

**ILLINOIS COMMERCE COMMISSION**

**DOCKET NOS. 06-0070, 06-0071 and 06-0072**

**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 AMERENCIPS and  
ILLINOIS POWER COMPANY, d/b/a AMERENIP**

**May 26, 2006**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23

**ILLINOIS COMMERCE COMMISSION**  
**DOCKET NOS. 06-0070, 06-0071 AND 06-0072**

**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 AMERENCIPS and  
ILLINOIS POWER COMPANY, d/b/a AMERENIP**

**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. Are you the same Wilbon L. Cooper that previously submitted testimony in these proceedings?**

A. Yes.

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

A. I will address certain issues discussed by Illinois Commerce Commission (“Commission”) Staff witnesses Ms. Theresa Ebrey and Constellation NewEnergy, Inc./Peoples Energy Services Corporation (“CNE/PES”) witnesses Dr. Philip O’Conner and Mr. John L. Domagalski. My failure to address a particular witness’ position or argument should not be construed as endorsement of same. Additionally, I will provide responses to several substantive areas

24 related to demand and price response that Commissioners Lula Ford and Bob  
25 Lieberman have requested parties to address per their Interoffice Memorandum  
26 dated May 5, 2006.

27 **RESPONSE TO STAFF WITNESS EBREY**

28 **Q. Have you reviewed Ms. Ebrey's position with regard to the Ameren**  
29 **Companies' proposed recovery of Supply Procurement Adjustment ("SPA")**  
30 **costs through Rider Market Value ("Rider MV") and its associated Market**  
31 **Value Adjustment Factor ("MVAF")?**

32 A. Yes. On pages 26 through 29 of her testimony, Ms. Ebrey takes issue with the  
33 Ameren Companies' proposed recovery of SPA costs via Rider MV and the  
34 MVAF. The Ameren Companies Rider MV/MVAF method would essentially  
35 track the recovery of SPA costs through the MVAF and make monthly MVAF  
36 charge adjustments, to reflect variations in kilowatt-hour sales from those used to  
37 calculate the initial level of the SPA charge. By way of description, assume the  
38 SPA costs were set at a level of \$1 million by the Commission, and the number of  
39 kilowatt-hours sold in a year were 100,000,000, the resultant charge would be  
40 \$0.01 per kilowatt- hour. But because kilowatt-hours sales change due to a  
41 variety of factors, while the cost level remains the same (\$1 million), the Rider  
42 MVAF method would result in a change or adjustment to the charge. This  
43 method also requires an annual true-up or reconciliation mechanism that  
44 guarantees an exact match between costs and associated billings, thereby ensuring  
45 a precise match between SPA costs ordered by the Commission in this case and  
46 SPA cost recovery via customer billings.

47 Instead of this precise recovery method, Ms. Ebrey proposes that SPA costs  
48 approved by the Commission in this case be passed to customers based on relative  
49 kilowatt-hour sales for each of the Ameren Companies. This would mean that the  
50 Commission would approve some level of SPA costs like any other operating  
51 expense, which would then be recovered via the application of a fixed charge to  
52 kilowatt-hour sales without a true-up.

53 **Q. What is the Ameren Companies' position with regard to Ms. Ebrey's**  
54 **recommendation?**

55 A. Ameren witness Ronald Stafford will address Ms. Ebrey's recommendation on  
56 the use of the relative "jurisdictional" kilowatt-hour sales by operating company  
57 for allocation of total SPA costs, while I will address Ms. Ebrey's proposal to use  
58 these same sales to determine the charge or price necessary to attempt to recover  
59 SPA costs for each of the Ameren Companies.

60 As stated earlier, the Ameren Companies have proposed the recovery of SPA  
61 costs via the Rider MV/MVAF mechanism due to its unique ability to precisely  
62 recover SPA costs established by the Commission in this case. Ms. Ebrey  
63 contends the reconciliation provision of the MVAF results in a mismatch of costs  
64 and recoveries from two different periods, which would likely reflect different  
65 levels of sales and different levels of costs. As Ms. Ebrey knows and the  
66 Commission is aware, the very nature of regulated utility business typically  
67 results in some mismatch between different levels of sales and costs. This is so  
68 because of key factors affecting the Ameren Companies' (or for that matter any  
69 electric or gas utility) operations that are incapable of accurate prediction such as

70 weather, economic conditions, and load growth among others. Furthermore, while  
71 Ms. Ebrey's recognition of this concept is noteworthy, her proposal to utilize test  
72 year sales for the determination of the SPA rate without a MVAF reconciliation is  
73 inherently flawed due to its failure to recognize the likelihood of customers  
74 switching from power and energy service provided by the Ameren Companies, to  
75 power and energy service provided by a Retail Electric Service ("RES"). Due to  
76 switching, kilowatt-hour sales will now change and for reasons other than those  
77 traditionally experienced by the Ameren Companies. This would mean that using  
78 fixed kilowatt-hour sales would likely result in a positive dollar difference (*i.e.*, a  
79 mismatch) between Commission-ordered SPA costs and billed SPA charges. As a  
80 result, the Ameren Companies would not be provided a fair opportunity to earn  
81 their authorized rates of return in this case.

82 **Q. Please explain.**

83 A. First, post 2006, it is fairly improbable that the Ameren Companies will  
84 experience kilowatt-hour sales greater than or equal to the test year sales utilized  
85 in this case. It is reasonable to expect that the transition from existing lower, non-  
86 market-based power and energy rates to market-based rates will result in greater  
87 switching of customers from power and energy provided by the Ameren  
88 Companies to RES service. As a result, depending on the level of SPA costs  
89 ordered by the Commission in this docket, Ms. Ebrey's method of utilizing test  
90 year sales would amount to denying the Ameren Companies their reasonable  
91 opportunity to earn Commission-authorized rates of return in this case.

92 Ms. Ebrey's proposed method and its associated risk of lack of opportunity for the  
93 Ameren Companies to earn a fair rate of return and recover the just and  
94 reasonable level of SPA costs as determined by the Commission in this case is  
95 especially important considering the potential magnitude of actual SPA costs.  
96 The Ameren Companies must be allowed a full, timely, and precise recovery of  
97 all costs associated with the procurement of power and energy needed to serve the  
98 Ameren Companies' customers.

99 **Q. Does Ms. Ebrey acknowledge the concept of appropriate cost recovery?**

100 A. Yes, at least to some extent. On page 28 of her testimony, she states that as long  
101 as the relationship between costs and the level of service reflected in that rate  
102 remains within appropriate parameters, appropriate cost recovery occurs even  
103 when the level of service varies over a period of time. However, apparently Ms.  
104 Ebrey fails to recognize the significant transition that will take place post 2006,  
105 whereby all the Ameren Companies' customers but a few legacy special contract  
106 customers will be moving from frozen, bundled, legacy, embedded cost, often  
107 below market rates to market rates as determined by the auction. This major  
108 transition to market based power and energy rates could result in significant  
109 customer switching to RES supply options and, therefore, would violate Ms.  
110 Ebrey's "within appropriate parameters" condition mentioned above. Since the  
111 Customer Choice Law of 1997, the Ameren Companies' have experienced limited  
112 customer switching likely due to the below-market level of existing rates and it  
113 would be unreasonable to suggest that, considering the full transition to market

114 based power and energy rates post 2006, Ms. Ebrey's "within appropriate  
115 parameters condition" is necessarily true.

116 **Q. Does the Ameren Companies' proposed use of Rider MV and the MVAF for  
117 SPA costs fairly and justly address all of the concerns mentioned above?**

118 A. Yes. Again, as stated above, the introduction of Rider MV and the MVAF's  
119 tracking nature to the recovery of SPA costs result in a precise recovery of SPA  
120 costs, regardless of the level of these costs or the level of future power and energy  
121 sales under the Ameren Companies Rider MV. Obviously, this is just and  
122 reasonable as it provides for the precise match between Commission-ordered SPA  
123 costs to be recovered and their actual recovery.

124 **Q. Didn't you propose an alternate method for the recovery of SPA costs in  
125 your direct testimony?**

126 A. Yes. While the Ameren Companies believe the recovery of the SPA costs via  
127 Rider MV/MVAF to be just and reasonable based on the rationale above, an  
128 alternative method of recovery would be the application of delivery service  
129 charges (*i.e.*, energy only or energy and demand) to collect the Commission  
130 ordered SPA costs across the entire Ameren Illinois footprint. The adoption of  
131 the delivery services method would require certain modifications to the Ameren  
132 Companies' Rider MV tariffs approved by the Commission in the auction dockets  
133 and, possibly, the proposed delivery service tariffs. This approach would  
134 arguably fit Ms. Ebrey's "within appropriate parameters" condition for cost  
135 recovery.

136 **RESPONSE TO CNE/PES WITNESS O'CONNOR**

137 **Q. Please comment on Dr. O'Connor's statements concerning the lack of the**  
138 **Ameren Companies' endorsement of the February 2, 2005 Memorandum of**  
139 **Understanding ("MOU") among Commonwealth Edison Company, the**  
140 **Coalition of Energy Suppliers and the Illinois Retail Merchants Association.**

141 A. The MOU as an agreement between these other parties is not binding on the  
142 Ameren Companies, and I do not understand Dr. O'Connor's position to be that is  
143 the case. Rather he uses it as background to explain why he believes in many  
144 instances the Ameren Companies are consistent with its terms and conditions.

145 **Q. Do you agree with Dr. O'Connor's statement on page 4 that "Ameren and**  
146 **Illinois Power (before its incorporation into Ameren) tended to cling to**  
147 **approaches designed to inhibit customer choice."**

148 A. No, although I cannot speak for Illinois Power Company as to its practices prior to  
149 acquisition by Ameren Corporation. I do agree with Dr. O'Connor, though, that  
150 this discussion is "water under the bridge."

151 **Q. On pages 19 and 20 of Dr. O'Conner's testimony, he states there appears to**  
152 **be some uncertainty in the marketplace regarding whether certain legacy**  
153 **special contracts or contract rates such as SC24 or SC-90 in AmerenIP, will**  
154 **extend beyond the transition period. Please comment.**

155 A. The Ameren Companies' filings in this case include Title Sheets that state the  
156 following: "This Schedule Cancels The Following Schedules Effective January 2,  
157 2007." The "Following Schedules" list both existing bundled and delivery service  
158 schedules for each respective operating company. Therefore, it has been made  
159 clear that the current bundled and delivery service rates will terminate. Of course,

160 any special contracts for electric service that are not tied to tariffs will be honored  
161 by the Ameren Companies until their lawful cancellation or expiration. We  
162 continue to develop communication plans to ensure all customers are fully  
163 informed as to their power supply options post 2006.

164 **Q. Dr. O'Connor alleges that the Ameren Companies' response to a data**  
165 **request regarding contracts for post-transition period bundled service rates**  
166 **suggests that the Ameren Companies may be contemplating some sort of off-**  
167 **the-books, after-the-fact, self-determined service arrangement neither**  
168 **sanctioned by the procurement proceeding orders or contemplated by the**  
169 **terms of the instant delivery service tariff filings. Please comment.**

170 A. The Ameren Companies are taken aback at Dr. O'Connor's statement.  
171 The Ameren Companies' response states the development of such contracts is  
172 work in progress. Surely Dr. O'Connor understands that the Ameren Companies  
173 are in the process of making massive, significant and complex changes to their  
174 billing, accounting, and other systems in order to accommodate post-2006 electric  
175 service to their customers. While the development of contracts for service, where  
176 or if required, is very important, the primary post-2006 focus of the Ameren  
177 Companies has been the aforementioned system changes. The Ameren  
178 Companies will timely develop these post-2006 bundled service contracts, in a  
179 manner consistent with any applicable Commission orders.

180 **Q. On page 27 of Dr. O'Connor's testimony, he states that Ameren has refused**  
181 **to allocate any costs of certain expense (costs) categories to the supply**  
182 **component for the Ameren Companies. Do you agree?**

183 A. Yes, Dr. O'Connor is correct. However, the Ameren Companies are also correct  
184 in allocating all of the identified costs to the delivery service function. Each of  
185 the expense items to which Dr. O'Connor refers represents a category of costs  
186 directly associated with the Ameren Companies' role as a delivery service or  
187 distribution company, and, also their responsibility as providers of last resort. All  
188 of the mentioned items are directly associated with the availability of power and  
189 energy supply for all customers, regardless of power supply choice (i.e. RES or  
190 Ameren Companies) and, therefore, should be excluded from the supply  
191 component of the Ameren Companies' rates. Instead, these costs are justly  
192 included in the Ameren Companies delivery service revenue requirements.

193 **Q. Dr. O'Connor goes on to state Ameren is well situated to fund sales efforts of**  
194 **the Ameren Company's supply by way of delivery service charges paid by all**  
195 **customers. Please comment.**

196 A. The Commission has in place rules by which all Integrated Distribution  
197 Companies ("IDCs") are governed, that prohibit IDCs from marketing (promote  
198 sales of) their power supply. The Ameren Companies have consistently adhered  
199 to these rules and thus, aside from Dr. O'Connor's speculative concerns, there are  
200 mechanisms in place to govern against such activities.

201 In other words, in the power supply arena, the Ameren Companies serve only as  
202 an informational source whereby customers are only provided information  
203 regarding their power supply options (including RES supply) without any  
204 recommendation.

205 **RESPONSE TO CNE/PES WITNESS DOMAGALSKI**

206 **Q. Mr. Domagalski states on page 2 of his testimony that Ameren has failed to**  
207 **implement tariffs and operational systems that encourage the development of**  
208 **competition. Please comment.**

209 A. The Ameren Companies disagree, but I will borrow again from Dr. O'Connor by  
210 stating that this issue is "water under the bridge". There was much discussion  
211 around these claims in the auction case that need not be repeated. Rather, the  
212 focus of this case remains post-2006 Delivery Services. The Ameren Companies  
213 have repeatedly communicated their support for the development of a robust  
214 competitive retail power market in Illinois. Such has been evidenced by the  
215 Ameren Companies' support of the auction process for power and energy, use of a  
216 rate prism to translate winning auction prices into market-based retail prices,  
217 proposed synchronization of competitively neutral Delivery Service and Basic  
218 Generation Service tariffs to promote ease of customer understanding, and  
219 sponsoring of a post-2006 informational website for customers, among other  
220 actions. Indeed, Mr. Domagalski acknowledges elsewhere in his testimony the  
221 Ameren Companies willingness to meet with him and others from his group, on  
222 matters of this nature.

223 **Q. Have you reviewed Mr. Domagalski's recommendation, that uncollectible**  
224 **expenses should be separately accounted for between "delivery services" –**  
225 **related uncollectible expenses and "energy"-related uncollectible expenses,**  
226 **and charged to customers accordingly?**

227 A. Yes, I have. The Ameren Companies do not agree with a proposal that would  
228 require separate accounting for uncollectibles related to Delivery Service (*i.e.*,

229 distribution delivery). This would place a significant administrative burden on the  
230 Companies to maintain such level of detail within its customer service and  
231 accounting systems. The Ameren Companies instead believe that a fair and  
232 equitable segregation of uncollectibles can be accomplished in the ratemaking  
233 process and, in fact, both the Ameren Companies and Staff have developed  
234 similar approaches to segregating the Delivery Services portion of uncollectibles  
235 in this case, without the need to have separate accounting detail. In addition, the  
236 Ameren Companies have proposed that uncollectibles associated with  
237 transmission and power and energy service be combined as is effectively the case  
238 for transmission service (*i.e.*, Rider TS) and power and energy service (*i.e.*, Rider  
239 MV). By this I mean that the Ameren Companies' Rider TS and Rider MV go  
240 hand-in-hand. A customer cannot be subject to one without the other and,  
241 therefore, Mr. Domagalski's recommendation represents a difference without a  
242 meaningful distinction. Any customer taking transmission service will also take  
243 power and energy service. As a result, it is reasonable for administrative purposes  
244 to combine the uncollectible component of these two services. This statement is  
245 especially true considering the expected low magnitude of the Rider TS charges  
246 and low magnitude of the uncollectibles adjustment factors (see Cooper  
247 Supplemental Direct Testimony (table on page 10) in this case).

248 **Q. On pages 6 through 9 of Mr. Domagalski's testimony, he discusses the**  
249 **importance of succinctly clarified tariffs governing rules by which customers**  
250 **can switch from either utility service to third-party RES supply service and**

251 **suggests that the Ameren Companies should revise their tariffs to accomplish**  
252 **same. Please comment.**

253 A. It appears that Mr. Domagalski may be attempting to re-litigate certain aspects  
254 regarding the Ameren Companies Competitive Procurement Auction Dockets (05-  
255 0160, 0161, and 0162) which contained the Ameren Companies' testimony and  
256 proposed switching rules under Rider MV. The Ameren Companies expect to file  
257 compliance tariffs, including verbiage on switching rules, in said dockets by mid-  
258 June 2006. I also add that, consistent with our customer communication protocol,  
259 we are contemplating placing additional explanations regarding customer  
260 switching rules on the Ameren website.

261 **Q. On pages 20-21 of Mr. Domagalski's testimony, he states that Ameren fails to**  
262 **provide sufficient information detailing how the Companies' allocation will**  
263 **impact among the various customer classes and his concern that the**  
264 **allocation method may place an inappropriate proportion of these supply**  
265 **related costs onto the smaller customer classes and perhaps even onto the**  
266 **residential customer class. Please comment.**

267 A. As stated above, the Ameren Companies have proposed the inclusion of \$812,857  
268 in SPA costs, the jurisdictional allocation of same on a kilowatt-hour basis (see  
269 Ameren Companies' witness Mr. Stafford's rebuttal testimony), and the class  
270 "allocation" or collection of same on a kilowatt-hour basis via Rider MV/MVAF.  
271 If the Commission were to adopt the Ameren Companies' level of SPA costs in  
272 this case, the SPA charge associated with this level of SPA costs would be  
273 approximately \$0.000021 per kilowatt-hour. Thus, a residential customer

274 consuming 10,000 kilowatt-hours a year would have an annual SPA charge of  
275 approximately 21¢. Clearly the Ameren Companies have explained the 1) the  
276 method and 2) the amount of the cost to be recovered, and have now computed for  
277 Mr. Domagalski an approximate charge. However, the Commission will  
278 ultimately decide the level of SPA costs in this case and the method of recovery  
279 of these costs. Therefore, final customer class impacts associated with SPA costs  
280 cannot be determined at this time.

281 **Interoffice Memorandum from Commissioners Ford and Lieberman**

282 **Q. Please provide a response to the following excerpt from Commissioners Ford**  
283 **and Lieberman May 5, 2006 Interoffice Memorandum (“Memorandum”) in**  
284 **this case:**

285 The following quote was taken from the above mentioned DOE study:  
286 While the cost of electric power varies on very short time scales (e.g.,  
287 every 15 minutes, hourly), most consumers face electricity rates that are  
288 fixed for months or years at a time, representing average electricity  
289 production (and transmission and distribution) costs.

290  
291 This disconnect between short-term marginal electricity production costs  
292 and retail rates paid by consumers leads to an inefficient use of resources.  
293 Because customers don't see the underlying short-term cost of supplying  
294 electricity, they have little or no incentive to adjust their demand to  
295 supply-side conditions. Thus flat electricity prices encourage customers to  
296 over-consume – relative to an optimally efficient system in hours when  
297 electricity prices are higher than the average rates, and under-consume in  
298 hours when the cost of producing electricity is lower than the average  
299 rates. As a result, electricity costs may be higher than they would  
300 otherwise be because high cost generation must sometimes run to meet the  
301 non-price responsive demands of consumers. The lack of price-responsive  
302 demand also gives generators the opportunity to raise prices above  
303 competitive levels and exercise “market power” in certain situations.  
304 (Pages 7-8)

- 305 • **Please state whether you agree, or disagree, with the statement.**  
306 • **If you agree, what are the policy implications for the ICC?**  
307 • **If sending the appropriate price signals results in customers changing**  
308 **their consumption patterns (i.e., flattening the overall load shape),**

309                   **what impact and resulting benefits, if any, will it have on the**  
310                   **wholesale market, price volatility, operation of the transmission grid,**  
311                   **reliability of the distribution system, etc.?**

- **If you disagree, why?**

314       A.       Generally speaking the Ameren Companies agree with the statement; however,  
315               the last sentence referencing the “lack of price-responsive demand also gives  
316               generators the opportunity to raise prices above competitive levels and exercise  
317               “market power” in certain situations” may not apply in the post-2006 Illinois  
318               environment. This Illinois exception is based on the Commission’s approval of  
319               the auction process for post-2006 power and energy and its inherent protections  
320               against market power abuse. Regarding policy implications in the quote from the  
321               DOE study, the Commission has already established its policy on post-2006  
322               power and energy with its approval of the auction process and, also, its approval  
323               of a fixed-price power and energy supply option for all Ameren Company  
324               customers, regardless of magnitude of load. Such fixed-price option contributes  
325               to the concerns mentioned above relative to the disconnect between short-term  
326               marginal electricity production costs and retail rates paid by consumers. The  
327               Commission has also approved a Real Time Pricing (“RTP”) option for post-2006  
328               power and energy supply of the Ameren Company customers. While the fixed  
329               price power option does send market-based seasonal and in some cases time-of-  
330               use price signals, it obviously does not provide short-term marginal price signals  
331               as accurate as those of RTP.

332               The Ameren Companies believe the post-2006 transition to market based prices  
333               will result in some conservation and/or shifting of energy usage/demands;

334 however, if the Commission desires to achieve higher levels of “demand  
335 response” then it may want to consider a phasing-in of mandatory RTP service for  
336 customers desiring power and energy service from their host utility. It is likely  
337 that the mandating of RTP service will be perceived as unfavorable and be met  
338 with stiff resistance at all levels, as the overwhelming majority of Ameren  
339 Companies’ customers are accustomed to and prefer fixed pricing for power and  
340 energy. Intense consumer education on energy consumption, electricity pricing,  
341 and resultant benefits would help to mitigate the aforementioned resistance.  
342 With regard to the impact and resulting benefits of load flattening on the  
343 wholesale market, price volatility, operation of the transmission grid, reliability of  
344 the distribution system, etc, it is reasonable to assume that load stability produces  
345 some level of benefit to each of these items, but as one moves down the electric  
346 system and closer to the customer’s meter, the benefits could be minimal or  
347 totally non-existent due the lack of diversity of demand at the local distribution  
348 level. Obviously quantitative analyses, including full-scale modeling of the  
349 impact of load flattening on market prices, transmission loadings, and distribution  
350 system design and construction, would be necessary to more precisely determine  
351 the benefits.

352 **Q. Please provide a response to the following excerpt from the Memorandum:**

353 **Real-time Pricing**

354

355 The Energy Policy Act of 2005 states in part:

356

357 “It is the policy of the United States that time-based pricing and other forms of  
358 demand response, whereby electricity customers are provided with electricity  
359 price signals and the ability to benefit by responding to them, shall be encouraged,  
360 the deployment of such technology and devices that enable electricity customers

361 to participate in such pricing and demand response systems shall be facilitated,  
 362 and unnecessary barriers to demand response participation in energy, capacity and  
 363 ancillary service markets shall be eliminated. It is further policy of the United  
 364 States that the benefits of such demand response that accrue to those not  
 365 deploying such technology and devices, but who are part of the same regional  
 366 electricity entity, shall be recognized. [Section 1252 (f)]

- 367 • **The Ameren Companies are offering a real-time price option for all**  
 368 **retail customers in its service territories.**
  - 369 ○ **Please describe how these programs would work. Does**  
 370 **Ameren plan to actively promote these programs? Why or**  
 371 **why not?**
  - 372 ○ **Should Ameren promote demand response programs? Why or**  
 373 **why not?**
  - 374 ○ **Please comment on how Illinois should recognize and value the**  
 375 **benefits to non-participants and described in this section.**

377 A. The Ameren Companies received ICC approval in Dockets 05-0160-0162 for  
 378 Real-Time Pricing (“RTP”) tariffs, designed to provide retail customers with the  
 379 opportunity to receive hourly market pricing for their electric consumption. The  
 380 following discussion will provide a basic description of the RTP rate options and  
 381 how they are designed to work. The RTP rates may be selected by any customer  
 382 in accordance with the applicable tariff provisions. There are actually three RTP  
 383 tariffs that will be available; however, the vast majority of customers will only  
 384 have one RTP tariff to choose from. The Ameren Companies will offer Rider  
 385 RTP, available to any customer under 1 MW in size, including residential  
 386 customers. For customers with a peak demand in excess of 1 MW, customers will  
 387 be able to choose Rider RTP-L, which is for firm electric service. Finally,  
 388 customers with demands greater than 5 MW will be able to choose between Rider  
 389 RTP-L and RTP-LI, for interruptible RTP service. The customer will receive  
 390 electric power and energy supply from the Companies at prices that reflect the  
 391 hourly wholesale market price for the respective MISO Delivery Point as defined

392 in the Market Value of Power and Energy (Rider MV) tariff. Certain additional  
393 provisions apply to customers taking Partial Requirements Supply Service  
394 (PRSS), and for self-generating customers taking service under RTP-L.  
395 Customers requesting Rider RTP that do not have interval metering already  
396 installed pursuant to their applicable Delivery Services tariff will be subject to  
397 monthly charges for such metering and data management. Customers generally  
398 are allowed to switch on and off Riders RTP and RTP-L by complying with the  
399 Company's Direct Access Switching Request ("DASR") procedures in  
400 accordance with the Switching Suppliers and DASR Procedures provisions in the  
401 Customer Terms and Conditions and the Retail Customer Switching Rules in  
402 Rider MV. There are some further switching limitations applicable for customers  
403 served under Rider RTP-LI.

404 For Customers served under Rate DS-4, Rider RTP-L is available upon Customer  
405 request and will be the supply option for Customers who return to Company-  
406 supplied power and energy and are not eligible for supply service under Rider  
407 BGS-L.

408 The answer to the first question of whether the Ameren Companies plan to  
409 promote the availability of RTP tariffs is clear; we cannot pursuant to ICC rules.  
410 The Ameren Companies each made filings with the ICC pursuant to IL Adm.  
411 Code Section 452.170, Implementation Plans regarding the ICC's Standards of  
412 Conduct and Functional Separation rules, declaring themselves as Independent  
413 Distribution Companies ("IDC"). Those plans provide the details for employee  
414 training and compliance with the applicable provisions of IL Adm. Code, Section

415 452. As advised by our attorneys, those provisions prohibit an IDC from  
416 promoting or showing a preference for customers to take any specific supply  
417 option. Therefore, I am told that the Ameren Companies cannot specifically  
418 promote the RTP supply tariffs over any other supply option.

419 The answer to the second question, regarding the Ameren Companies promoting  
420 Demand Response programs requires a legal analysis, one in which I am not  
421 qualified to provide. In my opinion, the answer will most certainly hinge on  
422 whether Demand Response programs can be classified as an energy supply  
423 service. Based on the RTP discussion above, if a Demand Response program is  
424 determined to be a form of “energy supply,” I would presume the same  
425 prohibition on promotion for RTP would also apply here. Of course, if Demand  
426 Response is not considered an energy supply product, I presume the utility could  
427 indeed promote its benefits to customers. I am hopeful that these issues will be  
428 resolved as part of the ICC Rulemaking (Docket No. 06-0389) for Demand  
429 Response programs, initiated by the Commission in its Order of May 17, 2006.

430 The final question in this series seeks comment on how Illinois should recognize  
431 and value the benefits to non-participants and described in this section. I do not  
432 have a good answer to that policy question. I believe that the answer to this  
433 question is very complex and should be considered within the ICC Rulemaking  
434 (Docket No. 06-0389) for Demand Response programs, initiated by the  
435 Commission in its Order of May 17, 2006. I generally agree with the premise that  
436 benefits of successful Demand Response will accrue to non-participating  
437 customers. In Illinois, benefits for non-participants could be obtained as the

438 future load shapes of the Ameren Companies change due to customers altering  
439 their load patterns due to organized Demand Response programs or with  
440 customers simply adjusting their consumption in response to future price signals.  
441 While I do not have expertise in competitive energy markets, it seems reasonable  
442 to conclude that load shapes that are viewed more favorably by the market could  
443 result in auction clearing prices lower than they otherwise would have been. If  
444 there were no special steps taken to quantify and to allocate such theoretical  
445 savings, all retail customers served from that particular auction product would  
446 realize a benefit.

447 **Q. Please provide a response to the following excerpt from the Memorandum:**

- 448       ▪ Residential studies have been undertaken in California, New York and  
449 Illinois (through the Community Energy Cooperative.) that identify system-wide  
450 benefits from RTP experiments.  
451       ▪ A California study concluded that “. . . a 2.5% reduction in electricity  
452 demand statewide could reduce wholesale spot prices in California by as much as  
453 24%; a 10% reduction in demand might slash wholesale price spikes by half.”  
454 Taylor, Moore, “Energizing Customer Demand Response in California,; *EPRI*  
455 *Journal*, Summer 2001, p. 8.  
456       ▪ Two studies by Summit Blue Consulting discuss the results of the  
457 Community Energy Cooperative program within ComEd’s service territory.  
458 Summit Blue Consulting, 2004, “Evaluation of the Energy-Smart Pricing Plan:  
459 Final Report” prepared for Community Energy Cooperative, February and  
460 Summit Blue Consulting, 2005, “Evaluation of the 2004 Energy-Smart Pricing  
461 Plan: Final Report” prepared for Community Energy Cooperative, March.  
462 Would parties and Staff please respond to the following:  
463       • **From a demand response perspective does the pricing of distribution**  
464 **services impact the consumption of energy? For example, if the distribution**  
465 **company offers pricing plans that encourage the use of off-peak**  
466 **consumption, will that impact the cost of energy? Please explain your**  
467 **answer.**

468  
469 A. As suggested earlier, distribution system benefits associated with shifting usage to  
470 off-peak are likely minimal to none. Local distribution systems, especially for the  
471 Ameren Companies’ largest customers, are designed and constructed to serve

472 their maximum load (*i.e.*, demand) regardless of when the load peaks. As a result,  
473 the basic rate principle of cost causation and equitable cost recovery would not  
474 support discounting distribution revenue responsibility in an effort to promote off-  
475 peak consumption. Additionally, the distribution revenue requirement as a  
476 percent of a customer's total bill ranges from approximately 35% down to less  
477 than 10% depending primarily on a customer's service voltage level and their  
478 usage. While every component of the bill is important, the percentages for the  
479 distribution component suggest that special off-peak pricing of distribution  
480 service will not provide the greater impact (between power and energy) on the  
481 customer's bill and, therefore, may not produce any meaningful demand response.

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

483 A. Yes, it does.

484 CHI-1536192v1