,649	-	0	0	230	64,879

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

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

ALLOWANCE REPORTING FORM

Ameren Energy Generating Company

Reporting Period

July 1, 2007
to
September 30, 2007

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	1995	0	121,154	(95,222)	(18,798)	9,071	0	16,205
2	1996	16,205	121,154	(131,888)	(16,000)	25,694	0	15,165
3	1997	15,165	121,154	(151,751)	(36,300)	88,113	1	36,382
4	1998 *	36,382	114,176	(102,252)	(26,000)	27,360	0	49,666
5	1999 **	49,666	107,830	(87,461)	(16,000)	20,817	0	74,852
6	2000	74,852	64,225	(105,162)	(132)	55,571	2,409	91,763
7	2001	91,763	64,225	(90,673)	(107,061)	87,240	545	46,039
8	2002	46,039	64,225	(100,305)	(16,150)	62,074	545	56,428
9	2003	56,428	64,225	(90,120)	(13,866)	17,610	545	34,822
10	2004	34,822	64,225	(90,532)	(12,358)	31,437	545	28,139
11	2005	28,139	64,225	(83,905)	(41,044)	83,757	545	51,717
12	2006	51,717	64,225	(56,443)	(69,280)	43,411	545	34,175
13	2007	34,175	64,225	(50,834)	(54,280)	50,727	545	44,558

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2008	-	64,225	-	(54,280)	50,952	545	61,442
15	2009	-	64,225	-	0	0	545	64,770
16	2010	-	64,649	-	0	0	(702)	63,947
17	2011	-	64,649	-	0	0	230	64,879
18	2012	-	64,649	-	0	0	230	64,879
19	2013	-	64,649	-	0	0	230	64,879
20	2014	-	64,649	-	0	0	230	64,879
21	2015	-	64,649	-	0	0	230	64,879
22	2016	-	64,649	-	0	0	230	64,879
23	2017	-	64,649	-	0	0	230	64,879
24	2018	-	64,649	-	0	0	230	64,879
25	2019	-	64,649	-	0	0	230	64,879
26	2020	-	64,649	-	0	0	(702)	63,947
27	2021	-	64,649	-	0	0	230	64,879
28	2022	-	64,649	-	0	0	230	64,879
29	2023	-	64,649	-	0	0	230	64,879
30	2024	-	64,649	-	0	0	230	64,879
31	2025	-	64,649	-	0	0	230	64,879

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

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

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

October 1, 2006
to
December 31, 2006

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	33,228	(67,924)	0	37,839	246	3,389
2	2001	3,389	33,228	(61,214)	0	38,993	246	14,642
3	2002	14,642	33,228	(46,774)	0	36,528	246	37,870
4	2003	37,870	33,228	(65,446)	0	10,347	246	16,245
5	2004	16,245	33,228	(52,058)	(2,503)	7,653	246	2,811
6	2005	2,811	33,228	(39,999)	(20,534)	33,546	246	9,298
7	2006	9,298	33,228	(37,794)	0	1,454	246	6,432
8	2007	-	33,228	-	0	0	246	33,474
9	2008	-	33,228	-	0	0	246	33,474
10	2009	-	33,228	-	0	0	246	33,474
11	2010	-	29,190	-	0	0	105	29,295
12	2011	-	29,190	-	0	0	105	29,295
13	2012	-	29,190	-	0	0	105	29,295

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2013	-	29,190	-	0	0	105	29,295
15	2014	-	29,190	-	0	0	105	29,295
16	2015	-	29,190	-	0	0	105	29,295
17	2016	-	29,190	-	0	0	105	29,295
18	2017	-	29,190	-	0	0	105	29,295
19	2018	-	29,190	-	0	0	105	29,295
20	2019	-	29,190	-	0	0	105	29,295
21	2020	-	29,190	-	0	0	105	29,295
22	2021	-	29,190	-	0	0	105	29,295
23	2022	-	29,190	-	0	0	105	29,295
24	2023	-	29,190	-	0	0	105	29,295
25	2024	-	29,190	-	0	0	105	29,295
26	2025	-	29,190	-	0	0	105	29,295
27	2026	-	29,190	-	0	0	105	29,295
28	2027	-	29,190	-	0	0	105	29,295
29	2028	-	29,190	-	0	0	105	29,295
30	2029	-	29,190	-	0	0	105	29,295
31	2030	-	29,190	-	0	0	105	29,295

ALLOWANCE REPORTING FORM

Ameren Energy Resources Generating Company

Reporting Period

July 1, 2007
to
September 30, 2007

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2000	0	33,228	(67,924)	0	37,839	246	3,389
2	2001	3,389	33,228	(61,214)	0	38,993	246	14,642
3	2002	14,642	33,228	(46,774)	0	36,528	246	37,870
4	2003	37,870	33,228	(65,446)	0	10,347	246	16,245
5	2004	16,245	33,228	(52,058)	(2,503)	7,653	246	2,811
6	2005	2,811	33,228	(39,999)	(20,534)	33,546	246	9,298
7	2006	9,298	33,228	(37,793)	0	1,454	246	6,433
8	2007	6,433	33,228	(11,614)	0	0	246	28,293
9	2008	-	33,228	-	0	0	246	33,474
10	2009	-	33,228	-	0	0	246	33,474
11	2010	-	29,190	-	0	0	105	29,295
12	2011	-	29,190	-	0	0	105	29,295
13	2012	-	29,190	-	0	0	105	29,295

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2013	-	29,190	-	0	0	105	29,295
15	2014	-	29,190	-	0	0	105	29,295
16	2015	-	29,190	-	0	0	105	29,295
17	2016	-	29,190	-	0	0	105	29,295
18	2017	-	29,190	-	0	0	105	29,295
19	2018	-	29,190	-	0	0	105	29,295
20	2019	-	29,190	-	0	0	105	29,295
21	2020	-	29,190	-	0	0	105	29,295
22	2021	-	29,190	-	0	0	105	29,295
23	2022	-	29,190	-	0	0	105	29,295
24	2023	-	29,190	-	0	0	105	29,295
25	2024	-	29,190	-	0	0	105	29,295
26	2025	-	29,190	-	0	0	105	29,295
27	2026	-	29,190	-	0	0	105	29,295
28	2027	-	29,190	-	0	0	105	29,295
29	2028	-	29,190	-	0	0	105	29,295
30	2029	-	29,190	-	0	0	105	29,295
31	2030	-	29,190	-	0	0	105	29,295

FORM 213/21
ALLOWANCE REPORTING FORM

Cordova Energy Company

Reporting Period

October 1, XX2006

To

December 31, XX2006

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

Cordova Energy Company

FORM 213/21
ALLOWANCE REPORTING FORM

Reporting Period

July 1, ~~19~~ ~~XX~~ 2007

To

September 30, ~~19~~ ~~XX~~ 2007

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

FORM 213/21

ALLOWANCE REPORTING FORM

Reporting Period
January 1, 2006
To
December 31, 2006

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2006	77,687	-----	26,408	48,875			2,404
2	2007	28,992	-----	0	0			28,992
3	2008	28,992	-----	0	0			28,992
4	2009	28,992	-----	0	0	10,000		38,992
5	2010	29,040	-----	0	0			29,040
6	2011	29,040	-----	0	0			29,040
7	2012	29,040	-----	0	0			29,040
8	2013	29,040	-----	0	0			29,040
9	2014	29,040	-----	0	0			29,040
10	2015	29,040	-----	0	0			29,040
11	2016	29,040	-----	0	0			29,040
12	2017	29,040	-----	0	0			29,040
13	2018	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2019	29,040	-----	0	0			29,040
15	2020	29,040	-----	0	0			29,040
16	2021	29,040	-----	0	0			29,040
17	2022	29,040	-----	0	0			29,040
18	2023	29,040	-----	0	0			29,040
19	2024	29,040	-----	0	0			29,040
20	2025	29,040	-----	0	0			29,040
21	2026	29,040	-----	0	0			29,040
22	2027	29,040	-----	0	0			29,040
23	2028	29,040	-----	0	0			29,040
24	2029	29,040	-----	0	0			29,040
25	2030	29,040	-----	0	0			29,040
26	2031	29,040	-----	0	0			29,040
27	2032	29,040	-----	0	0			29,040
28	2033	29,040	-----	0	0			29,040
29	2034	29,040	-----	0	0			29,040
30	2035	29,040	-----	0	0			29,040
31	2036	29,040	29,040	0	0			29,040

FORM 213/21
ALLOWANCE REPORTING FORM

Reporting Period
January 1, 2007
To
September 30, 2007

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2007	31,395	-----	19,346	0			12,049
2	2008	28,992	-----	0	0			28,992
3	2009	38,992	-----	0	0	10,000		48,992
4	2010	29,040	-----	0	0			29,040
5	2011	29,040	-----	0	0			29,040
6	2012	29,040	-----	0	0			29,040
7	2013	29,040	-----	0	0			29,040
8	2014	29,040	-----	0	0			29,040
9	2015	29,040	-----	0	0			29,040
10	2016	29,040	-----	0	0			29,040
11	2017	29,040	-----	0	0			29,040
12	2018	29,040	-----	0	0			29,040
13	2019	29,040	-----	0	0			29,040

Line No.	Compliance Use Date Of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2020	29,040	-----	0	0			29,040
15	2021	29,040	-----	0	0			29,040
16	2022	29,040	-----	0	0			29,040
17	2023	29,040	-----	0	0			29,040
18	2024	29,040	-----	0	0			29,040
19	2025	29,040	-----	0	0			29,040
20	2026	29,040	-----	0	0			29,040
21	2027	29,040	-----	0	0			29,040
22	2028	29,040	-----	0	0			29,040
23	2029	29,040	-----	0	0			29,040
24	2030	29,040	-----	0	0			29,040
25	2031	29,040	-----	0	0			29,040
26	2032	29,040	-----	0	0			29,040
27	2033	29,040	-----	0	0			29,040
28	2034	29,040	-----	0	0			29,040
29	2035	29,040	-----	0	0			29,040
30	2036	29,040	-----	0	0			29,040
31	2037	0	29,040	0	0			0

ALLOWANCE REPORTING FORM

Reporting Period

October 1, 20 06

To

December 31, 20 06

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2006	3,206	67,606	61,437	2,000	2,975	0	10,350
2	2007	-----	67,606	-----	0	0	0	67,606
3	2008	-----	67,606	-----	0	0	0	67,606
4	2009	-----	67,606	-----	0	36,571	0	104,177
5	2010	-----	59,139	-----	0	0	0	59,139
6	2011	-----	59,139	-----	0	0	0	59,139
7	2012	-----	59,139	-----	0	0	0	59,139
8	2013	-----	59,139	-----	0	0	0	59,139
9	2014	-----	59,139	-----	0	0	0	59,139
10	2015	-----	59,139	-----	0	0	0	59,139
11	2016	-----	59,139	-----	0	0	0	59,139
12	2017	-----	59,139	-----	0	0	0	59,139
13	2018	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2019	-----	59,139	-----	0	0	0	59,139
15	2020	-----	59,139	-----	0	0	0	59,139
16	2021	-----	59,139	-----	0	0	0	59,139
17	2022	-----	59,139	-----	0	0	0	59,139
18	2023	-----	59,139	-----	0	0	0	59,139
19	2024	-----	59,139	-----	0	0	0	59,139
20	2025	-----	59,139	-----	0	0	0	59,139
21	2026	-----	59,139	-----	0	0	0	59,139
22	2027	-----	59,139	-----	0	0	0	59,139
23	2028	-----	59,139	-----	0	0	0	59,139
24	2029	-----	59,139	-----	0	0	0	59,139
25	2030	-----	59,139	-----	0	0	0	59,139
26	2031	-----	59,139	-----	0	0	0	59,139
27	2032	-----	59,139	-----	0	0	0	59,139
28	2033	-----	59,139	-----	0	0	0	59,139
29	2034	-----	59,139	-----	0	0	0	59,139
30	2035	-----	59,139	-----	0	0	0	59,139

MidAmerican Energy Company

ALLOWANCE REPORTING FORM

Reporting Period

July 1, 20 07

To

September 30, 20 07

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
1	2007	10,434	67,606	48,341	0	1,400	0	31,099
2	2008	-----	67,606	-----	0	0	0	67,606
3	2009	-----	67,606	-----	0	36,571	0	104,177
4	2010	-----	59,139	-----	0	0	0	59,139
5	2011	-----	59,139	-----	0	0	0	59,139
6	2012	-----	59,139	-----	0	0	0	59,139
7	2013	-----	59,139	-----	0	0	0	59,139
8	2014	-----	59,139	-----	0	0	0	59,139
9	2015	-----	59,139	-----	0	0	0	59,139
10	2016	-----	59,139	-----	0	0	0	59,139
11	2017	-----	59,139	-----	0	0	0	59,139
12	2018	-----	59,139	-----	0	0	0	59,139
13	2019	-----	59,139	-----	0	0	0	59,139

Line No.	Compliance Use Date of Allowances (A)	Beginning Allowance Balance (B)	USEPA Allowance Allocation (C)	YTD Allowance Usage (D)	Allowance Sales (E)	Allowance Acquisitions (F)	USEPA Allocation Adjustments (G)	YTD Allowance Balance (H)
14	2020	-----	59,139	-----	0	0	0	59,139
15	2021	-----	59,139	-----	0	0	0	59,139
16	2022	-----	59,139	-----	0	0	0	59,139
17	2023	-----	59,139	-----	0	0	0	59,139
18	2024	-----	59,139	-----	0	0	0	59,139
19	2025	-----	59,139	-----	0	0	0	59,139
20	2026	-----	59,139	-----	0	0	0	59,139
21	2027	-----	59,139	-----	0	0	0	59,139
22	2028	-----	59,139	-----	0	0	0	59,139
23	2029	-----	59,139	-----	0	0	0	59,139
24	2030	-----	59,139	-----	0	0	0	59,139
25	2031	-----	59,139	-----	0	0	0	59,139
26	2032	-----	59,139	-----	0	0	0	59,139
27	2033	-----	59,139	-----	0	0	0	59,139
28	2034	-----	59,139	-----	0	0	0	59,139
29	2035	-----	59,139	-----	0	0	0	59,139
30	2036	-----	59,139	-----	0	0	0	59,139

MidAmerican Energy Company