

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NO. \_\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**WILBON L. COOPER**

**Submitted On Behalf**

**Of**

**AMEREN CORPORATION**

**February 28, 2005**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. BGS RATES AND RATE DESIGN DISCUSSION..... 3

III. RATE TRANSLATION DISCUSSION..... 18

IV. RIDER RTP – REAL TIME PRICING DISCUSSION ..... 32

V. SWITCHING RULES DISCUSSION..... 35

VI. TRANSMISSION SERVICE DISCUSSION..... 36

VII. OTHER POWER SUPPLY DISCUSSION..... 36



23 **Q. Please describe your educational background.**

24 A. I earned a Bachelor of Science degree in electrical engineering in 1980 from the  
25 University of Missouri – Rolla.

26 **Q. Please describe your work experience.**

27 A. I was employed as an Assistant Engineer in the Rate Engineering Department of  
28 Union Electric Company in June 1980. My work included assignments relating to  
29 the general analyses and administration of various aspects of Union Electric  
30 Company's electric, gas, and steam rates. In October 1989, I was appointed  
31 Supervising Engineer – Rate Analysis in the Rate Engineering Department of  
32 Corporate Planning at Ameren Services Company. In the latter position, I was  
33 responsible for meeting the analytical requirements of Union Electric Company's  
34 retail gas and electric rates and wholesale electric rates, including load research  
35 and various cost of service and rate design studies, as assigned. I was appointed  
36 to my present position of Manager of Rate Engineering and Analysis - Regulatory  
37 Policy and Planning in March 2003.

38 **Q. Please describe your duties and responsibilities as Manager Rate  
39 Engineering and Analysis – Regulatory Policy and Planning.**

40 A. I currently have responsibility for the general policies and practices associated  
41 with the day-to-day administration and design of the Ameren Companies' electric  
42 and gas rate tariffs, riders and rules and regulations tariffs on file with the Illinois  
43 Commerce Commission and, also, similar responsibilities for AmerenUE's  
44 Missouri operations. In addition, Rate Engineering and Analysis is responsible  
45 for conducting class cost of service and rate design studies and the participation in

46 other projects of a general corporate nature, as requested by the Director of  
47 Regulatory Policy and Planning.

48 **Q. What is the purpose of your testimony?**

49 A. The primary purpose of my testimony is to present and explain various aspects of  
50 the development of rate tariffs for the providing of power service to the Ameren  
51 Companies' retail electric service customers at the end of the mandatory transition  
52 period under the Customer Choice Law of 1997. More specifically, these tariffs,  
53 along with Transmission Service ("TS") and Delivery Service ("DS") tariffs, will  
54 provide retail customers of these operating companies with a continuation of  
55 bundled service (i.e., complete service from production to transmission to  
56 distribution) via a combination of separate tariffs for power, transmission, and  
57 distribution service. In his direct testimony, Mr. Craig D. Nelson provides a  
58 complete overview of the Companies' proposal and its place in the statutory and  
59 regulatory framework.

60 **II. BGS RATES AND RATE DESIGN DISCUSSION**

61 **Q. Please provide a brief description of the power supply product(s) for which**  
62 **post-2006 rates for power need to be developed.**

63 A. As discussed in the testimony of Mr. Nelson and Mr. James Blessing, the Ameren  
64 Companies plan to conduct a "New Jersey style" auction or competitive bidding  
65 process for the supply of power to all of its retail electric customers post-2006.  
66 Bidders will be required to bid on uniform tranches of power supply for three  
67 products: (1) full requirements power at "fixed" prices for the aggregated load of  
68 all Illinois retail electric customers with individual demands of less than 1,000

69 kilowatts of AmerenCIPS, AmerenCILCO, and AmerenIP (i.e., within the  
70 “Ameren Footprint”), (2) full requirements power at “fixed” prices for the  
71 aggregated load of all Ameren Footprint customers with individual demands equal  
72 to or greater than 1,000 kilowatts and (3) Real Time Pricing power for all Ameren  
73 Footprint customers with individual demands equal to or greater than 1,000  
74 kilowatts.

75 **Q. What were some of the Companies’ goals and objectives in the development**  
76 **of rates for the providing of power to its retail electric customers post-2006?**

77 A. The Ameren Companies operate as Integrated Distribution Companies (“IDCs”)  
78 under the Commission’s rules, and are not expected or required to own any  
79 significant generation resources. As Mr. Warner Baxter and Mr. Nelson explain,  
80 the rates for power within the Ameren Footprint must allow for full, timely, and  
81 precise recovery of all costs associated with the procurement of power and energy  
82 needed to serve Ameren Footprint customers. This recovery is critical to both the  
83 financial health of the Ameren Companies, and also to the development of a  
84 robust competitive retail power market in Illinois. Absent recovery of actual  
85 power procurement costs from customers, the financial health of these utilities  
86 could be unduly harmed.

87 My testimony is more focused on a second goal: namely, to design class rates  
88 that reflect cost causation and equitable cost recovery principles, with a proper  
89 consideration of equity and fairness to all customer classes. As stated earlier,  
90 total costs associated with procuring power from the market must ultimately be

91 recovered, and the notion of overcharging one customer class in order to subsidize  
92 another class is unfair to the customer class or classes being overcharged.  
93 Additionally, cost based rates promote the cost effective utilization of electricity  
94 by customers. To make appropriate decisions regarding the most efficient and  
95 effective use of electricity, as well as the acquisition of electrical consuming  
96 equipment, customers require accurate and appropriate price signals through  
97 electric rates.

98 While I mentioned the importance of rates providing for the full recovery of  
99 power procurement costs earlier from a market perspective, cost based class rates  
100 are essential for the development of a competitive power market, because  
101 individual class rates for power compete with prices from Alternative Retail  
102 Electric Suppliers (“ARES” or “RES”), alternative fuels, and co-generation.  
103 Accordingly, the utility’s class rates must not provide a non-cost based advantage  
104 for customers to elect power service from an Ameren Company, to the detriment  
105 of competitive providers.

106 **Q. What is the Ameren Companies’ proposal with regard to rates for power for**  
107 **customers within the Ameren Footprint?**

108 A. The Ameren Companies are proposing the uniform application of “fixed” power  
109 rates by service classification across the entire Ameren Footprint in Illinois. In  
110 other words, customers of specific service classifications (e.g., residential) will be  
111 billed under the same power rates regardless of which Ameren Company serves  
112 them. Additionally, all customers within the Ameren Footprint will be given a

113 choice between a “fixed” price product or a Real Time Pricing (“RTP”) product  
114 for power service.

115 The uniform application of power rates for the different “fixed” products  
116 across the entire Ameren Footprint is consistent with the bidding of the entire  
117 Ameren Footprint in the competitive power procurement or auction process,  
118 promotes simplicity and ease of customer understanding, promotes the goal of  
119 total uniformity of tariff application, and results in more efficient and effective  
120 administration of the Ameren Companies’ retail electric rates throughout the  
121 Illinois service territories. Additionally, as discussed later in this testimony, the  
122 resultant power rates equitably recover costs associated with capacity service  
123 among and within customer groups. The Companies’ energy charges under its  
124 RTP products may vary modestly across Ameren’s three control areas. Later in  
125 this testimony, I will provide additional discussion on RTP rates.

126 **Q. Please describe the proposed generation service offerings for customers who**  
127 **elect “fixed” price power service from an Ameren Company post-2006.**

128 A. Consistent with Ameren’s competitive procurement auction (“CPA”) for power  
129 procurement post-2006, which Mr. Nelson and Mr. Blessing describe, the Ameren  
130 Companies are proposing to designate their two Basic Generation Service  
131 (“BGS”) offerings of “fixed” price power service as: 1) Rider BGS – Basic  
132 Generation Service (Applicable to Customers with Demands Less than 1,000  
133 kilowatts and 2) Rider BGS-L – Basic Generation Service – Large (Applicable to  
134 Customer with Demands Equal to or Greater than 1,000 kilowatts. These two  
135 riders are set forth in Resp. Exhibit 5.1.

136 **Q. Please describe the proposed RTP offerings for customers.**

137 A. The Ameren Companies are bidding only one RTP product for customers with  
138 demands equal to or greater than 1,000 kilowatts; however, they will, via “rate  
139 design” afford customers with demands less than 1,000 kilowatts the opportunity  
140 to elect billing for power under a RTP rate. As a result, the Companies are  
141 proposing to designate their two offerings of Real Time Pricing as: (1) Rider RTP  
142 – Real Time Pricing (Applicable to Customers with Demands Less than 1,000  
143 kilowatts) and (2) Rider RTP-L – Real Time Pricing Large (Applicable to  
144 Customers with Demands Equal to or Greater than 1,000 kilowatts). These  
145 designations align with the previously mentioned BGS Riders with regard to  
146 naming convention and should promote ease of customer understanding. The two  
147 RTP riders are set forth in Resp. Exhibit 5.2.

148 **Q. Will any of the previously mentioned BGS or RTP riders contain actual**  
149 **prices or rate values for power service?**

150 A. No. The Ameren Companies are proposing that all pricing of power service be as  
151 prescribed in the Market Value Rider – Rider MV as explained in the direct  
152 testimony of Mr. Robert Mill. All BGS and RTP tariffs “point to” Rider MV for  
153 the determination of prices or rates BGS.

154 II. Service Classifications, Rate Design and Rate Application Discussion

155 **Q. Please summarize the proposed service or rate classifications for the**  
156 **Companies’ BGS and RTP offerings.**

157 A. The following table delineates our proposed BGS and RTP offerings:

158 Table 1.

<b>Service Classification</b>	<b>Rider BGS</b>	<b>Rider RTP</b>
Residential Service	BGS (BGS-1)	RTP (RTP-1)
Small General Service	BGS (BGS-2)	RTP (RTP-2)
General Service	BGS (BGS-3)	RTP (RTP-3)
Large General Service	BGS-L (BGS-4)	RTP-L (RTP-4)
Dusk to Dawn Lighting Service	BGS (BGS-5)	N/A

159

160 **Q. Please describe the general rationale supporting these service classifications.**

161 A. In general, the development of rate or service classifications should reflect intra-  
162 class homogeneity and, also, limit the ability of customers to switch or migrate  
163 from one rate to another. That is, customers with comparable load and service  
164 characteristics should be included in the same class. Customers within these  
165 classes are fairly homogenous in load, load characteristics and metering  
166 installations.

167 Also, from a strategic perspective, the Companies expect to align or synchronize  
168 their DS rates with those in Table 1 prior to the effective date of the BGS and  
169 RTP tariffs. This alignment will promote ease of customer and Commission Staff  
170 understanding in matching the applicable BGS and RTP service classifications  
171 with the corresponding DS rates. It should be noted that all retail customers must  
172 be served under Ameren's DS rates.

173 **Q. Please provide an overview of post-2006 BGS class rate design.**

174 A. The proposed BGS class rates for post-2006 consist of consumption-based  
175 charges for capacity and energy service. We are not proposing the use of demand  
176 charges for any of the BGS offerings. The nature of today's commoditized  
177 wholesale markets for power supports this type of rate design as it tracks cost

178 incurrence. In recent years, the pricing of power has shifted from a fixed-variable  
179 cost-based method using actual embedded power plant investment and running  
180 costs, to a market-based approach that has introduced the trading of uniform  
181 blocks of power supply offered through commodity exchanges and hubs. In  
182 essence, the market has shifted the capacity-related generation costs into the  
183 “energy price” on which power is traded. Our use of a rate translation prism (to  
184 be discussed later in this testimony) that utilizes customer usage data, bid price  
185 and estimates of other components of costs, as contrasted to traditional  
186 jurisdictional retail class cost of service and rate design principles, demonstrates  
187 that there is no need for additional granularity (of adding a demand charge) in the  
188 BGS rate classes. The energy-only rate design resulting from the application of  
189 the rate translation prism adequately addresses cost causation and equitable cost  
190 recovery principles.

191 To contrast the decline of capacity valuation in today’s wholesale markets to  
192 historical periods, the price for regulatory capacity is around \$1-\$2 per kW-month  
193 versus the \$6-\$9 per kW-month value likely reflected in current bundled prices  
194 that were set one or more decades ago. Consequently, assuming this trend  
195 continues, for at least the near future, retail pricing for power supply will be on a  
196 per kWh basis, a significant difference from the capacity component embedded in  
197 historical bundled power service rate structures.

198 **Q. Do current power markets differentiate energy prices by season and/or time**  
199 **of day?**

200 A. Yes. Today's power markets adequately reflect differing costs by rating or  
201 pricing period. As a result, prices are typically quoted by month with additional  
202 delineation of on-peak versus off-peak rating period or down to the hourly level,  
203 where required.

204 **Q. Have the Ameren Companies reflected market price delineation by season in**  
205 **all of its proposed BGS offerings?**

206 A. Yes. Each of the BGS offerings contains seasonal pricing for power. Consistent  
207 with the Midwest Independent System Operator, Inc. ("MISO") of which the  
208 Ameren Companies are members, we have designated the months of June, July,  
209 August, and September as the summer billing season with all remaining months  
210 being designated as non-summer. Additionally, BGS energy rates for larger  
211 customers (>1,000 KW) contain the same seasonal differentiation along with on-  
212 peak versus off-peak billing provisions. The Ameren Companies are proposing  
213 that on-peak hours be designated as weekdays 6:00 a.m. to 10:00 p.m. Central  
214 Prevailing Time. All other hours, including weekends and certain North  
215 American Electric Reliability Council ("NERC") designated holidays, are off-  
216 peak. This on-peak hours designation is consistent with MISO's summer  
217 designation of the on-peak period as weekdays 6:00 a.m. to 10:00 p.m. Eastern  
218 Standard Time. However, while MISO's Eastern Time Zone on-peak period  
219 designation does not consider Daylight Savings Time, its the Central Time Zone  
220 does. As a result, our proposed non-summer on-peak hours are one hour "behind"

221 the comparable MISO hours. Clearly, there is no perfect match between our  
222 proposed on-peak period and MISO's; however, we understand the importance of  
223 customer understanding of rates and also ease of rate administration. Our  
224 proposed use of a consistent "local zone" time period for on-peak designation  
225 throughout the year promotes understanding and administration. Also, the use of  
226 the more critical summer MISO on-peak designation on a year-round basis does a  
227 better job of recognizing higher costs during on-peak periods. Again, all other  
228 hours, including weekends and NERC designated holidays, are off-peak.

229 **Q. Please describe Service Classification BGS-1 – Residential Service.**

230 A. Service Classification BGS-1 will apply to all residential customers who elect full  
231 requirements service from the Companies, commonly referred to as "bundled  
232 service", and who satisfy the applicable requirements for Residential Service.  
233 Customers within this classification will require energy-only metering and basic  
234 charges for BGS service in this classification are energy-only, with seasonal  
235 differentiation and a declining block rate for non-summer energy.

236 **Q. Considering your earlier statement of uniform blocks of power supply  
237 offered through commodity exchanges and hubs, why are you proposing a  
238 declining block rate for the Residential non-summer BGS fixed rate?**

239 A. Historically, many vertically integrated utilities utilized declining block rates to  
240 track the proportionately lower costs of increased volumes through certain fixed  
241 assets. This declining block pattern followed the trend of per unit costs going  
242 down as volume goes up. Both AmerenCILCO and AmerenUE (Metro East,  
243 which is being transferred to AmerenCIPS) have this form of non-summer rate

244 design within their current bundled residential tariffs. Typically, customers with  
245 usage in the non-summer lower priced block have electric space heating.  
246 AmerenCIPS has lower end-use rates for residential non-summer space heating  
247 usage, while AmerenIP has both a declining block rate and lower end-use rates for  
248 non-summer space heating usage. At present, the Ameren Companies have  
249 approximately 820,000 residential customers or 78 percent of the total who are  
250 either subject to blocked non-summer residential rates or who are billed under  
251 end-use rates for electric space heating. AmerenUE's declining block is set at 600  
252 kWh, AmerenCILCO's is set at 930 kWh, and AmerenIP's is at 300 kWh.  
253 AmerenIP's residential service further provides for a lower rate for non-summer  
254 space heating usage which is defined as "all kWh used during the billing period in  
255 excess of Non-Space Heat Usage". Non-Space Heat Usage is "all kWh used  
256 during the billing period up to the product of the average daily usage in the two  
257 billing periods with the lowest non-zero kWh user per day occurring during the 12  
258 consecutive billing periods ended with the current billing period multiplied by the  
259 number of days in the current billing period, but not less than 13 kWh per day".  
260 AmerenCIPS's Rider 5 – Residential Electric Space Heating Service provides  
261 blocking at the 0 - 400kWh, 401-800 kWh and all over 800 kWh levels. The non-  
262 spacing heating customer's average non-summer use for AmerenCIPS, AmerenIP,  
263 AmerenUE, and AmerenCILCO is 696 kWh, 678 kWh, 800 kWh and 755 kWh,  
264 respectively.  
265 Considering the current levels for each of the Ameren Companies, a conservative  
266 level of 800 kWh was utilized to establish the initial block for residential non-

267 summer use. This conservative approach recognizes the current existence of  
268 lower rates for non-summer usage above the class average for non space heating  
269 residential customers for a large number of customers within the residential use  
270 category while, at the same time, renders it less likely that these non-summer  
271 “high use” customers will be billed for non-space heating usage at the lower non-  
272 summer trailing block rate. Additionally, the continuation of this form of rate  
273 design for such a large subset of the residential class will help to mitigate  
274 concerns of customer rate impact, if any.

275 **Q. What level are you proposing for the declining or trailing block of the**  
276 **Residential non-summer BGS fixed rate?**

277 A. I am proposing that the Residential non-summer trailing block rate be set at  
278 approximately the same level as the non-summer off-peak rate for the BGS-3  
279 classification. To achieve this result, the Residential non-summer trailing block  
280 per unit cost in the rate translation prism was set at the off-peak non-summer per  
281 unit cost for the BGS-3 classification as calculated in the prism.

282 **Q. Please explain the rationale of setting this rate equal to the off-peak**  
283 **non-summer per unit cost for the BGS-3 General Service classification.**

284 A. As discussed previously, with the appropriate blocking levels, the objectives for  
285 determining the price differential between the first and second blocks of the  
286 residential non-summer rate were: (a) rate continuity and (b) rate impact  
287 mitigation. Initially, I reviewed the current residential non-summer block price  
288 differentials of the Ameren Companies and calculated a simple average of  
289 approximately 45%. Table 2 below demonstrates that the existing block price

290 differentials do not vary significantly among the Ameren Companies. However,  
 291 considering the nature of today’s commoditized wholesale markets for power  
 292 mentioned earlier, the establishing of a trailing block at a level of 45% of the  
 293 initial block would be inequitable. The calculated value for the BGS-3 off-peak  
 294 non-summer per unit cost reflects the costs associated with additional off-peak  
 295 usage of residential space heating. Additionally, the use of this value is not likely  
 296 to produce a 55% discount from the Residential first block rate. Also, it should be  
 297 noted that Ameren’s proposal mitigates energy costs only. That is, the existing  
 298 bundled price differentials represent a discount on production, transmission and  
 299 distribution, while Ameren’s proposal only contains a differential for power.  
 300 Therefore, this proposal “waters down” the average of the existing differentials.

301 Table 2

	AmerenCILCO	AmerenCIPS	AmerenIP	MetroEast	Average
Initial Block	6.618¢/kWh	6.988¢/kWh	5.947¢/kWh	5.880¢/kWh	6.358¢/kWh
Trailing Block	3.521¢/kWh	3.350¢/kWh	2.499¢/kWh	2.175¢/kWh	2.886¢/kWh
% Differential	53%	48%	42%	37%	45%

- 302  
 303 **Q. Please describe Service Classification BGS-2 – Small General Service.**
- 304 A. Service Classification BGS-2 - Small General Service will apply to all  
 305 non-residential customers with individual metered demands of less than 150  
 306 kilowatts or limited un-metered energy service customers who elect full  
 307 requirements power service from an Ameren Company and who satisfy all of the  
 308 other Availability/Applicability provisions of Ameren Company’s Delivery  
 309 Service (DS – Rate 2) tariff. Customers within this classification will require  
 310 energy-only metering and basic charges for BGS service in this classification are

311 energy-only with seasonal differentiation. As stated earlier, there are a few  
312 customers within this class with limited un-metered service. The Companies will  
313 use estimated monthly energy consumption for BGS billing of these customers.

314 **Q. Are the Companies proposing a non-summer declining block rate for this**  
315 **customer class as is being proposed for the residential class?**

316 A. No. While the existing bundled rate structures of the Ameren Companies  
317 generally contain lower rates for “space heating” customers, the rationale or logic  
318 used to establish the block for the residential class would be inappropriate for the  
319 BGS-2 class. The individual usage of customers within the residential customer  
320 class does not vary in magnitude as significantly as individual usage within the  
321 BGS-2 class. The BGS-2 class contains customers that are generally  
322 homogeneous in load patterns; however, there exists significant diversity in the  
323 magnitude of the loads of an individual customer within this class. For example,  
324 a small hair styling business with electric heat and served under BGS-2 may have  
325 average monthly non-summer energy usage in the 1,000 – 2,000 kilowatt-hour  
326 range, while a large fast food restaurant with or without electric may have average  
327 non-summer monthly usage in the 20,000 - 30,000 kilowatt-hour range. Such  
328 significant variations in average monthly usage render the development of a  
329 blocking level and associated lower block non-summer rate to be arbitrary. As a  
330 result, a declining or trailing block non-summer rate is not being proposed for this  
331 class. Further, with this proposed rate design consisting of basic seasonal energy  
332 charges only (and no declining block charges), there is a greater likelihood that  
333 these customers will be pursued by marketers with a variety of rate/price options.

334 **Q. How do you plan to administer the requirement that customers within**  
335 **Service Classification BGS-2 remain at demand levels less than 150**  
336 **kilowatts?**

337 A. The Ameren Companies will install a “check” demand meter on any customer  
338 within Service Classification BGS-2 whenever the customer’s monthly kilowatt-  
339 hours exceed 37,000 kilowatt hours. This level equates to a load factor of  
340 approximately 34%, noticeably lower than the class average of approximately  
341 50%. If the “check” meter registers a demand equal to or greater than 150  
342 kilowatts, then the customer will be moved to Service Classification BGS-3 for a  
343 minimum term of one year, unless the customer opts for the RTP rate.

344 **Q. Please describe further Service Classification BGS-3 – General Service.**

345 A. Service Classification BGS-3 will apply to all customers with individual metered  
346 demands ranging from 150 kilowatts to less than 1,000 kilowatts and who elect  
347 full requirements power service from the Ameren Companies and who satisfy all  
348 of the other applicable requirements for Intermediate Service of the Delivery  
349 Service (DS-3) tariff. Customers within this classification will require Time of  
350 Day (“TOD”) energy and demand metering and basic charges for BGS service in  
351 this classification are TOD energy with seasonal differentiation.

352 **Q. Please describe Service Classification BGS-4 – Large Service.**

353 A. Service Classification BGS-4 - Large Service will apply to all customers with  
354 individual metered demands of at least 1,000 kilowatts and who elect full  
355 requirements service from one of the Companies during an “Open Enrollment  
356 Period,” and who satisfy all other applicable requirements for Large Service (DS-

357 Rate 4). Customers within this classification will require hourly load profile  
358 energy and demand metering and basic charges for BGS service in this  
359 classification are TOD energy with seasonal differentiation.

360 **Q. Please describe the “Open Enrollment Period” for this service.**

361 A. As described in the testimony of Mr. Blessing, within 30 days of the results of the  
362 auction, DS-4 customers may opt for a one year commitment for power service  
363 under BGS-4. Customers electing this option must provide the Ameren  
364 Companies with a “wet” signature to verify the selection of BGS-4 for power  
365 service.

366 **Q. Please describe Service Classification BGS-5 – Dusk to Dawn Lighting  
367 Service.**

368 A. Service Classification BGS-5 – Dusk to Dawn Lighting Service will apply to all  
369 un-metered outdoor dusk to dawn lighting service automatically controlled by  
370 electronic photocells and who elect full requirements power service from the  
371 Company and who satisfy all other applicable requirements for either Private  
372 Outdoor Area Lighting (DS-5) or Municipal Outdoor Lighting (DS-6) Service.  
373 The Ameren Companies have established a separate classification for this type of  
374 lighting service to recognize the unique load characteristics of photocell  
375 controlled lighting. Over the years, the Ameren Companies have compiled data  
376 that yields the determination of the hours of operation by month for the  
377 predictable and “constant” load of photocell controlled lights and, therefore, from  
378 a cost causation and equitable cost recovery perspective, it was logical to create a  
379 class consisting solely of photocell controlled outdoor area lighting. The loads of

380 non lighting customer classes are not nearly as predictable or constant, thereby  
381 further supporting the need for a separate rate class.

382 **III. RATE TRANSLATION DISCUSSION**

383 **Q. With regard to the fixed price power product, you earlier stated that the**  
384 **auction process would produce a single clearing price for customers with**  
385 **individual demands less than 1,000 kilowatts and a separate single clearing**  
386 **price for customers with individual demands greater than 1,000 kilowatts.**  
387 **How do you propose to translate these single winning bid prices from the**  
388 **auction processes into BGS rates for the respective customer groups?**

389 A. One of the simplest ways to pass these prices on to customers would be billing all  
390 energy of customers within these two fixed price products at the winning auction  
391 price for the respective product. While such a billing approach would recover the  
392 Ameren Companies' total costs of power via the bid or auction process, it would  
393 not do so in an equitable and cost-causative manner. To accomplish the recovery  
394 of these costs in an equitable and cost-causative manner, we have customized or  
395 tailored a "translation tool" or "prism" utilized in New Jersey to develop class  
396 rates for retail customers of Public Service Electric and Gas ("PSE&G").

397 **Q. Please explain.**

398 A. We are utilizing the underlying principles of the PSE&G tool, as adjusted to  
399 reflect Ameren Footprint and MISO specifics. The first step in the process is to  
400 develop, annually before each auction, class seasonal and/or TOD multiplicative  
401 factors. These multiplicative factors are developed from the Rate Translation  
402 Prism ("Prism"). The Prism combines forward market data for energy and

403 capacity with historical class load data, class historical sales, losses, and where  
404 applicable, class blocking data to develop BGS class load-weighted seasonal  
405 and/or TOD per unit costs and total system average load-weighted per unit cost.  
406 The resulting multiplicative factors are the ratios of the class load-weighted  
407 seasonal and/ or TOD per unit costs to the total system average load-weighted per  
408 unit cost. The Ameren Companies' "Prism" spreadsheets are attached as Resp.  
409 Exhibit 5.3.

410 The forward market data for energy and capacity, historical load data and class  
411 historical sales utilized in the Prism will be updated annually prior to each  
412 auction. Tables 1 – 16 of the Resp. Ex. 5.3 are the spreadsheets that produce the  
413 resulting multiplicative factors. Tables 1-13 are the same for each BGS service  
414 classification and Tables 14-16 are the same for each fixed price auction product.

415 **Q. Please explain Table No. 1 of Resp. Ex. 5.3.**

416 A. Table No. 1 contains input data representing the percentage of on-peak energy, by  
417 month, by each Ameren Company, and for each proposed rate schedule. The on-  
418 peak period as used in this table is defined as the 16 hour period from 6:00 a.m. to  
419 10:00 p.m. CPT, Monday through Friday. All remaining weekday hours and all  
420 hours on weekends and holidays recognized by the NERC are considered off-  
421 peak. For illustrative purposes, the values in this table for each month are the  
422 average on-peak percentages as calculated from the most recent load research data  
423 of the Ameren Companies. We are proposing to update this data annually xx  
424 business days prior to the first day of the auction. Subsequent annual revisions  
425 will utilize average peak usage percentages based on load profile data for the 24