

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NOS. 05-0160, 05-0161 and**

**05-0162 (consolidated)**

**SURREBUTTAL 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 AmerenCIPS,  
and Illinois Power Company d/b/a AmerenIP**

**August 29, 2005**

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**SURREBUTTAL TESTIMONY**  
**OF**  
**WILBON L. COOPER**

**I. INTRODUCTION**

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

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

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

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

**Q. Are you the same Wilbon L. Cooper that previously filed direct and rebuttal  
testimonies in this proceeding?**

A. Yes, I am.

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

A. I will address certain rate design issues discussed by Staff witnesses Mr. Peter  
Lazare, Dr. Eric P. Schlaf and Mr. Richard Zuraski, Illinois Industrial Energy  
Consumers (IIEC) witnesses Mr. Robert R. Stephens and Mr. James Dauphinais,  
Coalition of Energy Suppliers (CES) witnesses Dr. Philip O’Connor, Mr. John  
Domagalski, and Mr. Richard Spilky, Citizens Utility Board (CUB) witnesses Mr.

23 Robert Fagan, and Constellation Energy Commodities Group (CCG) witness Mr.  
24 Michael Smith, in their rebuttal testimonies.

25 My failure to address a particular witness' position or argument should not be  
26 construed as endorsement of same.

27 **II. RESPONSE TO STAFF WITNESS PETER LAZARE**

28 **Q. What issues raised in Mr. Lazare's rebuttal testimony will you address?**

29 A. On page 2 of his testimony, Mr. Lazare lists the following issues in my rebuttal  
30 testimony for discussion: 1) bill impacts, 2) market energy prices, and 3) peak and  
31 off-peak period definitions.

32 **Q. What is the Ameren Companies' position with respect to Mr. Lazare's**  
33 **recommendations on bill limits?**

34 A. First, it appears Mr. Lazare supports the Ameren Companies' position that any  
35 proposal for bill limits must not require the utilities to sacrifice the full cost  
36 recovery to which they are entitled or artificially induce or inhibit switching to  
37 third-party supply in a significant way. Whatever bill impact or rate moderation  
38 plan considered by the Commission now or later, must ensure the full and  
39 complete recovery of the costs paid by the Ameren Companies for procuring  
40 power and energy.

41 **Q. You mentioned that the Commission could "now or later" consider a bill**  
42 **impact test; it appears that Mr. Lazare disagrees with the Ameren**  
43 **Companies suggestion that the delivery services cases could be a more**  
44 **appropriate forum for consideration of such a rate moderation mechanism.**  
45 **Please comment.**

46 A. As stated in my rebuttal testimony, the Ameren Companies do not object to the  
47 Commission addressing this issue now. However, the Ameren Companies believe  
48 the Commission may be in a better position to make decision on this matter with  
49 the intelligence gained from the Ameren Companies' proposals for total delivery  
50 service revenue requirements and responsibility for same by customer classes in  
51 its upcoming delivery services' cases. At a minimum, the Ameren Companies'  
52 total proposed delivery service revenue requirements will set the ceiling for  
53 recovery of the revenue requirements. Surely, this ceiling level will provide the  
54 Commission with additional guidance as to whether bill moderation or impact  
55 issues need to addressed and, possibly, to what extent.

56 With regard to Mr. Lazare's statement that a delay in setting power prices  
57 would undermine the goal of clarifying for suppliers how the translation would  
58 take place in advance of the auction, I respectfully disagree. If the Commission  
59 accepts the bill impact proposal in this proceeding and if the Ameren Companies  
60 were to file delivery service cases in the near future, all that suppliers will know  
61 are the "mechanics" of the proposal. They will not likely know the full effect of  
62 Mr. Lazare's proposal because they will not have the two critical inputs—the  
63 Basic Generation Service (BGS) cost and subsequent delivery service cost that  
64 will make up the entire "bill". While the supplier might know the range of its bid  
65 offerings prior to the auction, the resultant price for power and energy will be  
66 based on a number of bids from a number of suppliers. And, of course, the  
67 delivery service costs will not be known until the completion of those cases.

68 **Q. Do you have any other comments on this topic?**

69 A. Yes. Even if the Commission were to accept the Staff bill impact proposal in this  
70 proceeding, there is nothing to prevent the Ameren Companies, Staff or other  
71 parties in the upcoming delivery service cases from offering a modification to the  
72 bill impact proposal or something entirely different. A new proposal might be  
73 warranted, again, given the nature and extent of the delivery service revenue  
74 requirements. In this instance little will have been gained by the Commission  
75 adopting a particular rate design feature now that may be subject to change later.

76 The Ameren Companies believe the Commission and all other stakeholders  
77 in this process may benefit by having as much information as possible prior to the  
78 determination of whether a particular bill moderation or impact mechanism is  
79 justified. While the Ameren Companies do not object to the Staff proposal, so  
80 long as its modifications are also accepted, we do not believe it is critical that  
81 something along its lines be approved in these dockets.

82 **Q. Should the Commission then ignore the Staff bill impact recommendation?**

83 A. No, not necessarily. The Commission can find there is merit to this approach,  
84 subject to the Ameren Companies' recommended modifications, in this  
85 proceeding and direct the Staff to file the same in the next delivery service cases.

86 **Q. Mr. Lazare recommends the Commission reject the Ameren Companies'**  
87 **proposal to ensure that customers within a given BGS 1-3 classification pay**  
88 **the same BGS prices regardless of any rate moderation plan. Please**  
89 **comment.**

90 A. As stated in my prior testimony in this case, the Ameren Companies are proposing  
91 upon the expiration of the mandatory transition period, that their customers

92 migrate from the current electric service classifications to one of four post 2006  
93 BGS rate classifications and a correlated Delivery Service (DS) classification.  
94 While historically the customers of each of the Ameren Companies have paid  
95 different rates for generation service because the Ameren Companies had  
96 different generation costs, the Ameren Companies are now proposing identical  
97 generation rates (subject to change due to Rider MV) for all of their customers  
98 because their generation supply costs will be substantially similar. Mr. Lazare's  
99 proposal of 20% or 150% of the average will cause BGS rates for each Ameren  
100 Company to vary. The Ameren Companies are paying a uniform price for energy  
101 supply, and consequently customers with similar load characteristics who are  
102 using this energy should then pay the same or near the same price. Under Mr.  
103 Lazare's approach, however, this may not be true. Hypothetically, a residential  
104 customer in the AmerenCILCO service area might pay a lower rate for generation  
105 service than what a similar AmerenCIPS residential customer might be paying --  
106 even though the cost of energy for the two customers is identical.

107           Mr. Lazare's opposition to lumping the customers together, while keeping  
108 the power prices the same, is based on his belief that this approach would  
109 undermine the objective which the bill impacts proposal seeks to achieve. While I  
110 agree the Ameren Companies goal of ensuring the same power price for these  
111 customers may result in some limitation of Mr. Lazare's bill impact test-because  
112 the 20% and 150% metrics may not be fully subscribed, the benefits of uniform  
113 power pricing for customers receiving the same product should not be ignored. As  
114 Mr. Lazare intends to seek some amount of rate mitigation with his proposal, the

115 Commission should also take into account the need for rate simplicity and  
116 customer understanding when setting just and reasonable rates. On balance, the  
117 Ameren Companies maintain that their rate design, taking into consideration the  
118 Staff proposal, is fair and equitable.

119 **Q. If the Commission were to accept the Ameren Companies' proposal, would**  
120 **that result in a modification to the Staff rate impact test being proposed for**  
121 **Commonwealth Edison Company (ComEd)?**

122 A. No, not at all. Mr. Lazare's proposal works as it is intended for ComEd and its  
123 customers. ComEd's residential customers throughout its service territory will see  
124 the same price for the generation cost because ComEd does not have three  
125 separate service territories. Unfortunately, a pure application of Mr. Lazare's bill  
126 impact test deprives the Ameren Companies' residential customers of the same  
127 result. Even though the Ameren Companies will pay one price for the product that  
128 serves the residential customers, they will see different prices.

129 **Q. What is Mr. Lazare's position on the use of Locational Marginal Prices**  
130 **(LMPs), rather than forward electricity prices for input to the rate**  
131 **translation prism?**

132 A. Mr. Lazare agrees with the Ameren Companies proposal to use forward market  
133 prices as input to the rate prism.

134 **Q. Do the Ameren Companies and Mr. Lazare agree on the designation of On-**  
135 **Peak billing periods for BGS billing purposes?**

136 A. Yes, for purposes of this case, the parties agree to an On-peak billing period of  
137 10:00 a.m. – 10:00 p.m. weekdays.

138 **III. RESPONSE TO STAFF WITNESS DR. ERIC SCHLAF, ILLINOIS**  
139 **INDUSTRIAL ENERGY CONSUMERS (IEEC) WITNESS JAMES**  
140 **DAUPHINAIS, COALITION OF ENERGY SUPPLIERS (CES)**  
141 **WITNESSES O’CONNOR, JOHN DOMAGALSKI AND RICHARD**  
142 **SPIPKY ON RIDER D – DEFAULT SUPPLY SERVICE AVAILABILITY**  
143 **CHARGE**

144  
145 **Q. Please summarize the positions of Staff witness Schlaf, IIEC witness**  
146 **Dauphinais, and CES witnesses O’Connor, Domagalski, and Spilky as to the**  
147 **Ameren Companies’ proposed Rider D – Default Supply Service Availability**  
148 **Charge, of \$0.00015 per kWh to all ARES served large (i.e., at or above 1**  
149 **MW) or Rider RTP-L customers.**

150 A. Dr. Schlaf states that imposition of Rider DSSAC is not necessary to get bidders  
151 to bid on the BGS-LRTP product and, also, the “insurance” payment that would  
152 be generated by this charge may be unnecessary or too much; Mr. Dauphinais also  
153 suggests imposition of Rider DSSAC is not necessary to entice bidders to bid on  
154 the BGS-LRTP product and has not been demonstrated to be just and reasonable;  
155 Dr. O’Connor, Mr. Domagalski, and Mr. Spilky state the charge is not  
156 “insurance”, but rather anti-competitive, unduly discriminatory, and unjustified.

157 **Q. Do the Ameren Companies have any responses to these criticisms?**

158 A. Yes. As stated in my prior testimonies in this case, Rider D is proposed as a  
159 charge applicable to customers at or greater than 1 MW who opt for power and  
160 energy service under BGS-LRTP—the real time pricing option or from a source  
161 other than the Ameren Companies (e.g., ARES). Customers taking third party  
162 supply who lose their ARES, are being asked to pay this charge since they may  
163 default to BGS-LRTP.

164 By way of further explanation, suppliers who bid on the BGS-LRTP  
165 product cannot know how many customers will actually take the service, given its  
166 nature. Any customer at or above 1 MW who does not select the fixed price BGS  
167 service (BGS-LFP) could receive service under BGS-LRTP because they have the  
168 right to elect the real time pricing option, or because of discontinuation of their  
169 third party supplier-an ARES, in which case the customer end up taking BGS-  
170 LRTP. As made evident predicting this load is somewhat difficult, and this is  
171 especially so when there has been no history of customers taking this product.

172 The suppliers that bid on this load will themselves have to reserve capacity  
173 or take the chance that when customers take this product that they will be able to  
174 acquire capacity in the spot market. If they have reserved capacity, and nobody  
175 takes the product or not enough customers take the product commensurate with  
176 the amount of capacity reserved, the suppliers may lose money. Because of these  
177 uncertainties, Rider D was established as a proxy for the capacity planning costs  
178 such customers are imposing on BGS-LRTP suppliers. Absent Rider D, the level  
179 of risk premium to compensate such suppliers for the unpredictability of BGS-  
180 LRTP load may be higher.

181 In order to entice such suppliers to bid on the product and to also reduce  
182 the premium they would otherwise impose because of the stated uncertainty, the  
183 DSSAC will produce a revenue stream to be returned to the successful supplier(s).  
184 If there is no DSSAC, the overall price for the BGS-LRTP product will increase  
185 or even worse, wholesale suppliers simply won't bid on the BGS-LRTP product  
186 offering. In essence Rider D represents a capacity option premium, giving

187 customers the right to take BGS-LRTP as default service. Notably this approach  
188 was used successfully in the New Jersey auction process.

189 **Q. Does the New Jersey auction process continue to utilize Rider D?**

190 A. Effective June 1, 2005, the Rider D charge was discontinued as a separate charge  
191 for RTP and ARES served customers. Instead, RTP bidders are remitted an  
192 amount equivalent to the application of the Rider D charge of \$0.00015 per  
193 kilowatt-hour from a “retail adder” fund consisting of proceeds from the  
194 application of a \$0.005 per kilowatt-hour charge to all kilowatt-hours provided to  
195 RTP and large fixed-price power and energy customers of the utilities. While the  
196 New Jersey Board of Public Utilities discontinued the strict application of a Rider  
197 D charge, it continued to recognize the costs of this capacity option premium by  
198 ordering the remitting of in kind payments of same to RTP bidders as if Rider D  
199 was still in effect.

200 **Q. On pages 7-8 of Dr. Schlaf’s rebuttal testimony, he doubts whether RES**  
201 **customers would receive one million dollars worth of insurance under the**  
202 **Rider D. Please comment.**

203 A. Dr. Schlaf offers no empirical evidence as to whether the million dollar insurance  
204 premium is too much or too little. Instead, he goes on to state ARES served  
205 customers might instead opt to buy zero insurance, and instead take their chances  
206 that the BGS-LRTP price is reasonable should they need the service. This  
207 statement assumes that suppliers will bid on the BGS-LRTP product absent Rider  
208 D. Whether this is possible remains to be seen, but Rider D will increase the  
209 probability of suppliers bidding on the BGS-LRTP product and, thus, more likely

210 afford ARES served large customers the luxury of instantaneously defaulting to  
 211 the certainty of the BGS-LRTP product as opposed to some other currently  
 212 unknown form of default service.

213 **Q. Can you provide some examples of what the percent of total power price that**  
 214 **the Ameren Companies’ proposed DSSAC @ \$ 0.00015/kWh will represent**  
 215 **assuming various assumptions for existing power and energy supply prices in**  
 216 **the Ameren Companies’ current rates?**

217 A. Yes. The table below provides this data.

POWER AND ENERGY PRICE (\$/MWH)	DSSAC PERCENT OF POWER PRICE WITH DSSAC @ \$0.150/MWH
\$34	0.441 %
\$38	0.395 %
\$40	0.375 %

218 As demonstrated above, the DSSAC charge will likely represent less than one-  
 219 half percent of the range of total power and energy charges for existing customers  
 220 listed above. This estimate excludes the delivery service costs which also appear  
 221 on the customer’s bill so the overall bill impact would be less than what is shown  
 222 in the table. Customers who would be subject to this “nominal” charge may  
 223 consider these percentages or the DSSAC charge a very small price to pay for the  
 224 certainty of BGS-LRTP power and energy supply.

225 **Q. On page 8 of Dr. Schlaf’s rebuttal testimony, he states the Ameren**  
 226 **Companies have not shown the DSSAC bears any relation to the minimum**  
 227 **charge needed to entice bidders to bid. Do you agree?**

228 A. No. The 0.015 cent per kilowatt-hour charge for DSSAC is equal to that utilized  
229 in the New Jersey markets and has generated bids for the hourly power and  
230 energy product for several years. I do not believe one should ignore the  
231 experience in the more mature New Jersey markets. While the proposed 0.015  
232 cent per kilowatt-hour DSSAC charge may not be precisely the value needed to  
233 entice suppliers to bid on the BGS-LRTP product, to state it does not bear any  
234 relation to the minimum charge needed to entice bidders to bid may be simply  
235 wrong.

236 **Q. If the Commission does not approve Rider D and suppliers do bid on BGS-**  
237 **LRTP, what are the expected consequences?**

238 A. The suppliers, for the reasons I expressed above, will impose a premium for the  
239 product. Either way the customers taking the service will pay for the capacity but  
240 under the Ameren Companies approach, there is greater certainty that suppliers  
241 will bid in the first instance.

242 **Q. On pages 34-35 of Dr. O'Connor's rebuttal testimony, he lists five reasons**  
243 **why Rider D is not analogous to insurance. Please comment on Dr.**  
244 **O'Connor's first argument as to why Rider D is not analogous to insurance.**

245 A. Dr. O'Connor states in Illinois insurance is only required of motorists to cover  
246 damage to other cars (i.e., liability coverage), not to pay for repairs to the  
247 motorist's own vehicle. Dr. O'Connor fails to mention most, if not all, financial  
248 institutions that hold liens on vehicles, where applicable, require vehicle owners  
249 be responsible for comprehensive and collision insurance coverage on the vehicle.  
250 One might consider the application of Rider D to ARES served customers as

251 providing liability and collision and comprehensive insurance coverage. This  
252 statement is supported by the successful BGS-LRTP bidders' obligation, where  
253 there is an accident (i.e., discontinuation of ARES supply) to provide the BGS-  
254 LRTP product and thus indemnify the Ameren Companies from the responsibility  
255 for purchasing capacity for same and, also, "protect" (i.e., comprehensive and  
256 collision) the ARES served customer's load from instantaneous outages  
257 associated with discontinuation of ARES supply. While the ARES served  
258 customer may not desire the comprehensive and collision coverage associated  
259 with a discontinuation of ARES supply, the physics of providing electric delivery  
260 service, along with the necessity of immediate notification of discontinuation of  
261 ARES supply, render it virtually impossible for either the Ameren Companies to  
262 instantaneously disconnect this customer from the system or for the customer to  
263 instantaneously curtail its load to zero. As a result, the "default" comprehensive  
264 and collision coverage may be considered mandatory for the Ameren Companies'  
265 ARES served large customers.

266 **Q. Please comment on Dr. O'Connor's second argument as to why Rider D is**  
267 **not analogous to insurance.**

268 A. Dr. O'Connor states insurance involves transferring risk to a third party. The  
269 third party in this example would be the Ameren Companies. If Rider D charges  
270 are not approved, the Ameren Companies run the risk of not having any bidders  
271 for the BGS-LRTP product. As discussed in the surrebuttal testimony of Ameren  
272 Companies' witness James Blessing, the purchasing of capacity to serve load  
273 caused by discontinuation of ARES supply is not necessarily an easy task.

274 Additionally, as the Ameren Companies BGS-LRTP and Rider MV tariffs were  
 275 crafted assuming that there would be successful bidders for the BGS- LRTP  
 276 product, the Ameren Companies may face the uncertainty of appropriate “dollar  
 277 for dollar” and equitable recovery of these capacity costs without possible  
 278 modifications to its BGS-LRTP and Rider MV tariffs. For example, if as of the  
 279 start of the delivery period, no customer has signed up for the BGS-LRTP  
 280 product, the Ameren Companies will still have the need to purchase some amount  
 281 of capacity to stand ready to serve those customers currently being served by an  
 282 ARES who have the ability to return to BGS-LRTP supply on short notice or no  
 283 notice at all. This capacity will come at a cost and existing BGS-LRTP and Rider  
 284 MV tariff language does not clearly address how the Ameren Companies would  
 285 recover these costs from customers given the fact that no customer would be  
 286 taking BGS-LRTP supply. The quandary of whom to equitably recover these  
 287 costs from will likely be subject to considerable debate considering the nature of  
 288 opposition to Rider D by other parties in this case. These parties suggest that all  
 289 BGS-LRTP costs be recovered only from users of the product. Where there are  
 290 no users, but costs are yet incurred, who pays?

291 **Q. Please comment on Dr. O’Connor’s third argument as to why Rider D is not**  
 292 **analogous to insurance.**

293 A. Dr. O’Connor states insurance involves reimbursement or compensation for a  
 294 specified loss. He goes on to state Rider D merely involves a pre-payment or  
 295 reservation charge for a service that may never be used and thus is more similar to  
 296 everyday products like a monthly Chicago Transit Authority (CTA) fare card

297 allowing unlimited rides, a fee for an unused hotel or restaurant; however, with  
298 these other products people are not required to make such pre-payments. Dr.  
299 O'Connor fails to mention for each of his examples there's no obligation to serve  
300 instantaneously as there would be with backup power and energy required in the  
301 event of discontinuation ARES supply or a switch to BGS-LRTP. None of his  
302 examples guarantees the service be available either instantaneously or, for that  
303 matter, at all. Although one could purchase the CTA fare card and pay the fees  
304 for the unused hotel or restaurant, the CTA train could be full, the hotel could be  
305 fully occupied, and every seat in the restaurant could be taken at the times  
306 planned to utilize these services. While in each of these events, each entity may  
307 attempt to make you whole, such "wholeness" would not happen instantaneously.

308 **Q. Please comment on Dr. O'Connor's fourth argument as to why Rider D is**  
309 **not analogous to insurance.**

310 A. Dr. O'Connor states there is no requirement that the "loss" sustained by the  
311 "insured" be the result of some incident, accident, or happenstance that is not  
312 intentionally self-inflicted. He goes on to state an Ameren Company would have  
313 customers who affirmatively elect BGS-LRTP service be treated the same as  
314 those who end up on BGS-LRTP because the ARES has dropped the customer or  
315 otherwise is unable to continue service. I am not clear on the point Dr. O'Connor  
316 is attempting to make here, but, Dr. O'Connor's example of the restaurant  
317 reservation mentioned above may be helpful. Based on my experience, restaurant  
318 menu prices are likely the same whether I had a reservation or whether I defaulted  
319 to the restaurant due the restaurant next door losing electric power supply prior to

320 serving me. While this example doesn't address the insurance issue, it does  
321 demonstrate charging the same prices for the same product regardless of whether  
322 one had reservations for "use" of the product.

323 **Q. Please comment on Dr. O'Connor's fifth argument as to why Rider D is not**  
324 **analogous to insurance.**

325 A. Dr. O'Connor states if an Ameren Company is making the argument Rider D is  
326 insurance, then wholesale suppliers would need to be licensed as insurers in  
327 Illinois. On its face Dr. O'Connor's point is irrelevant in my opinion. Obviously,  
328 the Ameren Companies never intended for wholesale suppliers to be licensed as  
329 insurers in Illinois.

330 **Q. Do you have any additional comments on Rider D?**

331 A. Yes. No parties to this case have suggested BGS-LRTP bidders will not  
332 experience "upfront" costs associated with making BGS-LRTP available to large  
333 customers. Rather, parties opposed to Rider D want bidders or the Ameren  
334 Companies, if there are no BGS-LRTP bidders, to bear this risk without any  
335 guarantee or certainty of recovery of some or all of these costs. It should be  
336 noted, under no circumstances would the Ameren Companies benefit from the  
337 application of Rider D as this charge, along with all other power and energy  
338 charges under the Ameren Companies' proposed Rider MV will be remitted  
339 "dollar for dollar" to successful bidders. While the Ameren Companies cannot  
340 speak for prospective BGS-LRTP bidders, it is intuitive these bidders will either  
341 not bid or be less likely to bid on the BGS-LRTP product without certainty of  
342 recovery of some level of these costs. If their decision is to bid, absent Rider D, it

343 is reasonable to assume demand or capacity prices within their BGS-LRTP bids  
 344 will be higher.

345 Philosophically, if the Commission wants to err on the side of caution,  
 346 the approval of some level of Rider D charges would be warranted so as to  
 347 increase the probability of bidders on the BGS-LRTP product and, thus, render  
 348 outside purchases of short term capacity for LRTP load unnecessary. Our intent is  
 349 to eliminate as many uncertainties as reasonably possible in the post 2006 world.  
 350 It is far better to err on the side of caution and do what we can to ensure that  
 351 bidders come to the auction, than to deal with the consequences of their absence.

352 **IV. RESPONSE TO CES WITNESSES JOHN DOMAGALSKI, RICHARD**  
 353 **SPIPKY, AND DR. PHILIP O’CONNOR ON BGS-LFP BEING THE**  
 354 **“DEFAULT” SERVICE RATHER THAN BGS-LRTP**

355  
 356 **Q. Do you have any comments on witnesses Mr. Domagalski, Mr. Spilky, and**  
 357 **Dr. O’Connor arguments that BGS-LFP be the “default” service rather than**  
 358 **the hourly product, BGS-LRTP?**

359 A. Yes. The Ameren Companies’ agreement with Dr. Schlaf that Rider BGL-LFP  
 360 become the default service for qualifying customers currently on bundled service  
 361 during the first Auction’s “Open Enrollment” period as opposed to the real time  
 362 pricing service BGS-LRTP being the default service during this same period has  
 363 created a bit of confusion. Simply stated, Dr. Schlaf’s proposal and the Ameren  
 364 Companies acceptance of same entails current customers “defaulting” to the BGS-  
 365 LFP product during the “Open Enrollment” period of the first Auction. The  
 366 Ameren Companies’ direct testimony proposed these same customers default to  
 367 the BGS-LRTP product during the “Open Enrollment” period absent a wet

368 signature electing the BGS-LFP product. With regard to large customers on  
369 ARES supply, any unscheduled discontinuation of ARES supply or desire to  
370 return to utility supply service will result in these customers “defaulting” to BGS-  
371 LRTP for power and energy supply.

372 **V. RESPONSE TO IIEC WITNESS ROBERT STEPHENS ON INCLUSION**  
373 **OF DEMAND CHARGE FOR BGS-4**

374 **Q. Mr. Stephens’ points out an alleged dissonance between the Ameren**  
375 **Companies’ position of a demand charge as part of the BGS-4 rate structure**  
376 **as being pre-mature and AmerenIP’s actions in the last Market Value Index**  
377 **case, Docket No. 02-0672. Please comment.**

379 A. Illinois Power Company was not a part of the Ameren Companies during its  
380 participation in Docket No. 02-0672 and, as a result, the Ameren Companies did  
381 not participate in the decision to propose the capacity charge of \$12 per kW year  
382 as an adder on top of the market value index charge. However, it is my  
383 understanding this capacity demand credit was intended to account for any  
384 residual error in the total market value determination, including any failure of  
385 certain base values to completely account for capacity values. Conversely, the  
386 Ameren Companies’ proposed BGS-4 prices and associated Rider MV provisions  
387 are expected to fully account for all power and energy costs.

388 Additionally, while Mr. Stephens’ statement the \$12 per kW year charge  
389 is an adder on top of “market” is factually correct, it should also be noted this  
390 adder is included in the determination of customer’s transition charge. Therefore,  
391 the transition charge is reduced by the equivalent of \$12 per kW.

392                   As stated in my rebuttal testimony, the MISO market is in its early stages  
 393 and the imposition of a somewhat arbitrary capacity or demand charge may not  
 394 send the proper price signal. Also, the Ameren Companies' continue to be  
 395 receptive to including a cost-based capacity or demand component in the rates for  
 396 the BGS-4 group, after full maturity of the MISO markets.

397 **VI. RESPONSE TO IIEC WITNESSES JAMES DAUPHINAIS AND ROBERT**  
 398 **STEPHENS' CALL FOR ADDITIONAL PRODUCT OFFERINGS IN THE**  
 399 **AUCTION**

401 **Q. Are the Ameren Companies willing to accept IIEC's recommendation for**  
 402 **additional product offerings?**

403 **A. No, not at this time. I had stated at length the Ameren Companies'**  
 404 **reservations for expanding the product offerings in my rebuttal testimony**  
 405 **and so I will not repeat those argumenst again. I note as well that my**  
 406 **colleague, Mr. James Blessing puts forth a number of reasons as to why the**  
 407 **IIEC product requests are inappropriate.**  
 408 **Needless to say, the Ameren Companies are somewhat disappointed in the**  
 409 **IIEC's ever reaching requests. We believed that by offering the one year**  
 410 **fixed price product for the at or above 1 MW customer group, that an**  
 411 **acceptable compromise in terms of auction procurement design and our role**  
 412 **as wires companies had been reached ( I do not mean to imply that**  
 413 **agreement with IIEC had been reached; rather that internally, on balance,**  
 414 **our proposals met the needs of all our customers). We continue to view, and**  
 415 **hope that the Commission endorses, our role as procuring the basic**

416 commodity and not creating numerous retail products that may or may not  
417 serve the interests of a few.

418 **VII. RESPONSE TO STAFF WITNESS MR. RICHARD ZURASKI AND CES**  
419 **WITNESS DR. PHILIP O’CONNOR ON THE INCLUSION OF THE 400**  
420 **kW to 1 MW CUSTOMER CLASS IN THE BGS-FP AUCTION**

421 **Q. Do the Ameren Companies support Mr. Zuraski’s recommendation to place**  
422 **in abeyance Dr. O’Connor’s proposal for a default product based on a one-**  
423 **year auction product similar to the BGS-LFP for customers in the 400 kW to**  
424 **1 MW group?**

425 **A.** Yes. Mr. Zuraski supports my rebuttal testimony where I offered that a  
426 segregation of the customers in the 400 kW to 1 MW group would present a  
427 practical problem due to the lack of interval metering and, therefore, he  
428 recommends Dr. O’Connor’s proposal be placed in abeyance pending review of  
429 one or more rounds of auction results and subsequent switching activity by  
430 customers within the BGS-FP segment. Such abeyance and related review would  
431 provide the opportunity for more precise data gathering and increased intelligence  
432 as to whether a one year product is justified for the 400 kW to 1 MW group.

433 **Q. Do the Ameren Companies have a response to Mr. Zuraski’s request for an**  
434 **estimate of how quickly interval metering could be installed for customers in**  
435 **the 400 kW to 1 MW size range, as well as the cost of such installation?**  
436

437 **A.** Yes. The Ameren Companies estimate approximately 1,100 meters would need  
438 to be installed and these installations could be completed within two years of the  
439 start of replacements at a cost of approximately \$280,000. In addition, the  
440 Ameren Companies would incur approximately \$85 per meter per year (\$95,000

441 annually) in ongoing processing expenses associated with data management of  
442 interval meter data.

443 **VIII. RESPONSE TO CES WITNESSES DR. PHILIP O’CONNOR, JOHN**  
444 **DOMAGALSKI, AND RICHARD SPILKY ON INCLUSION OF RISK**  
445 **PREMIUM IN RATE PRISM**

446  
447 **Q. Dr. O’Connor, and Messrs. Domagalski and Spilky continue to recommend**  
448 **the Ameren Companies’ proposed rate prism be revised to allocate the**  
449 **migration risk premium in a way that recognizes certain distinctions among**  
450 **customer classes. Please comment.**

451 A. As stated in my rebuttal testimony, to date, the Ameren Companies have not  
452 experienced meaningful switching to ARES service from customers within this  
453 group. Obviously, this fact suggests that currently the Ameren Companies have  
454 no meaningful switching data to properly establish migration risk premiums for  
455 input to the rate prism.

456 **Q. What switching data do Dr. O’Connor, and Messrs. Domagalski and Spilky**  
457 **suggest be used in calculating the migration risk factor for the Ameren**  
458 **Companies?**

459 A. The witnesses recommend the Commission use data from the ComEd case, in  
460 Docket No. 05-0159. Yet, Staff witness Lazare opposes the addition of migration  
461 risk factors to the Ameren Companies rate prism and has provided adequate  
462 rationale in his rebuttal testimony at pages 7 through 10 as to why the application  
463 of ComEd switching data to the Ameren Companies is inappropriate and should  
464 be rejected. The Ameren Companies support Mr. Lazare’s rationale and  
465 associated conclusion.

466                                Additionally, a corollary to this recommendation is the Ameren  
 467 Companies’ stated position of not absolutely objecting to the rate or bill impact  
 468 constraint as recommended in the testimony of Staff witness Lazare. If the  
 469 Commission adopts a form of rate or bill impact mitigation and such mitigation  
 470 results in a shift in power cost responsibility from one class to another, then any  
 471 further modification to the rate prism to reflect purported migration risk could  
 472 further exacerbate uneconomic customer switching.

473                                Lastly, the Ameren Companies have previously stated after completion of  
 474 initial BGS auctions and implementation of new DS rates, revisiting Dr.  
 475 O’Connor’s recommendation may be appropriate.

476 **IX.    RESPONSE TO CCG WITNESS MICHAEL SMITH ON POTENTIAL**  
 477 **REVENUE SHORTFALL ASSOCIATED WITH MR. LAZARE’S BILL**  
 478 **IMPACT PROPOSAL**

479  
 480 **Q.    On page 5 of Mr. Smith’s testimony, he states that it is unclear what would**  
 481 **happen if the final bundled retail rates of all customer groups in the below 1**  
 482 **MW exceeded the threshold. Under Mr. Lazare’s rate moderation plan of**  
 483 **the greater of 20% or 150% of the average for customers in the BGS-FP**  
 484 **auction, can there be a shortfall in the Ameren Companies recovery of costs**  
 485 **as suggested by Mr. Smith?**

486 **A.**    No, Mr. Lazare’s recommendation is the greater of 20% or 150% of the average  
 487 for the group and I do not believe it is possible for there to be a revenue shortfall  
 488 to the Ameren Companies. This is so because if the 150% of the average metric is  
 489 used, then by definition the revenues will be recovered. As stated earlier, Mr.  
 490 Lazare supports the Ameren Companies’ position that any proposal for bill limits

491 must not require the utilities to sacrifice the full cost recovery to which they are  
492 entitled or artificially induce or inhibit switching to third-party supply in a  
493 significant way.

494 **X. RESPONSE TO CITIZENS UTILITY BOARD (CUB) WITNESS ROBERT**  
495 **FAGAN ON EXERCISE OF MARKET POWER IN FORWARD**  
496 **MARKETS**

497 **Q. On page 14 of Mr. Fagan’s testimony, he states it is not correct that forward**  
498 **price manipulation would not likely result in higher prices to customers.**

499 **Please comment.**

500 **A.** Mr. Fagan’s statement was made in reference to my rebuttal testimony, whereby I  
501 stated that no attempted manipulation of market forwards by a small number of  
502 participants would result in higher overall prices to customers. First, I note that  
503 my rebuttal testimony stated attempted manipulation, not actual manipulation.  
504 Second, I’d like to borrow a passage from the rebuttal testimony one of CUB’s  
505 other witnesses, Mr. Steinhurst at page 29, “Although all potential vendors know  
506 certain common market information, such as the forward price quotes for power  
507 and fuels at any given point in time (as will Ameren), there is no reason to think  
508 that every potential vendor will seek the same price for whatever product it has to  
509 sell.” Mr. Steinhurst’s statement somewhat contradicts Mr. Fagan’s position and,  
510 instead, lends some support to the Ameren Companies’ position of attempted  
511 manipulation of the forward by a small number of participants would not likely  
512 result in higher overall prices to customers. Therefore, the Ameren Companies’  
513 proposed use of market forwards as input to the rate prism and Mr. Lazare’s  
514

515 recommendation of same, is just and reasonable and provides adequate protection  
516 to customers from attempted market manipulation.

517 **Q. Does this conclude your surrebuttal testimony?**

518 **A.** Yes, it does.