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Illinois Commerce Commission )  
On Its Own Motion )  
Requirements governing the form and content )  
of contract summaries for the neutral fact-finder )  
process for 2000 under Section 16-112(c) )  
Public Utilities Act. )

Docket No. 00-0007 ~~CLERK'S OFFICE~~

**INITIAL BRIEF**  
**OF**  
**PEOPLES ENERGY SERVICES CORPORATION**

**I. INTRODUCTION AND SUMMARY OF POSITION**

Peoples Energy Services Corporation ("PE Services") was granted leave to intervene in this proceeding as an Alternative Retail Electric Supplier ("ARES") in the State of Illinois. The neutral fact finder ("NFF") process and its determination of market value are of critical importance to customers and the Retail Electric Suppliers ("RES") that serve them. PE Services has interest in the process at two levels, First, as an ARES serving customers in the State of Illinois PE Services is subject to the reporting requirements that will be the outcome of this proceeding. Second, the market value the NFF develops as a result of this proceeding will have a dramatic effect on both PE Services' ability to provide services, and the types of services PE Services will be able to provide, to Illinois electric customers.

PE Services is limiting this initial brief to taking positions on three issues of vital importance, positions which are fully supported by the evidentiary record of this proceeding. First, it is essential that the NFF utilize a methodology that will not perpetuate the level of customer transition charges ("CTC") from 2000 into 2001. Second, the NFF reporting process should not require the unnecessary administrative

burden of unbundling contracts expressed in \$/kWh or other bundled pricing mechanisms. Finally, reporting entities should be encouraged to provide any information, including subjective information, that may reasonably help the NFF evaluate contracts and come to a more reasoned market value. Failure to remedy these three items in the manner proposed by the proponents would require additional reporting burden without any associated benefit, reduce the information available to the NFF for the NFF to calculate a fully informed market value and keep the NFF market value calculation from being as accurate as possible.

**II. THE NFF SHOULD UTILIZE A METHODOLOGY TO CALCULATE THE CTC THAT WILL NOT PERPETUATE THE YEAR 2000 CTC INTO YEAR 2001**

Most if not all the parties in this proceeding, have testified to the problems with the NFF calculation and its resulting market value in the past two years. See, NewEnergy Ex. 1, pp. 5-6; ComEd Ex. 3, pp. 2-3. One particular problem is the circular nature of utilizing the tariffed CTC market value that perpetuates the level of CTC from year to year, Ameren Ex. 1.0, p. 9. Nicor witness Mr. Koby Bailey recommends that the NFF utilize historical day-ahead pricing to alleviate the problem, or in the alternate, as Mr. Bailey suggested in his rebuttal testimony, consider Illinois Power witness Mr. David W. Hasting's suggestion to utilize actual market forwards and customer's actual usage to eliminate the bias in utilizing tariffed CTC. Nicor Ex. 1, pp. 3-5 and Ex. 2, pp. 2-3. PE Services strongly recommends the NFF be required to use one of these two suggested methods to alleviate the circular calculation and its result of perpetuating the CTC level.

**III. THE NFF REPORTING PROCESS SHOULD NOT REQUIRE THE ADMINISTRATIVE BURDEN OF UNBUNDLING CONTRACTS EXPRESSED IN \$/kWh.**

Sections D(4) and E of the 2000 Neutral Fact Finder Process Instructions for completing the Contract Summary Form and Work Sheet Instructions (hereinafter

“Instructions”) requires reporting entities to unbundle contracts even if they are based only on \$/kWh. ICC Staff Ex. 1.0 Schedule B, pp. 8-10; Nicor Ex. 1, p. 2. Likewise, other bundled pricing mechanisms, such as those basing price on a percentage of some benchmark, would need to be unbundled. Unbundling capacity and prices for such contracts to state this information on an hourly basis is burdensome and there is no accurate methodology to do so. Therefore, as Nicor witness Mr. Bailey states, if the contract price is expressed in terms of \$/kWh the fixed kWh price should be extended into all 8,760 cells. Nicor Ex. 1, pp. 5-6 and Ex 2, pp. 2 and 4. PE Services strongly supports Mr. Bailey’s suggested reporting methodology for bundled contracts and believes reporting equal prices for all hours will provide the NFF more accurate information than could any type of artificial manipulation.

IV. REPORTING ENTITIES SHOULD BE ENCOURAGED TO PROVIDE ADDITIONAL INFORMATION THAT MAY HELP THE NFF COME TO A MORE PRECISE MARKET VALUE

The 2000 Neutral Fact-Finder Contract Summary Form provides for, and Instructions solicit, additional information, including subjective information. ICC Staff Ex. 1.0, Schedule A, p. 5; ICC Staff Ex. 1.0, Schedule B, p. 5. The NFF process will be better served and the resulting market value more accurate if the NFF considers all available information. Section 16-I 12 of the Act neither prohibits entities from reporting subjective data nor prohibits the NFF from considering subjective data. PE Services refers to NewEnergy witness Dr. Phillip R. O’Connor’s direct testimony where he states that reporting entities should provide explanations of features or items that might assist the NFF in having a better appreciation of some of the contract nuances. NewEnergy Ex. 1, p. 13. As ICC Staff Witness Mr. Robert E. Bishop testified during rebuttal, the staff was indifferent to NewEnergy’s suggestion but changed the language based on the

objection of one single party to this proceeding. ICC Staff Ex. 3.0, p. 2. Because the NFF has great latitude in weighing the significance of any reported data, subjective data certainly could only help the process. As such, PE Services recommends that the Commission allow reporting entities to provide the NFF all information the reporting entity reasonably believes would be helpful to the process.

#### V. CONCLUSION

In conclusion, PE Services urges the Hearing Examiner to resolve the three aforementioned issues in the manner set forth in the testimony of their proponents. The Hearing Examiner should consider the fact that all the Parties have raised concerns with past NFF proceedings and outcomes and PE Services and the RES whose testimony it supports are suggesting changes that will help the process and offer a better result. The proponents' testimony reflects a reasoned and balanced resolution to three difficult issues the Hearing Examiner faces in this proceeding.

Respectfully submitted,

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NOTICE OF FILING

To: Service List

PLEASE TAKE NOTICE that on this 16<sup>th</sup> day of March, 2000, I have filed with the Chief Clerk of the Illinois Commerce Commission, the Initial Brief of Peoples Energy Services Corporation, a copy of which is hereby served upon you.

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CERTIFICATE OF SERVICE

I, hereby certify that I have served this Initial Brief by e-mail and United Parcel Service on March 16, 2000 or by personal delivery on March 16, 2000 upon each of the parties of record in Ill.C.C. Docket No. 00-0007. Dated at Chicago, Illinois this 16<sup>th</sup> day of March, 2000.

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