

**PREPARED DIRECT TESTIMONY
OF
DEBORAH L. LANCASTER
ON BEHALF OF
CENTRAL ILLINOIS LIGHT COMPANY
DOCKET NOS. 00-259,
00-395, 00-461**

ILLINOIS
COMMERCE COMMISSION
AUG 30 2 02 PM '00
CHIEF CLERK'S OFFICE

1 Q1: Please state your name and business address.

2 A1: My name is Deborah L. Lancaster, and my business address is 300
3 Liberty Street, Peoria, Illinois 61602.

4 Q2: What is your current position at Central Illinois Light Company?

5 A2: I am employed by Central Illinois Light Company (CILCO) as Senior
6 Energy Supply Administrator.

7 Q3: What is your educational background and work experience?

8 A3: I was employed by CILCO in 1981 and attained Journeyman Meterman
9 status in 1988 after completing a four year Electrical Apprenticeship with
10 the Illinois Brotherhood of Electrical Workers. In 1997 I transferred to the
11 Environmental Department where I was responsible for compliance within
12 the Environmental Laws and Regulations as they applied to both the
13 distribution and generation areas of the company. In 1998 I became a
14 team member of the Energy Supply and Marketing Department where I
15 am currently employed. My responsibilities include analysis and
16 compliance of Open Access Transmission Tariffs, the NERC Operating
17 Manual, and MAIN Guides. I am responsible for Transmission Agreements
18 and securing energy and capacity to serve the electric retail customers we

19 are conducting business with which are located in the Commonwealth
20 Edison (ComEd), Ameren CIPS and Ameren UE (Ameren), and Illinois
21 Power (IP) territories. I also trade energy at the wholesale level, purchase
22 transmission, and submit energy schedules to control areas via electronic
23 tagging. I represent CILCO as a voting member on the MAIN Market
24 Interface Committee.

25 I have not previously testified before this Commission on CILCO's
26 behalf in other rate-related proceedings.

27 Q4: Please explain the purpose of your testimony.

28 A4: The purpose of my testimony is to discuss CILCO's position on the issues
29 of adjustments to market value to account for capacity and reserve costs
30 in the Market Index Filings of Ameren and IP.

31 Q5: Could you discuss the differences in adjustments needed to market value
32 in moving from a Neutral Fact Finder market value approach to a market
33 index approach to market value?

34 A5: The Neutral Fact Finder market value was based on actual electric
35 contracts entered into between retail customers and suppliers. Based on
36 my experience, retail suppliers would have taken into account, capacity
37 and reserve costs in quoting a price to the customer. When market value
38 is based on energy-only indices, adjustments are needed to account for
39 the additional actual costs a retail supplier would incur when serving a
40 customer. Otherwise, the market value would understate the actual costs
41 in serving retail customers.

42 Q6: Should the Market Value Index in Ameren and IP territories be adjusted to
43 reflect the additional cost of energy due to Ameren and IP requiring the
44 retail supplier to supply 15% Planning Reserves?

45 A6: Yes. Although Ameren & IP remain the default supplier and have not
46 been relieved of their requirement to plan for these customers in the event
47 the customer returns to their system, they still require the retail supplier to
48 obtain Planning Reserves. Retail suppliers must now contract for 15%
49 additional capacity to serve customers behind these systems. CILCO has
50 gone through the process of applying for Network Integrated Transmission
51 Service (NITS) in Ameren and IP territories. The NITS Application
52 required us to supply 15% Planning Reserves. This is an additional cost
53 to serving customers in Ameren and IP which should be accounted for in
54 an adjustment to market value in these territories. At this time, these
55 additional costs are not incorporated into the market values.
56 Consequently, suppliers will be financially impaired if the market value
57 understates the actual costs to serve.

58 Q7: Should the Market Value Index in Ameren and IP territories be adjusted to
59 reflect the additional cost of energy due to Ameren and IP requiring the
60 retail supplier to provide capacity-backed energy?

61 A7: Yes. The market indices, which Ameren and IP's tariffs are based on, are
62 not indices for capacity-backed products, but energy-only products. There
63 is a higher cost in buying a capacity-backed versus energy-only product.
64 Since Ameren and IP's NITS Applications require retail suppliers to point

65 to capacity-backed energy, the market index in Ameren and IP should be
66 increased to account for the difference in cost to supply a capacity-backed
67 versus an energy-only product.

68 Q8: Ms. Lancaster, does this conclude your prepared direct testimony?

69 A8: Yes, it does.