

ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 05-0160, 05-0161 and
05-0162 (consolidated)

REBUTTAL TESTIMONY
OF
WILBON L. COOPER

Submitted On Behalf
Of

Central Illinois Light Company d/b/a AmerenCILCO,
Central Illinois Public Service Company d/b/a Ameren CIPS,
and Illinois Power Company d/b/a AmerenIP

July 13, 2005

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1 **ILLINOIS COMMERCE COMMISSION**
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3 **05-0162 (CONSOLIDATED)**

4 **REBUTTAL TESTIMONY**

5 **OF**

6 **WILBON L. COOPER**

7 **I. WITNESS INTRODUCTION AND PURPOSE**

8 **Q. Please state your name and business address.**

9 A. My name is Wilbon L. Cooper. My business address is One Ameren Plaza,
10 1901 Chouteau Avenue, St. Louis, Missouri 63103.

11 **Q. By whom and in what capacity are you employed?**

12 A. I am employed by Ameren Services Company as Manager – Rate Engineering
13 and Analysis.

14 **Q. Are you the same Wilbon L. Cooper that previously filed direct testimony in**
15 **this proceeding?**

16 A. Yes, I am.

17 **Q. What is the purpose of your rebuttal testimony?**

18 A. I will address certain rate design issues discussed by Staff witnesses Mr. Peter
19 Lazare and Dr. Eric P. Schlaf, Illinois Industrial Energy Consumers (IIEC)
20 witnesses Mr. Robert R. Stephens and Mr. James Dauphinais, and Coalition of
21 Energy Intervenor (CES) witness Dr. Philip O’ Connor, in their direct testimonies.
22 My failure to address a particular witness’ position or argument should not be
23 construed as endorsement of same.

24

25 **II. RESPONSE TO STAFF WITNESS LAZARE**

26 **Q. What recommendations does Mr. Lazare make?**

27 A. On page 2 of his testimony, Mr. Lazare summarizes his three recommendations to
28 be made to the Ameren Companies' proposed Rider MV translation tariffs as: 1)
29 the recovery of power costs from customer classes should be subject to limits to
30 prevent undue bill impacts, 2) the Ameren Companies should use Locational
31 Marginal Prices (LMPs) as the foundation for market energy prices, and 3) the
32 Ameren Companies' proposed changes to the definitions of Peak and Off-Peak
33 periods should be rejected.

34 **Q. What is the Ameren Companies' position with respect to Mr. Lazare's**
35 **proposal for bill limits?**

36 A. As I will discuss more fully, the Ameren Companies do not object to Mr. Lazare's
37 proposal. The Ameren Companies understand that the Staff seeks to moderate, to
38 the extent practicable, the effect of the end of the rate freeze and presently
39 discounted power prices on certain customer groups that might otherwise see the
40 largest increases in their bills. The Ameren Companies do not object to these
41 principles as long as they do not require the utilities to sacrifice the full cost
42 recovery to which they are entitled or artificially induce or inhibit switching to
43 third-party supply in a significant way. The Commission should be aware,
44 however, that Mr. Lazare's proposal could produce some anomalous and
45 undesirable results.

46 **Q. Is a rate moderation effort unusual?**

47 A. The Ameren Companies understand that historically the Commission has from
48 time to time taken into consideration bill impacts or rate impacts in setting rates as
49 Mr. Lazare suggests. Typically, these situations have involved setting rates below
50 the cost of service for one class while setting rates above the cost of service for
51 another class. This type of inter-class subsidy is , as a practical matter, no longer
52 available to the Commission due to the fact that historically subsidizing classes
53 (i.e., larger, non-residential customers) have the ability to switch away from
54 bundled service if the bundled price exceeds the price of other options available to
55 them.

56 **Q. Does Mr. Lazare’s proposal take this change into account?**

57 A. It appears that it does. As I understand Mr. Lazare’s proposal, all subsidies would
58 flow intra-group or within those customer segments taking the same product, the
59 under 1 MW product.

60 **Q. You indicated that Mr. Lazare’s proposal might nonetheless produce certain**
61 **anomalous results. Could you explain?**

62 A. The Ameren Companies are proposing that, upon the expiration of the mandatory
63 transition period, their customers migrate from the many current electric service
64 classifications to one of four post 2006 Basic Generation Service (BGS)
65 classifications and a correlated Delivery Service (DS) classification. While
66 historically the customers of each of the Ameren Companies have paid different
67 rates for generation service because the Ameren Companies had different
68 generation costs, the Ameren Companies are now proposing identical generation
69 rates for all of the Ameren Companies because their generation supply costs will

70 be substantially similar. Mr. Lazare's proposal of 20% or 150% of the average
71 could cause BGS rates for each Ameren Company to vary significantly. Such a
72 variation between the Ameren Companies would be inconsistent with their similar
73 cost of service. The Ameren Companies are paying a given, set price for this
74 product, and consequently customers that are paying for this product should then
75 pay the same price. Under Mr. Lazare's approach, however, this might not be
76 true. Hypothetically, a residential customer in the AmerenCILCO service area
77 might pay an effective rate for generation service materially lower than what an
78 AmerenCIPS residential customer might be paying -- even though the cost of
79 energy for the two customers is identical.

80 **Q. Is rate moderation an issue that the Commission must address now?**

81 A The Ameren Companies do not object to the Commission addressing this issue
82 now. However, the Ameren Companies believe that the issue could be addressed
83 in the Ameren Companies' forthcoming Delivery Service rate cases.

84 **Q. Are there any reasons why the Delivery Services cases could be a more
85 appropriate forum for consideration of rate moderation mechanisms?**

86 A. Yes. As Mr. Lazare notes in his testimony, there is a lack of a complete set of
87 cost data and that is understandable; it currently does not exist. Therefore, he
88 resorts to comparing the eventual combined BGS and DS rates, both of which are
89 currently unknown or will change, with the current bundled rate and then applies
90 his bill impact approach. It may be more appropriate to consider this topic at the
91 time the Ameren Companies file for new DS rates. With the entirety of the DS
92 revenue requirement and cost of service before it, the Commission can make a

93 more informed decision as to how and in what manner costs are being shifted, if
94 at all.

95 **Q. Aside from these concerns, if the Commission chose to consider a bill impact**
96 **method in this case, can a modification be made to Mr. Lazare's proposal to**
97 **accommodate the Ameren Companies' stated goal of identical generation**
98 **rates in its Illinois footprint?**

99 A. Yes. A workable solution would be to modify Mr. Lazare's proposal by treating
100 each of the non BGS-4 rate classifications as a group (BGS 1-3), irrespective of
101 the Ameren Company. For example, Mr. Lazare's 20% or 150% proposal would
102 be administered to the residential customers of the Ameren Companies as a
103 whole, as opposed to being applied independently to the residential class of each
104 Ameren Company. This solution would enable the Ameren Companies to achieve
105 their stated goal of uniform BGS pricing throughout the Ameren Illinois footprint.
106 In this respect, each residential customer will pay the same rate regardless of
107 which Ameren Company is providing service.

108 **Q. Would this workable solution satisfy Mr. Lazare's bill impact constraints**
109 **"across the board?"**

110 A. Not entirely-- this solution would establish uniform BGS pricing across the
111 Ameren Companies' Illinois footprint and satisfy Mr. Lazare's bill impacts
112 concerns by customer group of the Ameren Companies, excluding the BGS-4
113 customers. It would not guarantee a given existing bundled service classification
114 (for a particular Ameren Company) the post 2006 bill impact limitations
115 recommended by Mr. Lazare. More simply, while a current bundled customer

116 class within an Ameren Company may experience a post 2006 increase outside of
 117 Mr. Lazare’s constraints, the post 2006 Ameren Company BGS/DS group for
 118 which this current bundled customer class migrates will not experience an
 119 increase outside the constraints he recommends. The following hypothetical
 120 example helps to illustrate this concept:

**Hypothetical Example for BGS Customer Group
 with Weighted Average Increase Satisfying 20% Constraint**

BGS- Residential Class	Sales kWhs	Present Bundled Realization	Present Bundled Revenue	Proposed Bundled Realization	Proposed Bundled Revenue	% Incr.
Operating Co. A	100	\$ 0.08	\$ 8.00	\$ 0.0920	\$ 9.20	15%
Operating Co. B	125	\$ 0.07	\$ 8.75	\$ 0.0805	\$ 10.06	15%
Operating Co. C	<u>150</u>	\$ 0.06	<u>\$ 9.00</u>	\$ 0.0732	<u>\$ 10.98</u>	22%
Totals	375	N/A	\$ 25.75	N/A	\$ 30.24	17%

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129 This hypothetical assumes that the 20% constraint applies for the entire body of
 130 BGS residential customers within the Ameren Companies’ Illinois footprint;
 131 however, said constraint may be violated so long as the weighted average increase
 132 of the BGS residential group (i.e., sum of data from Operating Companies A, B

133 and C) is less than 20%. In the above hypothetical, the residential customer class
134 of Operating Company C experiences an increase of 22%. While this 22% is
135 greater than the 20% constraint, the weighted average increase for the entire
136 residential customer group is 17% or 3 percentage points below the constraint.
137 Therefore, there would be no violation of Mr. Lazare's constraints.

138 **Q. Could the same approach be used for non-residential bundled customers**
139 **within the 1 MW supply group?**

140 A. Yes, the same method could be used for these customer classes (BGS 2 and 3), as
141 discussed above for residential customer classes.

142 **Q. On page 24 of Mr. Lazare's testimony, he recommends the current blocking**
143 **size of the existing space heating customers of the Ameren Companies be**
144 **maintained and the tailblock should be adjusted to conform these customers'**
145 **average bill to the maximum of 20% or 150% of the BGS-FP auction**
146 **average. Please comment.**

147 A. As stated earlier, the Ameren Companies are not opposed to Mr. Lazare's
148 constraint proposal so long as it results in the Ameren Companies recovering all
149 costs and achieving uniform BGS pricing throughout the Ameren Companies'
150 Illinois footprint, subject to the other stated considerations. The only way to
151 achieve this goal for the residential customers, is to treat the entire body of
152 residential customers as one group for rate constraint purposes regardless of
153 operating company or whether space heating is utilized. The Ameren Companies
154 proposal to set the declining or trailing block non-summer residential rate at
155 approximately the same level as the non-summer off-peak rate for the BGS-3

156 classification, along with the class rate constraints mentioned earlier, should
157 provide adequate rate or bill impact protection to all of the Ameren Companies’
158 space heating customers regardless of where the blocking is set. This statement is
159 based on the fact that approximately 78 percent of the Ameren Companies
160 residential customers are either being subject to blocked non-summer residential
161 rates or are billed under end-use rates for electric space heating.

162 **Q. Please comment on Mr. Lazare’s recommendation that the Ameren**
163 **Companies should use Locational Marginal Prices (LMPs) as the foundation**
164 **for market energy prices.**

165 A. The Ameren Companies’ Rider MV proposes the use of On-Peak and Off-Peak
166 Energy Market Forwards from forward contracts for electric power delivered into
167 the Midwest Independent Transmission System Operator, Inc.’s (MISO) Central
168 Illinois Hub for input to the rate prism as one of the elements to develop prices for
169 power and energy to customers of its BGS fixed price products. Currently, the
170 MISO market is in its early stages and, as a result, Rider MV contains language
171 whereby if the MISO energy market is delayed or develops more slowly than
172 anticipated, market forwards from the into Cinergy Hub would be utilized as an
173 alternative. Additionally, Rider MV contains language for other alternative data
174 to be utilized in the absence of market data for any given month. This alternative
175 data has been affirmed by the Commission in the past when approving utilities’
176 market value indices.

177 **Q. What are Mr. Lazare’s concerns about the Ameren Companies’ proposed**
178 **use of forward market prices as input to the rate prism?**

179 A. Mr. Lazare alleges the Ameren Companies have failed to establish the viability of
180 the forward price product as a foundation for market energy prices.

181 **Q. Do you agree?**

182 A. No. While Mr. Lazare’s viability concern is somewhat accurate with respect to
183 the MISO Central Illinois Hub in its present state, the Cinergy Hub market should
184 not be considered weak and unstable. The power markets now refer to the East
185 Central Area Reliability (ECAR) region as “into Cinergy.” As such, the Cinergy
186 Hub ranks as one of the top power-trading organizations in the United States.
187 Additionally, the Cinergy Hub covers the states of Ohio, Kentucky, and Indiana
188 which are not geographically far removed from Ameren’s Illinois footprint.
189 Geographic proximity is important in this context because forward market prices
190 between one market versus another can vary significantly if the geographic
191 distance between the markets is significant.

192 **Q. What are the advantages of the Ameren Companies’ proposed use of market
193 forwards for input to the rate translation prism versus Mr. Lazare’s
194 proposal to use historical LMPs?**

195 A. The Ameren Companies’ proposal of market forwards for input to the rate
196 translation prism is preferred, primarily because market forward prices exist in a
197 completely different domain than historical LMPs. Historical LMPs are based on
198 a large number of factors that are not incorporated into market forwards. These
199 factors include actual weather, actual load (which may include non-weather
200 related responses), actual fuel prices, plant availabilities, etc.). The use of these
201 factors, which may contain extreme anomalies for any given period versus the use

202 of market forwards based on forecasted normal loads, fuel prices, and plant
 203 outage probability functions, would be fraught with inherent risks. These risks
 204 include the probability of seasonal BGS prices straying significantly from
 205 seasonal BGS costs and rate instability from one auction period to another. In the
 206 end, the use of LMPs will result in the wrong price signal, distorting the actual
 207 market costs, a result which should not be acceptable to the Commission or the
 208 Ameren Companies' customers.

209 **Q. Can you provide a real time example of how the LMPs would distort prices?**

210 A. Yes, an examination of the PJM West hourly LMPs for the March 2003 period
 211 versus the annual average LMPs for 2003 shows March 2003 was 152% greater
 212 than the annual average. On the other hand, examining similar data for 2004
 213 results in the March 2004 price being only 91% of the average--an absolute
 214 difference of 61%. This wide variation in the percent of annual average LMP for
 215 the same month in just a few years helps to demonstrate why the use of market
 216 forwards is superior to the use of historical LMPs for input to the rate prism.

217 **Q. Does the PSE&G translation prism for which the Ameren Companies**
 218 **utilized as the basis for its rate translation prism, utilize market forwards or**
 219 **historical LMPs?**

220 A. The PSE&G translation prism utilizes on-peak energy forwards for the PJM West
 221 trading hub by month. Historical LMPs are used only to develop a ratio of on-
 222 peak to off-peak prices to be applied to such on-peak forward prices to arrive at
 223 estimated forward off-peak prices. This market forwards' driven approach is very
 224 similar to the Ameren Companies' proposal.

225 **Q. If the Commission were to adopt Mr. Lazare’s proposal for the use of LMPs,**
 226 **is it possible non-summer BGS prices could be higher than prices during the**
 227 **Ameren Companies’ peaking season?**

228 A. Yes, the following Tables depicting average LMPs for the Northern Illinois Hub
 229 for the twelve month periods ending May of 2005, 2004, and 2003, illustrate this
 230 point. These tables show that for all of the represented periods the average non-
 231 summer LMP exceeded the average summer LMP. As a result, the use of these
 232 historical LMPs in the rate prism would have produced BGS prices that were
 233 higher in the non-summer months than those in the summer peaking months. This
 234 result is extremely inconsistent with the Ameren Companies’ existing rate
 235 structures and, also, inconsistent with the longstanding history of the summer
 236 peaking nature of Midwest utilities driving higher costs during this season. Mr.
 237 Lazare’s proposal could affect class subsidies, if any, under his bill impact
 238 mitigation method, create customer confusion and misunderstanding, and lead to
 239 non-cost based rates that would send inappropriate price signals to customers
 240 desiring to efficiently manage their energy consumption.

Table 1 Average LMPs for Northern Illinois Hub June 2004 – May 2005			
	Average Peak	Average Off-Peak	Seasonal Average
Non-summer	\$46.02	\$25.33	\$35.04
Summer	\$37.97	\$20.00	\$28.45
Average	\$43.33	\$23.55	\$32.83

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Table 2 Average LMPs for Northern Illinois Hub June 2003 – May 2004			
	Average Peak	Average Off-Peak	Seasonal Average
Non-summer	\$48.76	\$32.85	\$40.24
Summer	\$45.19	\$25.96	\$34.89
Average	\$47.57	\$30.56	\$38.46

243

Table 3 Average LMPs for Northern Illinois Hub June 2002 – May 2003			
	Average Peak	Average Off-Peak	Seasonal Average
Nonsummer	\$48.88	\$27.25	\$37.34
Summer	\$44.09	\$22.77	\$32.56
Average	\$47.30	\$25.74	\$35.74

244

245 **Q. Do you agree with Mr. Lazare’s statement “If a market is not liquid, then it**
 246 **is easier for a small number of participants to game or exert control over the**
 247 **resulting prices”?**

248 A. Regardless of any attempt to manipulate the market forwards, the price paid by
 249 customers of the Ameren Companies will be equal to that resulting from bids
 250 pursuant to the Ameren Companies’ declining clock auction power procurement
 251 auction. Thus, no attempted manipulation of market forwards by a small number
 252 of participants would result in higher overall prices to customers. (Notably Mr.
 253 Lazare offers no evidence that this has or will occur). As described in my direct

254 testimony, the Ameren Companies' proposed use of market forwards or for that
255 matter Mr. Lazare's proposed use of LMPs are only one element of the rate
256 translation prism used to develop rate factors to apply to winning bid prices. At
257 the end of the day, fixed price BGS power and energy customers of the Ameren
258 Companies will pay power procurement expenses only based on output of the rate
259 prism and Rider MV, rather than paying actual LMPs or market forwards.

260 **Q. Moving now to Mr. Lazare's recommendation that the Ameren Companies**
261 **utilize the period from 10:00 a.m. to 10:00 p.m. for its On Peak period as**
262 **opposed to the Ameren Companies proposal to utilize the period from 6 a.m.**
263 **to 10:00 p.m. as On Peak, do the Ameren Companies accept Mr. Lazare's**
264 **recommendation?**

265 A. As stated in my direct testimony, the primary reason for the Ameren Companies'
266 proposed On Peak period was to promote consistency between its BGS on-peak
267 pricing period and those of the prevailing power markets, and also the On-Peak
268 pricing period of MISO. This matching helps to promote cost causation and
269 equitable cost recovery principles. Notwithstanding, for purposes of this case the
270 Ameren Companies are willing to accept Mr. Lazare's proposed On -Peak period
271 of 10:00 a.m. to 10:00 p.m.

272 **Q. On pages 6 through 8 of Mr. Lazare's testimony, the Ameren Companies'**
273 **proposed establishment of post 2006 BGS Rate Classes is questioned. Did the**
274 **Ameren Companies provide Mr. Lazare with a rationale explaining their**
275 **proposed rate classes?**

276 A. Yes. The Ameren Companies' response to Staff's data request PL 1.2 (a) referred
277 to in Mr. Lazare's testimony provided adequate support for its proposed BGS
278 customer classes. The Ameren Companies have made clear their consideration of
279 the following factors in developing their proposed BGS service classifications: 1)
280 the Ameren Companies' goal of having one set of rates for the entire Ameren
281 Illinois footprint, 2) consistency of Delivery Service rate classes, 3) rate
282 migration, 4) ease of rate administration, 5) ease of customer understandability, 6)
283 the commoditized nature of today's energy markets, 7) BGS/DS rate
284 synchronization, and 8) existing metering installations. Mr. Lazare has yet to
285 refute the reasonableness of these factors

286 **III. RESPONSE TO VARIOUS WITNESSES ON RIDER D – DEFAULT**
287 **SUPPLY SERVICE AVAILABILITY CHARGE**

288 **Q. Please summarize the positions of Staff witness Schlaf, IIEC witness**
289 **Dauphinais, and CES witness O'Connor as to the Ameren Companies'**
290 **proposed Rider D – Default Supply Service Availability Charge, of \$0.00015**
291 **per kWh to all RES served BGS-4 or Rider RTP-L customers.**

292 A. Dr. Schlaf states that imposition of Rider DSSAC raise the costs for all RES
293 customers while not necessarily providing corresponding benefits; Mr.
294 Dauphinais states the charge is inappropriate as there is no cost support and the
295 charge/cost should only be included in BGS-LRTP capacity bids, and Dr.
296 O'Connor states the charge is discriminatory, unjust, unreasonable, not cost-
297 justified and being imposed for a service that is not being utilized.

298 **Q. Please explain the purpose of Rider D and why it is just and reasonable.**

299 A. Rider D is proposed as a charge applicable to customers at or greater than 1 MW
 300 who opt for power and energy service under BGS-LRTP or from a source other
 301 than the Ameren Companies (e.g., ARES). By way of further explanation,
 302 suppliers who bid on the BGS-LRTP product cannot know how many customers
 303 will actually take the service, given its nature. Any customer at or above 1 MW
 304 who does not select the fixed price BGS service could opt for BGS-LRTP at any
 305 time during the supplier contract period with or without notice. Because of these
 306 uncertainties, Rider D was established as a proxy for the capacity planning costs
 307 such customers are imposing on BGS-LRTP suppliers. Absent Rider D, the level
 308 of risk premium to compensate such suppliers may be higher to account for the
 309 capacity costs they will otherwise incur. In order to entice such suppliers to bid
 310 on the product and to also reduce the premium they would otherwise impose
 311 because of the stated uncertainty, the DSSAC will produce a revenue stream to be
 312 returned to the successful supplier(s). If there is no DSSAC, the overall price for
 313 the BGS-LRTP product will increase or even worse, wholesale suppliers simply
 314 won't bid on the BGS-LRTP product offering. In essence Rider D represents a
 315 capacity option premium, giving customers the right to take BGS-LRTP as default
 316 service. This approach has been used successfully in the New Jersey auction
 317 process.

318 **Q. Are there other examples of “Rider D type” charges outside of the utility**
 319 **industry?**

320 A. Yes. One need only look to the insurance industry and premium payments
 321 charged to the insured. While the insured may never file a claim, the insurance

322 company must have cash reserves and the infrastructure necessary to bill and
323 manage the accounts of the insured. The elimination of the Ameren Companies’
324 Rider D charge would remove the “insurance” premium, but not relieve the
325 insurer (i.e., the provider of the BGS-LRTP product) of the obligation to build
326 infrastructure to administer billing and claims and to address damages (capacity)
327 filed as part of a claim. Many drivers have excellent driving records with no
328 accidents; however, they are unable to avoid insurance premiums completely. A
329 similar analogy could be made with extended warranties on vehicles.

330 Additionally, bidders for the fixed price product for customers in the BGS
331 group of less than 1 MW will likely include a premium in their bid price to reflect
332 the ability of customers in this group to default to or switch to the fixed price
333 product under all circumstances. Parity would suggest a premium or “charge” of
334 this sort be applicable to all customers in the BGS group greater than 1 MW
335 through the application of Rider D for the ability to default to BGS-LRTP in the
336 event of loss of RES service. It is difficult to understand the positions of Dr.
337 Schlaf, Mr. Dauphinais, and Dr. O’Connor who suggest customers with loads
338 equal to or greater than 1 MW and who opt for RES or BGS-LRTP service should
339 not pay a “charge” or premium for the ability to file claims (i.e., obtain capacity)
340 against the Ameren Companies’ BGS-LRTP product.

341 **IV. RESPONSE TO IIEC WITNESS STEPHENS**

342 **Q. Have you reviewed Mr. Stephen’s recommendation for translation of fixed**
343 **auction prices into BGS-4 rates?**

344 A. Yes, I have. The Ameren Companies proposed seasonally and time differentiated
345 energy only rates for the BGS-4 customer group, and Mr. Stephens has
346 recommended the addition of a demand charge to recognize the difference in load
347 factor in overall customer costs. Mr. Stephens' recommendation to include a
348 capacity or demand charge for the BGS-4 rate group at this time is premature. As
349 the MISO market is in its early stages, the imposition of a somewhat arbitrary
350 capacity or demand charge may not send the proper price signal. An improper
351 price signal in this instance may result in customers increasing or decreasing
352 demands in a manner inconsistent with good overall economics.

353 As stated in my direct testimony, in the absence of MISO capacity market
354 forwards, capacity forwards from the PJM market were used as a proxy for input
355 to the rate translation prism. Therefore, including the capacity forward market
356 price from the rate prism or some similar value as a separately stated charge
357 within BGS-4 would not necessarily provide the close match between costs and
358 prices that Mr. Stephens has recommended.

359 The Ameren Companies are receptive to including a cost-based capacity
360 or demand component in the rates for the BGS-4 group after full maturity of the
361 MISO markets. In the interim though, on balance we believe the better position is
362 to not include such a charge.

363 **Q. How do you then reconcile Rider D, which includes a capacity charge proxy**
364 **with your belief that BGS-4 rates should not include a capacity component?**

365 A. Again it is a balancing of competing interests. The concern is without the Rider D
366 charge and revenue stream back to suppliers to compensate them for making the

367 product available, they may not bid on the product. It is important to remember in
368 this context, this is the first auction. Certainly we intend to learn from this
369 experience and make changes that are appropriate. It could very well be that Rider
370 D will change or be eliminated and that BGS-4 rates will include a capacity
371 component at a later point in time.

372 **V. RESPONSE TO IIEC WITNESS DAUPHINAIS**

373 **Q. Have you reviewed Mr. Dauphinais' recommendation for billing Rider RTP-**
374 **L customers, including self-generating customers taking such hourly pricing**
375 **service, for capacity on a per kW-day basis?**

376 A. Yes, I have. The Ameren Companies' will bill said customers for capacity or
377 demand on a per kW-day basis

378 **VI. RESPONSE TO CES WITNESS O'CONNOR**

379 **Q. Have you reviewed Dr. O'Connor's recommendation that the BGS-FP**
380 **customer grouping be bifurcated at the 400 kW level?**

381 A. Yes, I have and from a metering perspective, I am concerned that the level of
382 detail in the historical load data may not be sufficient for potential suppliers to
383 fully understand and quantify the risks associated with some of the products for
384 the smaller group. Accordingly, bifurcating the group as he suggests may unduly
385 affect the price that comes out of the auction.

386 **Q. Please explain.**

387 A. At page 23 of his testimony, Dr. O'Connor errantly states that AmerenCIPS
388 requires that new customers above 100 kW wishing to take delivery service must
389 have interval metering installed. This statement is totally incorrect. New

390 AmerenCIPS' customers above 100 kW must have demand meters installed.
391 Typically, these demand meters do not record interval data, rather they capture the
392 customer's monthly peak demand only. Therefore, contrary to Dr. O'Connor's
393 statement, the Commission should be aware that if Dr. O'Connor's proposal is
394 adopted, the Commission can be assured many metering installations would be
395 required and new costs will be placed on these customers,

396 Furthermore, the Ameren Companies do not have load profile metering in
397 place for better than 90% of the customers in the 400 kW to less than 1MW group
398 and, as a result, hourly load data required by potential bidders to accurately price
399 an auction product for customers in the 400 kW to less than 1 MW would not be
400 available. If the hourly load data is not available, and it isn't, suppliers will have
401 to speculate on the load profile for this group. The load profile of a customer
402 group is an important element in the suppliers bidding considerations. If they have
403 inaccurate data and bid to supply a product for this group, there can be no
404 assurance these customers will see a valid market price. A price that is too high or
405 to low relative to the market price for a given load profile may create unfair
406 opportunities for the RES, but surely sends the wrong price signal to the
407 customers.

408 **Q. If the lack of hourly metering is a problem, then how will the historical data**
409 **required by the suppliers be generated under the Ameren Companies'**
410 **proposed product design?**

411 A. The data can be generated under the Ameren Companies' proposal by the process
412 of elimination. Each of the Ameren Companies has the metering in place at the

413 transmission level to generate hourly load data for their entire control area. And
 414 each of the Ameren Companies either has or will have hourly metering for all
 415 customers with peak demands 1 MW and greater. The hourly data for the less
 416 than 1 MW customer group is generated by subtracting the hourly data for the 1
 417 MW and greater customer group from the entire control area hourly load. What
 418 remains is load data only for the less than 1 MW customer group. This load data
 419 cannot be segregated further in any way that is meaningful

420 **Q. Have you reviewed Dr. O'Connor's recommendation for a revision in the**
 421 **Ameren Companies' rate translation prism, to allocate a rate migration**
 422 **premium for customers in the under 1 MW grouping?**

423 A. Yes, I have. Dr. O'Connor suggests the exclusion of a migration risk premium
 424 for this group will tend to shift the overall cost burden of that premium to smaller
 425 customers. The following considerations offset Dr. O'Connor's concern: 1) as
 426 stated earlier in this testimony, the Ameren Companies do not absolutely object to
 427 a rate or bill impact constraint as recommended in the testimony of Staff witness
 428 Lazare, 2) the Ameren Companies have bid the entire load of residential
 429 customers and non-residential customers under 1MW as one product. Considering
 430 the typically better load patterns of the non-residential group, it is reasonable to
 431 expect that the resultant prices for the non-residential group will be lower than if
 432 they had been bid separately, and 3) to date the Ameren Companies have not
 433 experienced meaningful switching to RES service from customers within this
 434 group. These considerations render the acceptance of Dr. O'Connor's proposal as
 435 premature at best. After completion of initial BGS auctions and implementation

436 of new DS rates for the Ameren Companies, revisiting Dr. O'Connor's
437 recommendation may be appropriate.

438 **VII. RESPONSE TO STAFF WITNESS SCHLAF**

439 **Q. Have you read Dr. Schlaf's recommendations that Rider BGS-L service**
440 **become the default service, rather than the real time pricing service RTP-L,**
441 **for customers currently on bundled service?**

442 A. Yes, I have. While the Ameren Companies continue to believe that the RTP-L
443 default may provide better consumer protection, Dr. Schlaf's proposal has some
444 merit in that it reduces administrative costs associated with getting 'wet'
445 signatures from all customers desiring Rider BGS-L service. As a result, the
446 Ameren Companies are willing to adopt Dr. Schlaf's recommendation. This
447 would mean that RTP-L would no longer be the default service after the Ameren
448 Companies' Open Enrollment Period(s). However, RTP-L would always be
449 considered the Default Supply Service for customers on Rate DS-4 who lose RES
450 supply.

451 **Q. Have you read Dr. Schlaf's proposals that the Ameren Companies emphasize**
452 **the importance of making a supply selection; that current RES customers**
453 **who wish to switch from RES service to bundled service must enroll during**
454 **the 30-day enrollment window; and, also inform customers that they would**
455 **remain on bundled service unless they notify the Ameren Companies during**
456 **the 30-day period enrollment period of their intention to switch to another**
457 **source?**

458 A. Yes, I have. Dr. Schlaf goes on to recommend that the above activities be
459 communicated within at least 60 days in advance of the ending of the enrollment
460 window. The Ameren Companies believe that Dr. Schlaf's proposals are
461 reasonable and are willing to comply with same.

462 **VIII. GENERAL RESPONSE TO CES WITNESS O'CONNOR AND IIEC**
463 **WITNESSES STEPHENS AND DAUPHINAIS TESTIMONIES ON**
464 **ADDITIONAL AUCTION PRODUCTS AND DIFFERENTIATION OF**
465 **RATE DESIGN**

466 **Q. Do you have any general comments on proposals by Dr. O'Connor for**
467 **additional delineation of the Ameren Companies' fixed price product groups,**
468 **Mr. Stephens' proposal for a separate auction product for 3 MW and over**
469 **customers, and Mr. Dauphinais' proposals for a demand response option and**
470 **RTP-L customers who meet MISO interruptible requirements to be exempt**
471 **from capacity charges?**

472 A. Yes. Remember that the Ameren Companies are proposing to offer Basic
473 Generation Service for all of its wires' customers post 2006. Neither Dr.
474 O'Connor, Mr. Stephens, nor Mr. Dauphinais has suggested that the Ameren
475 Companies are not offering Basic Generation Service; rather they both
476 recommend either additional products and/or further price delineation.
477 Fundamentally, the Ameren Companies have attempted to minimize overall
478 power and energy supply costs associated with transitioning to post 2006 and, at
479 the same, balance the interests of all stakeholders in this process. There is no
480 doubt that additional product offerings will raise the costs of administering this

481 entire process. These additional costs would be passed along to BGS customers.
482 Also, as stated earlier, the Ameren Companies have made clear their consideration
483 of the following factors in developing the proposed BGS service classifications:
484 1) the Ameren Companies' goal of having one set of rates for the entire Ameren
485 Illinois footprint, 2) consistency of Delivery Service rate classes, 3) rate
486 migration, 4) ease of rate administration, 5) ease of customer understandability, 6)
487 the commoditized nature of today's energy markets, 7) BGS/DS rate
488 synchronization, and 8) existing metering installations. More BGS products or
489 options to accommodate marketers or others seeking unique BGS product carve-
490 outs to either gain a competitive advantage or address the perceived needs of their
491 clients would conflict with: a) minimization of rate migration, b) ease of rate
492 administration, and c) ease of customer understandability. Also, through the use
493 of the rate prism, the Ameren Companies' have proposed the development of cost
494 based post 2006 energy charges that reflect the nature of today's commoditized
495 wholesale markets for power. While additional products or services may slightly
496 modify BGS prices resulting from utilization of the rate prism, it is fairly
497 improbable that these results would be material considering the Ameren's
498 Companies' proposed BGS rates for the 1MW and greater group consisting
499 primarily of seasonal time-of-use energy charges only.

500 The Commission should keep in mind that the Ameren Companies are not the
501 only players in the arena of power and energy supply. Customers desiring power
502 and energy service beyond the scope of the Basic Generation Service offered by
503 the Ameren Companies are free to "play the market." If the marketers and other

504 entities in the power supply arena “build a better mousetrap” offering a wide array
505 of bells and whistles to sophisticated energy consumers, there will likely be
506 takers. However, it is unreasonable to expect the Ameren Companies wires’
507 businesses to develop and offer such a wide array of products and services if one
508 considers the earlier stated goal of price minimization. The Ameren Companies
509 continue to believe that its existing offering of Basic Generation Service reflects a
510 proper balance of the interests of all stakeholders in this process.

511 **Q. Does this conclude your rebuttal testimony?**

512 **A.** Yes, it does.