

However, the DSP's stand-alone rate for unbundled metering service provided by the DSP would not necessarily be identical to the bill credit that would be provided to a delivery services customer that elects to take metering service from an MSP. If the stand-alone metering rate incorporates the costs associated with the DSP's continuing obligation to serve the customer, then the stand-alone rate would be higher than the bill credit the delivery services customer would receive if it chose to take metering service from an MSP.⁸ (IP Ex. 9.1, pp. 5-6) Moreover, IP's stand-alone metering rate may continue to reflect the efficiencies that IP realizes by reading the customer's electric and gas meters and processing the usage data together. In contrast, the bill credit given to a delivery services customer that takes electric metering service from an MSP should not reflect the full amount of cost that has been allocated to the electric accounts, since IP cannot avoid that entire amount of cost. (Id.)

Finally, in order to implement unbundling of metering services, the DSP must incur new, one-time systems and other costs, and will also incur ongoing costs associated with making metering service available to delivery services customers on an unbundled basis, including transaction costs and other costs of interfacing with the MSPs. The DSP would not incur these costs if metering service were not unbundled and the DSP continued to provide all of the customer's metering service, either under a delivery services tariff or a bundled tariff. These additional costs are also costs which the DSP is lawfully entitled to recover. (See § 16-108(c)) These additional costs could be recovered through charges to the MSP providing the metering service to the retail customer. Alternatively, these additional costs could be an offset to the bill credit that the delivery services customer taking

⁸Alternatively, the Commission might decide that the costs associated with the DSP's obligation to serve should be recovered from all customers, through the base delivery services rates or through both delivery services rates and bundled tariffed rates.

the unbundled service from an alternate provider receives. If the latter approach were used, then the bill credit that a delivery services customer would receive upon taking metering service from an MSP would be lower than the DSP's stand-alone rate for metering service. Recognition of these new and additional costs is consistent with the Commission's approach to the SBO credit in IP's delivery services tariff case, where the Commission recognized that in calculating the credit, IP's costs of providing billing services must be offset by any new costs, not included in the delivery services revenue requirement, that IP expects to incur as a result of providing billing information to RESs which wish to take the SBO. (IP Ex. 9.1, pp. 6-7; see order in Dockets 99-0120 & 99-0134 (Cons.), Aug. 25, 1999, p. 130)

E. Mr. Lazare's Proposed Filing Requirements and Procedure for Developing the Credit Should be Rejected

Mr. Lazare has proposed that utilities be required to provide cost justification for their proposed bill credits and/or stand-alone charges as part of the January 2000 tariff filing in this docket. Specifically, he proposed that each utility be required to file its full delivery service revenue requirement for the test year as approved in the recently-completed delivery services tariff cases, broken down by FERC account, and the method for allocating all costs, by FERC account or sub-account, to the various delivery services components identified by the Commission. (Staff Ex. 4.0, pp. 13-15) This proposal is impractical, overly burdensome and unworkable, relies inappropriately on outdated and irrelevant cost information, and should be rejected.

The requirement that all information and allocations be presented by FERC account or sub-account is particularly troublesome. As Dr. Gordon and Mr. Shipp testified, FERC accounts were created for accounting and reporting convenience in the context of regulation of vertically-integrated

electric utilities, and do not necessarily capture or depict the costs associated with specific work functions at different functional levels. (IP Ex. 8.1, p. 10; IP Ex. 9.1, p. 9) For example, the difficulty of determining the service functions to which the costs in FERC Accounts 911 through 917 relate provoked considerable controversy in the delivery services tariff cases, including a separate opinion by Commissioner Kretschmer in the Commonwealth Edison case (Docket 99-0117), and has led the Commission to reopen or grant rehearing the delivery services tariff dockets of ComEd, IP, AmerenCIPS, AmerenUE and CILCO in order to further examine what costs, if any, recorded in these accounts constitute proper costs of providing delivery services. (Id.) Mr. Lazare's proposal ignores this problem.

Although the development of IP's delivery services revenue requirement began with 1997 plant balances and operating expense amounts from FERC Form 1 (in some cases as a result of allocations of FERC account balances among the generation, transmission and distribution functions), that data was adjusted in various ways, and the adjustments were not categorized by FERC account. For example, the "seven-factor test" refunctionalization of transmission and distribution facilities was conducted by examining the characteristics of each IP line, applying the seven factors to determine if the line should be functionalized as "transmission" or "distribution", and moving the costs of the line to the appropriate jurisdiction. The costs of each line were obtained from IP's detailed property accounting records. Unwinding and restating IP's final approved delivery services revenue requirement by FERC account would be a laborious process that would require many arbitrary assumptions and allocations, and would result in little useful information from IP's perspective. (IP Ex. 9.1, pp. 7-8)

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In addition, some components of the delivery services revenue requirement do not come from FERC accounts. Moreover, although it might be possible with considerable effort to state the total authorized revenue requirement by FERC account or subaccount, the allocation of IP's total revenue requirement to the customer classes and to the delivery services customer segments was not tracked by FERC account. Again, considerable effort would be required to state the class and delivery services customer segment allocated revenue requirements by FERC account. (IP Ex. 9.1, pp. 8-9)

Mr. Lazare's proposed filing requirement is particularly problematic for a combination electric and gas utility such as Illinois Power, since some metering-related and billing-related costs recorded in FERC electric plant and operating expense accounts are based on allocations of costs between the FERC electric and gas accounts. The total costs being allocated between the electric and gas operations reflect the efficiencies of the combined operations. The costs which IP can in fact avoid if electric delivery services customers take metering service or billing service from an alternate provider may therefore in fact be less than the costs recorded in the FERC electric accounts relating to metering and billing. (IP Ex. 9.1, pp. 9-10)

Illinois Power witness Shipp provided examples of the difficulties of attempting to use information recorded in FERC accounts to determine the costs of particular unbundled delivery services:

- ☛ FERC Account 903, Customer records and collection expenses, includes costs for the IP's call center (which would generally be considered "customer handling" costs), costs for the billing function, and costs for the collection function (including final meter reads and disconnection and reconnection of delinquent accounts). There is no unambiguous, non-arbitrary way to allocate the total costs recorded in this account among the customer handling, billing and collection functions.
- ☛ The balance recorded in Electric Plant Account 370, Meters, is an aggregate amount and is not broken out by type of meter. Obviously, there are a number of different

types of meters, with different costs, which are used to serve different sizes and types of customers. An allocation of the total balances in Account 370 to the different customer classes and segments will be necessary. A similar problem would arise in attempting to allocate the depreciation reserve and deferred tax balances to the meter plant account and then to the customer classes and segments.

- The expenses recorded in Operating Expense Accounts 586, Metering expenses, 597, Maintenance of meters, and 902, Meter reading expenses, are recorded in the aggregate and are not differentiated based on the costs to maintain and read a standard watt-hour meter versus a demand-register meter versus a recording demand meter versus an interval meter. Again, allocation methods would have to be employed to assign these expenses to the various customer classes and meter types. Furthermore, the costs recorded in Account 902 also include some expenses associated with night lights and street lights. They also include costs associated with functions that IP would have to continue to maintain as part of its obligation to serve/provider of last resort responsibilities, such as meter shop, meter testing and meter handling expenses. A method would have to be developed to allocate out these costs. (IP Ex. 9.1, pp. 10-11)

Rather than utilize Mr. Lazare's problematic approach to develop the credit, a much more accurate calculation of the cost to provide metering service to a particular customer class would be obtained by directly estimating the investment and expenses required to provide the particular metering service. This direct estimation approach was used in the context of metering and billing services for purposes of developing Illinois Power's interval metering service in Rider IML, which was approved by the Commission in Docket 99-0140. The rates in that tariff were based on direct estimates of the plant costs and expenses required to provide interval metering service, not on allocated data from FERC accounts. Similarly, the SBO credit is based on direct estimates of the cost of providing the billing services involved in the SBO, rather than on a tracing of costs from FERC accounts. (IP Ex. 9.1, p. 11) These other examples prove that Mr. Lazare's approach of using FERC accounts is unnecessary.

Moreover, Mr. Lazare appears to be proposing that the unbundled bill credit or stand-alone rate be based on an allocated portion of the total delivery services revenue requirement that was approved by the Commission in each utility's delivery services tariff case. If that in fact is his proposal, IP will not be able to recover its full cost of providing service. IP's overall revenue requirement will not be the same once it begins to provide unbundled metering services. This is because the DSP will incur both one-time systems and other start-up costs and ongoing costs to implement unbundled metering service, as well as transaction costs and other additional costs in interfacing with MJPs. These costs are not reflected in IP's approved delivery services revenue requirement, which was based on a 1997 test year and did not reflect these additional costs associated with unbundling. As noted above, the Commission recognized the need to take these types of additional costs into account in determining the SBO credit. Mr. Lazare's proposal fails to do so. (IP Ex. 9.1, p. 12)

In summary, Mr. Lazare's proposed filing requirement is highly problematic, would require excessive work for no useful purpose, would produce arbitrary results, and would not result in full cost recovery. It should be rejected.

IV. SCOPE AND CRITERIA FOR UNBUNDLED DELIVERY SERVICES

A. Unbundled Metering Services

1. Metering Functions That Can Be Unbundled

The MOU lists 16 processes which should comprise metering services for purposes of this proceeding, and provides a definition for each of these processes. (PHASER Ex. 1, App. A, pp. 1-3) Staff witness Christel Templeton recommended use of essentially the same list of 16 metering functions. (Staff Ex. 3.0, pp. 14-16) The 16 functions are: (1) Meter Reading; (2) Meter Equipment

Install; (3) Meter Equipment Exchange; (4) Meter Equipment Remove; (5) Maintenance of the Meter System Components; (6) Meter Communications Device Installation and Maintenance; (7) Meter Equipment Provision; (8) Initiating or Transfer of Meter Service; (9) Meter Accuracy Testing; (10) Meter Equipment Design and Engineering; (11) Meter Attribute Record Keeping; (12) Accept Raw Meter Data; (13) Translate Data into Format for Internal Processing; (14) Associate Meter Reads with Customer Identifiers for Use in Validation or Estimation; (15) Validate, Edit and Estimate Translated Meter Data; and (16) Translate Data into Commission Approved Formats and Posting to Server. Illinois Power witness John Barud, who is responsible for IP's electric distribution operations activities including field metering (IP Ex. 3.2, pp. 1-2), recommended that these 16 meter service functions should be unbundled. (Id., pp. 5-8) No witness opposed including these 16 functions in unbundled metering service. The Commission should order that the 16 functions, as listed and defined in the MOU and Mr. Barud's testimony, comprise the "metering service" to be unbundled.

2. Additional Functions Relating to Metering Service Which Should Not Be Unbundled

a. Functions Identified in the MOU Which Should Not Be Unbundled

The MOU identifies three functions relating to metering which should not be unbundled.

(PHASER Ex. 1, App. A, p. 3) Mr. Barud explained why these functions should not be unbundled:

- i. The administrative decision to disconnect services provided by the DSP for credit reasons -- this is a function that must be performed by the DSP.
- ii. Emergency disconnection at the request of fire, police or other public safety agencies or authorities cannot be unbundled.
- iii. Archiving of customer data -- the MSP will provide all necessary data and participants will download and archive data as each of their requirements or business reasons dictate. Archiving of customer data cannot be unbundled

since the DSP has a legal responsibility under §16-122(a) of the Act and under 83 Ill. Adm. Code 410.350(g) and Part 420 to maintain, and provide when requested, the customer's historic data. (IP Ex. 3.2, pp. 9-10)

In addition, the MOU and Mr. Barud identified two responsibilities which both MSPs and the DSPs must bear: (1) All DSPs and MSPs (and their subcontractors) must cooperate in the detection of theft, the investigation of tampering, and the identification and correction of unsafe conditions. These are not functions a customer can elect to assign to a particular provider. Costs associated with these activities should not be included in the bill credit which the DSP gives to the customer. (2) DSPs and MSPs should each have the obligation to test, maintain and repair their own equipment. (PHASER Ex. 1, App. A, pp. 4-5; IP Ex. 3.2, p. 10) -Finally, the MOU provides, and Mr. Barud testified, that until metering service is declared "competitive" (pursuant to §16-113 of the Act), DSPs will retain the "default" obligation to provide standard metering service to the delivery services customer, as the provider of last resort. (PHASER Ex. 1, App. A, p. 5; IP Ex. 3.2, pp. 10-11)

b. Customers Should Not Be Allowed to Own Their Meters

"Meter Equipment Provision" is one of the functions identified in the MOU which should be unbundled. However, IP witness Mr. Barud testified that retail customers should not be allowed to own their own metering equipment. He explained that tracking and maintaining records would be extremely difficult if customers were allowed to own their own meters, and that there would be no convenient process to verify that the customer has personnel technically qualified to install and maintain the equipment in a manner that is safe for personnel and property (as contrasted to the proposed certification process for MSPs, see §IV.4.a below, which would provide a means by which the Commission could verify the technical qualifications of MSPs and their employees). (IP Ex. 3.2, pp. 8-9) Staff witness Mr. Zuraski and Ameren witness Mr. Schepers also recommended that the

retail customer should not be allowed to own the meter. (Staff Ex. 6.0, p. 8; Ameren Ex. 6.0, pp. 2-3) No witness recommended that retail customers be allowed to own their meters. The Commission should order that only DSPs and certified MSPs may own and provide metering equipment, and that the retail customer may not own its meter.

c. Additional Functions Identified by Enron/New Energy Should Not Be Unbundled

Enron/NE witness Walsh provided a list of metering functions which should be unbundled. (Enron/NE Ex. 1.0, pp. 11-12) While his list for the most part matched the list in the MOU, Mr. Walsh included three additional functions: "kW pulse retransmittal", "Pre-install inspection", and "Maintain the server." Illinois Power witness Mr. Barud explained, however, that these three additional functions should not be included in unbundled metering service.

kW pulse retransmittal: This is an elective service which the DSP would not be providing to all customers in the first place; therefore, the concept of "unbundling" is not meaningful to this service.⁹ If a customer wishes to contract with an MSP to provide kW pulse retransmittal, the customer may do so provided that the necessary equipment is installed on the "unbundled" side of the demarcation point. (IP Ex. 3.6, p. 8)

Pre-install inspection: Mr. Barud defined this function as the inspection that must be performed by persons or authorities responsible for enforcing local building and electrical code requirements at newly-constructed or remodeled buildings or newly-installed electrical services before electrical facilities can be energized. In some communities, this responsibility falls to the party that will be installing and energizing electric facilities at the premises. This function should not be assigned to a single provider because each provider (i.e., the DSP and the MSP) needs to be able to perform its own inspection or to satisfy itself that code requirements have been met. (Id., pp. 8-9)

Maintain the server: Mr. Barud described the "server" as an electronic data base of current and historic customer usage data. This function cannot be unbundled because the DSP would

⁹Further, this service may not fall within the definition of "delivery services" in the first place; as an elective service, it would not appear to be "necessary in order for the transmission and distribution systems to function so that retail customers located in the electric utility's service area can receive electric power and energy from suppliers other than the electric utility". (§16-102)

need to continue to perform this function even if it were being provided by another party. As noted above, the DSP is subject to requirements under the Act and the Commission's rules to maintain certain customer usage data for certain periods and to provide the data to the customer or its agent when requested. The DSP should not be required to rely on data bases maintained by third parties to satisfy these legal obligations. The DSP also needs a data base of historic usage data for other planning and operating purposes. Thus, the MSP should be responsible for obtaining the periodic customer usage data and making it available to the DSP and other market participants who need it; but each market participant should be responsible for archiving data in accordance with its own requirements. (Id., pp. 9-10)

In addition, Staff witness Mr. Zuraski recommended against unbundling the function of "Maintain the server", and recommended that the DSP retain the responsibility to efficiently store processed meter data and make it available to customers and RESs. He also noted that given the DSP's §16-122 obligation to maintain and provide customer usage data, it could be unreasonable to require the DSP to provide bill credits for the "unbundled" maintenance of a server by an MSP. (Staff Ex. 7.0, p. 5) Accordingly, the Commission should not include the three additional functions identified by Mr. Walsh in unbundled metering service.

3. Demarcation Points Between DSP Facilities and Unbundled Metering Equipment; Treatment of Instrument-Rated Transformers

In order to facilitate the development of rules and procedures for the installation and maintenance of unbundled metering equipment, as well as costing and pricing determinations, it is necessary for the Commission to define the demarcation point on the distribution system between unbundled metering facilities and the DSP's distribution facilities. The MOU contains a detailed definition of these demarcation points. (PHASER Ex. 1, App. A, p. 4) IP witness Mr. Barud and Staff witness Ms. Templeton supported the MOU's demarcation point definitions. (IP Ex. 3.2, pp. 3-4; Staff Ex 3.0, pp. 12-14) No party opposed these definitions or proposed different definitions. The demarcation point definitions set forth in the MOU should be adopted by the Commission.

The MOU also provides that current transformers ("CT") and potential transformers ("PT"), and related wiring up to and including the demarcation point, should remain the property and responsibility of the DSP. (CT and PT are also referred to as instrument-rated transformers.) If an MSP desires to have new or different equipment installed, the DSP will install the equipment pursuant to an applicable tariff or competitive service contract. MSPs will be allowed to conduct their own non-invasive testing of CT and PT, subject to protocols to be agreed upon, so long as no customer outage results. (PHASER Ex. 1, App. A, p. 4) IP witness Mr. Barud agreed with the provisions of the MOU relating to CT and PT. (IP Ex. 3.2, pp. 4-5) Staff witness Ms. Templeton also recommended that the installation, removal, exchange and maintenance of CT and PT should remain with the DSP for the foreseeable future, based on safety considerations, outage risks, risks of improper installation which could result in incorrect billing, and lack of economic benefit to unbundling this equipment. (Staff Ex. 3.0, pp. 17-19) No party proposed that CT and PT should be unbundled, or that they should be treated differently than specified in the MOU. Accordingly, the Commission should adopt the MOU provisions relating to CT and PT.

4. Qualifications and Limitations on Providers of Unbundled Metering Services

a. MSPs Should Be Certified By the Commission Based on Financial, Technical and Managerial Qualification Requirements Specific to Metering Services

The MOU provides that an MSP must be a RES, and that the Commission should require non-electric utility providers of metering services to be certified as ARES. The MOU states that a Part 451 rulemaking should be initiated to amend the ARES certification rules to establish financial,

technical and managerial qualifications appropriate to the provision of unbundled metering service.

(PHASER Ex. 1, App. A, p. 3)

"Alternative retail electric supplier" is defined in §16-102 of the Act as any entity that (among other things) "engages in the delivery . . . of electric power or energy to such retail customers"

Since the DSP's standard metering service is a part of "delivery services" as defined in §16-102, it must follow that the provision of metering service is the delivery of electric power or energy to retail customers, and that MSPs must be certified as ARES. In addition, §16-128(a) of the Act manifests a strong desire by the General Assembly that any non-utility providers of generation or distribution services be certified as having the necessary technical skills and competence:

(a) The General Assembly finds:

(1) The reliability and safety of the electric system has depended on a workforce of skilled and dedicated employees, equipped with technical training and experience. . . .

The General Assembly further finds that it is necessary to assure that employees operating in the deregulated industry have the requisite skills, knowledge and competence to provide reliable and safe electrical service and therefore that alternative retail electric suppliers shall be required to demonstrate the competence of their employees to work in the industry.

The knowledge, skill and competence levels to be demonstrated shall be consistent with those generally required of or by the electric utilities in this State with respect to their employees. . . .

To implement this requirement, the Commission, in determining that an applicant meets the standards for certification as an alternative retail electric supplier, shall require the applicant to demonstrate (i) that the applicant is licensed to do business, and bonded, in the State of Illinois, and (ii) that the employees of the applicant that will be installing, operating and maintaining generation, transmission or distribution facilities within this State, or any entity with which the applicant has contracted to perform those functions within this State, have the requisite knowledge, skills and competence to perform those functions in a safe and responsible manner in

order to provide safe and reliable service, in accordance with the criteria stated above.
(emphasis supplied)

To conclude that MSPs are not ARES and therefore are not subject to the requirements of §16-128(a) would subvert the intent of the General Assembly as expressed in that Section.

But even if it were concluded that MSPs are not ARES and are not subject to the specific ARES certification requirements included in the Act, the Commission would still have authority to establish a certification process for prospective MSPs and to establish appropriate technical, managerial and financial criteria. Section 16-108(a) gives the Commission "the authority to determine the extent to which such delivery services should be offered on an unbundled basis" (emphasis supplied), taking into account the effect of such unbundling on the objective of just and reasonable rates, electric utility employees, and the development of competitive markets for electric energy services in this State. It would be within the scope of this authority for the Commission to determine that metering service may be unbundled only to the extent that retail customers may purchase the service from MSPs that have been certified by the Commission based on a demonstration of appropriate technical, managerial and financial qualifications.

Staff witness Christel Templeton recommended that "the Commission should fully exercise its authority to regulate ARES providing metering services in order to ensure public and worker safety, electric system reliability, and metering accuracy." (Staff Ex. 3.0, p. 5) She testified that "allowing unregulated MSPs to provide metering services would discourage customers from switching metering providers, and would create the potential for the entire retail choice environment to be viewed in an unfavorable light by the public." (Id.) She explained in detail the potential adverse effects on public and worker safety, electric system reliability and metering accuracy if the

Commission did not fully exercise its authority to regulate MSPs.¹⁰ (*Id.*, pp. 5-7) Ms. Templeton opined that allowing unregulated MSPs to provide metering service would have an adverse impact on the development of competitive markets for electric energy services in Illinois and could potentially have an adverse impact on electric utility employees. (Tr. 714, 715-16) She concluded that “[i]f the Commission decides not to fully exercise its authority to regulate MSPs, I strongly recommend that metering services not be unbundled.” (Staff Ex. 3.0, p. 5)

Illinois Power agrees that to ensure that MSPs comply with all statutory and Commission requirements concerning provision of unbundled metering service, including the “knowledge, skill and competence” requirement for employees and subcontractors in §16-128(a), all MSPs that are not Illinois electric utilities should be certified by the Commission before providing service to the public. Several prospective MSPs, as signatories to the MOU, have agreed that MSPs should be certified as ARES, and it does not appear that other prospective MSPs are objecting to having a certification process that requires MSPs to demonstrate technical, managerial and financial competence.¹¹ The Commission should establish specific certification criteria applicable to those entities that desire to provide only metering service, not electric power and energy. (IP Ex. 7.1, pp. 7-8).

¹⁰Ms. Templeton pointed out that per §16-115A of the Act, ARES are subject to several of its sections, including §8-301, to the extent that these sections have application to the services offered by the ARES. Section 8-301 authorizes the Commission to set standards for the accuracy of electricity measurement and inspect the manner in which utilities are measuring and testing electric service; pursuant to §8-301, the Commission has established Part 410, “Standards of Service for Electric Utilities”, which includes meter testing and accuracy rules. MSPs should be subject to these same rules. The Commission has opened a rulemaking (Docket 99-0580) to revise Part 410; that proceeding should address the applicability of the Part 410 requirements to MSPs.

¹¹Mr. Walsh, for Enron/NE, agreed that MSPs should be certified by the ICC. (Tr. 283)

b. Only Providers of Advanced Metering Services Should Be Allowed to Provide Unbundled Metering Service

The MOU provides that MSPs should be required to deploy "advanced metering systems", which are defined as "any meter system that does not require on-site meter reading." However, the MOU provides for two exceptions to this general requirement: (1) An MSP may manually read its meters for a reasonable period of time until completion of its communications system. (2) An MSP may conduct manual meter reads for up to the greater of 5%, or 500, of its meters in service within a DSP's service area. (PHASER Ex. 1, App. A, p. 5) ComEd witnesses Juracek and Herrmann summarized several benefits of this limitation:

- ☛ It is advanced metering which is sought by customers and for which there are willing providers of the technology; providers would have the opportunity to bring the latest technology to market, and customers would have the greatest opportunity to obtain the latest in new and innovative products and services from competitive suppliers.
- ☛ Use of automated meters will reduce costs and risks associated with implementing unbundled metering.
- ☛ Advanced meters provide additional data to customers, suppliers and utilities on a more frequent basis, which is beneficial to the proper scheduling of power and energy into the control area.
- ☛ Limiting the types of unbundled meters with which a DSP must interface avoids unnecessary duplication of meter readers each manually reading meters for a subset of customers on the same route; a single entity can more cost-effectively employ a single meter reader to perform this function. (ComEd Ex. 7.0, pp. 26-27)

IP witness Mr. Barud agreed with the reasons provided by Ms. Juracek and Mr. Herrmann. He emphasized that limiting unbundled metering service to the provision of advanced metering systems (i) avoids the inefficiencies and loss of scale economies that would result if multiple parties were performing manual meter reads in the DSP's service area, and (ii) has positive implications with respect to the number of electric utility employees likely to be affected by the unbundling of metering

services. (IP Ex. 3.6, pp. 2-3) Staff witness Zuraski also supported the limitation of MSPs to advanced metering. Among other reasons, he stated that this limitation is likely to prevent cost and ultimately price increases for those customers for whom manual meter reading is the most efficient technology. He noted that adding more manual meter reading firms to a service area could lead to cost and price increases, due to the significant economies of density associated with this function. He also noted that the competition from MSPs providing advanced metering reading should motivate the DSP to reduce its costs and prices to all of its customers. (Staff Ex. 7.0, pp. 1-4) Mr. Walsh on behalf of Enron/NE also agreed with this provision of the MOU. (Tr. 284) Accordingly, the Commission should adopt the provision of the MSP that only providers of advanced metering services may provide unbundled metering service.

Ms. Juracek and Mr. Herrmann also testified that the advanced metering provided by MSPs should be capable of providing at least 30-minute interval data, and should not include meters only capable of recording total kwh consumption for the billing period. (ComEd Ex. 7.0, p. 26) IP witness Mr. Barud noted that the requirement for 30-minute interval data was specific to ComEd's tariffs, which are based on 30-minute integrated demands; IP's tariffs, in comparison, are based on 15-minute integrated demands. (IP Ex. 3.6, p. 2) Mr. Johnson of eMeter testified that the requirement for "at least 30-minute interval data" proposed by ComEd was "overly restrictive". (eMeter Ex. 2, p. 2) Illinois Power submits that what should be required is that the MSP provide, at a minimum, metering equipment that records the customer's usage in the units necessary to bill the customer under the DSP's delivery services tariff; thus, if the delivery service tariff applicable to the customer includes a demand charge, the MSP's metering equipment would have to measure the customer's demands in the manner specified in the tariff. Mr. Johnson agreed with this requirement. (Tr. 783-84)

c. DSPs Should Not Be Required to Provide Partial Unbundled Metering Service

The MOU states:

To the extent that a customer elects to take unbundled metering service, the customer must take all unbundled metering processes. A single RES will have the responsibility for providing all the metering processes to that customer. (PHASER Ex. 1, App. A, p. 3)

Ameren witness Schepers and eMeter witness Johnson suggested that MSPs be allowed to be certified, and provide, some but not all of the unbundled meter service functions. They each suggested that the unbundled metering service functions should be divided into three groups of functions, and that MSPs should be allowed to provide one, two or all three of the groups of functions.¹² However, both witnesses also supported the provision of the MOU quoted above. (Ameren Ex. 2.0, pp. 2-6; Ameren Ex. 6.0, pp. 1-2; eMeter Ex. 1, pp.5-7; Tr. 783-84)

Illinois Power believes that the provision of the MOU quoted above should be adopted; however, the retail customer could be allowed to "split" the unbundled metering service functions among more than one provider, so long as the following conditions are met:

- (1) The DSP is not required to provide partial unbundled metering service, but rather is only obligated to provide either all of the unbundled metering functions, or none of them, to the retail customer.
- (2) The DSP is only required to interface with a single third party on metering service issues, no matter how many different providers the retail customer is obtaining unbundled metering service from.
- (3) The DSP is not required to split its bill credit among multiple parties, but rather is only required to give the full bill credit to the retail customer. (IP Ex. 3.6, pp. 10-11)

¹²Mr. Schepers' and Mr. Johnson's categories of functions were not identical. Mr. Schepers' categories were (1) meter ownership, (2) physical meter services, and (3) meter data management. Mr. Johnson's categories were (1) meter service provider, (2) meter reading provider and (3) meter data management agent. (See Ameren Ex. 2.0, pp. 2-3 and eMeter Ex. 1, p. 4 and Ex. B)

In addition, if MSPs are to be certified to provide only subgroups of the unbundled metering functions, there should be a limited, defined number of such subgroups, with each function assigned to a particular group, and appropriate technical, managerial and financial qualification requirements to be certified as a provider of each group of functions. These conditions do not conflict with Mr. Johnson's proposal. (See eMeter Ex. 1, pp. 4, 7; Tr. 777-84)

5. Adoption of "Uniform Business Rules"

Utility.com witness Mr. King and eMeter witness Mr. Johnson testified that the Commission should adopt nationwide standards, policies and practices for the metering unbundling process and the provision of unbundled metering service. To that end, Mr. King submitted a "Meter Standards and Protocol Manual" which is being developed by a group known as "Coalition for Uniform Business Rules." (Utility.com Ex. 1, pp. 3-4 and App. A; eMeter Ex. 1, p. 2-3) The development of specific standards and protocols for unbundling metering service is an ongoing topic of the workshops in this docket, and should be addressed in the next phase of this docket. Illinois Power will continue to work with the other parties towards development of a mutually-acceptable set of standards and procedures to be used to effect implementation of unbundled metering service beginning September 1, 2000. (IP Ex. 3.2, p. 13; IP Ex. 3.6, pp. 6-7) Any remaining issues, as well as the cost of service implications of requiring DSPs to depart from their existing practices and procedures to adopt uniform standards and procedures for the meter unbundling process (see IP Ex. 3.6, pp. 7-8), can be resolved in the order in this docket due May 1, 2000.¹³

¹³The "Meter Standards and Protocol Manual" submitted by Mr. King is a working document that is evolving. IP is participating in a working group which is working on these rules. The group's plans are to have a final document sometime after January 1, 2000. Upon completion of this process, IP will support the group's agreed-upon uniform business rules. (IP Ex. 3.6, p. 7; Tr. 569)

B. Billing

The MOU lists ten processes which the signatories have identified as comprising "billing service" for purposes of this proceeding.¹⁴ The MOU notes that not all of these processes are part of the SBO. The MOU also states that these ten billing processes plus the 16 metering service functions (see §IV.A.1 above) "form a continuum of processes that start from the meter reading and result in a bill being printed and sent to a customer." (PHASER Ex. 1, App. A, pp. 5-6) Because the parties to the MOU have agreed that the 16 metering service functions should be unbundled, this will result in additional billing processes beyond those comprising the SBO being unbundled. (Id.) As Illinois Power witness Ellen Krohne explained, several of the processes which the parties have agreed are meter service functions could also be viewed as billing functions. (IP Ex. 7.1, pp. 3-4) Therefore, by adopting the MOU provisions with respect to unbundling of the 16 meter service functions, the Commission will also be further unbundling billing service beyond the SBO. With the unbundling of these metering functions, and with the implementation by DSPs of the SBO beginning October 1, 1999 pursuant to the Commission's orders in the various delivery services tariff cases, no additional unbundling of billing is needed. (Id.)

Enron/NE witness Walsh listed twelve billing processes which he testified could be unbundled and provided by an alternate provider. He asserted that the DSP "could be bypassed altogether in

¹⁴The ten processes are (1) receiving meter reads and meter usage from the entity providing metering service; (2) performing reasonableness checks from the entity providing metering service; (3) performing any totalization, summarization or other manipulations of meter data required to calculate bills; (4) calculating the bill; (5) verifying the bill; (6) printing the bill and including inserts; (7) sending the bill; (8) processing payments; (9) posting delivery services payments to customer accounts; and (10) performing billing corrections. (PHASER Ex. 1, App. A, pp. 5-6)

the actual billing process."¹³ (Enron/NE Ex. 1, pp. 7-9) Illinois Power opposes further unbundling of billing functions beyond those (i) which are already unbundled via the SBO, or (ii) are encompassed in the metering functions which will be unbundled.

In the FIO, the Commission agreed with Staff witness Thomas Kennedy's explanation that "an unbundled service is a service offered and priced separately by the utility that the customer is allowed to purchase from third party providers. The customer is allowed to purchase the remaining service of the utility without necessarily buying the unbundled service." (FIO, p. 10) Consistent with that explanation, IP witnesses Barud and Krohne defined "unbundling" as the provision of a component of delivery services by an alternate provider to a delivery services customer such that the component need no longer be provided to that customer by the DSP. (IP Ex. 3.2, p. 2; IP Ex. 7.2, p. 8; Tr. 151) As Ms. Krohne explained, the additional billing processes proposed by Mr. Walsh for unbundling cannot be provided by an alternate provider *rather than by* the DSP, because the DSP would still need to perform these functions. (IP Ex. 7.2, pp. 2-3) Allowing the customer to purchase these functions from an alternate provider would not eliminate the need for the DSP to perform these functions with respect to that customer. For example:

Performing reasonableness checks of meter information received -- This process cannot be unbundled because the DSP will still need to check the retail customer's usage information against parameters such as usage for the prior billing period, usage for the same billing period in the prior year, and usage of customers in the same class, to help verify that the meter information provided was reasonable and not indicative of a meter malfunction, meter tampering, or a data downloading or transmittal error.

Calculating the bill -- This function should not be unbundled because the DSP should be allowed to calculate the charges to the customer for the services the DSP provides. In

¹³The twelve processes which Mr. Walsh listed consisted of the ten processes listed in the MOU plus two others, "Collecting and payment of overdue bills" and "Handling of billing inquiries from customers or customer's agents." (Enron/NE Ex. 1, pp. 7-8)

addition, under the Electricity Excise Tax Law, the DSP, as the "delivering supplier", has the legal obligation to calculate, impose and collect the Electricity Excise Tax from the retail customer and to remit the tax to the State, and is legally liable to the State for payment of the amount of tax that should be billed to and collected from the retail customer.¹⁶ The DSP has similar responsibilities with respect to utility taxes imposed by numerous municipalities.

Performing any totalization, summarization or other manipulations of meter data required to calculate bills -- This function cannot be unbundled because it is integrally related to the bill calculation process, and therefore the DSP should be entitled to perform this function as part of determining the bill for its services.

Posting payments to customer accounts -- This process should not be unbundled because the DSP, like any other service provider, must be responsible for maintaining its customer accounts and for posting payments received for its services to the proper customer's account.

Handling billing inquiries from customers or customers' agents -- The DSP, like any service provider, must be in a position to respond to inquiries about the billings for its services. Even if an agent or other middleman is interposed to be the point of direct contact with the customer, billing inquiries will eventually come back to the DSP, which must be prepared to handle them.

Most of the additional billing functions which Mr. Walsh proposed be unbundled relate (as the list above shows) to the calculation of the bill and/or the maintenance of customer payment and account records. Illinois Power would strenuously object to any requirement that the Company be mandated (which is what unbundling would entail) to rely on an alternate provider to calculate IP's charges for the services IP provides, and to maintain customer payment and account records relating to IP's services. (IP Ex. 7.2, p. 21) Staff witness Mr. Zuraski agreed that it would be unreasonable to unbundle bill calculation functions. He also noted that Mr. Walsh did not explain how the additional billing processes would be unbundled. (Staff Ex. 7.0, pp. 8-9)

From the DSP's perspective, unbundling the billing processes suggested by Mr. Walsh would not create greater efficiencies. Utilities already have efficiencies in performing the billing function

¹⁶35 ILCS 640/2-8, 2-9.

arising from the fact that they are the sole providers within their respective service areas (at least prior to implementation of the SBO). For a number of the electric utilities, efficiencies are also realized through joint billing of charges for electric and gas service to the retail customer. Unbundling of billing so that third parties are allowed to calculate, render and collect bills from customers can only diminish the efficiencies that the DSP has achieved.¹⁷ (IP Ex. 7.2, p. 4)

Accordingly, the Commission should find that further unbundling of billing functions, beyond the SBO and the 16 metering functions listed in the SBO, is unnecessary.

C. There Is No Basis For Unbundling Any "Customer Handling" Functions

In the FIO, the Commission concluded that "customer handling" could not be unbundled at that time because "there is no definition or delineation in the record of the services that comprise 'customer handling'. The absence of an explanation of 'customer handling' precludes a decision at this time that 'customer handling' should be unbundled." (FIO, p. 11) Illinois Power believes that, while some of the unbundled metering service functions or the functions comprising the SBO may also be considered "customer handling", it is still the case that no separate "customer handling" functions have been identified which could be unbundled such that the DSP would no longer need to provide them and would avoid their costs. (IP Ex. 7.1, p. 4) As IP witness Ellen Krohne explained, "customer handling" is tied to customer information. The DSP will continue to have to accumulate customer information and to make it available through its customer call center, which it is required by §16-123 of the Act to maintain and therefore cannot eliminate. Thus, even if customer information

¹⁷A DSP could achieve greater efficiencies by offering billing services outside its service area. However, further unbundling of billing services is not necessary to achieve such efficiencies, because the DSP could offer the billing services as a subcontractor to RESs that are using the SBO. (IP Ex. 7.2, p. 4)

functions were "unbundled" and provided by a third party, no functions would be avoided by the DSP -- it would still have to accumulate customer data and make it available (to the customer or the third party). (IP Ex. 7.1, pp. 4, 5-6)

Enron/NE witness Walsh and Utility.com witness King proposed that certain "customer handling" functions be unbundled. However, these functions are still insufficiently defined or delineated to permit a determination of exactly what would be unbundled. More fundamentally, to the extent the functions Mr. Walsh and Mr. King proposed for unbundling can be delineated, they are functions the DSP would still have to provide to a customer who purchased them from an alternate provider.¹⁸ The concept of "unbundling" does not make sense with respect to these functions.

Mr. Walsh contended that "[t]he term customer handling was extensively defined and debated in the utilities delivery services tariff proceedings" (Enron/NE Ex. 1, p. 13), but he provided no references or examples. He conceded that no agreement was reached in those cases on what constitutes "customer handling" or on a specific set of functions that constitute "customer handling." (Tr. 251-52) He provided a list of six "Customer Service and Informational Activities" which he stated should be unbundled, but he provided no definition of these functions or description of the processes that they encompass.¹⁹ (Enron/NE Ex. 1, pp. 13-14; Tr. 314) Moreover, as he described

¹⁸Mr. Walsh acknowledged that the "customer handling" functions he proposed for unbundling are all call center functions and that the DSP would have to continue to maintain a call center. (Tr. 274-75, 333, 335)

¹⁹Mr. Walsh's six activities are: Encouraging safe and efficient use of the customer's energy consumption; encouraging conservation of the customer's energy usage; fielding specific customer inquiries as to the proper and economic use of the customer's energy usage; fielding specific customer requests for moves/changes in service; preparing informational booklets, bulletins, etc. for use in direct mailings; and employing agencies, selecting media for the placement of information regarding the proper and economic use of the customer's energy usage.

these activities during cross-examination, at least some of them would involve disseminating information to customers on a mass basis (e.g., via the Internet or bill inserts). (Tr. 254-57) Thus it is difficult to see how these activities would be "unbundled" such that an individual delivery services customer could elect to purchase them from a third party rather than from the DSP. Indeed, five of the six activities (i.e., all but "fielding specific customer requests for moves/changes in service") do not appear to be "delivery services" as defined in §16-102 of the Act.

Staff witness Zuraski categorized Mr. Walsh's "Customer Service and Informational Activities" into four groups: (1) public goods in the form of *en masse* media campaigns promoting conservation and safety; (2) services that are not really delivery services, such as customer-specific consulting on how to conserve electricity; (3) advertising and marketing; and (4) delivery services provided to delivery services customers. Mr. Zuraski did not see any basis for "unbundling" the activities in the first three categories. He noted that the only activity which falls into the fourth category is "fielding customer specific requests for moves/changes in service", or "customer enrollment." (Staff Ex. 7.0, pp. 10-14)

Illinois Power witness Ms. Krohne testified that the activities identified by Mr. Walsh should not be unbundled such that the DSP would no longer be expected or required to provide them. For example, for at least as long as it is the electric energy provider of last resort in its service area, the electric utility should be providing conservation, energy efficiency and safety information to customers. Even were a DSP's only function the provision of delivery services, the DSP would continue to own electrical transmission and distribution facilities and thus would have a direct economic interest in disseminating safety information and encouraging customer behavior which may avoid electrical accidents. (IP Ex. 7.2, pp. 5-6)

Both Mr. Walsh and Utility.com witness Mr. King contended that "customer enrollment", described as the function of processing customer moves and changes and other changes in customer account information, should be unbundled. (Enron/NE Ex. 1, p.13; Enron/NE Ex. 2, p. 10; Utility.com Ex. 1.0, pp. 5-7) Again, however, this activity cannot be unbundled because the DSP will need to continue to perform these functions with respect to the services it provides, even if the delivery services customer purports to buy the service from an alternate provider rather than from the DSP. A customer may engage a third party to handle the customer's move and change requests, and may submit those requests to the third party, rather than to the DSP.²⁰ However, ultimately the move or change request (or other request for a change in customer account information) will reach the DSP (from the third party, not from the customer), and the DSP will still have to process the request, implement the requested action and make the revision to customer account records. In performing these actions, the DSP will incur costs for which it should be compensated, either through its base delivery services rates or through non-recurring charges. (IP Ex. 7.2, pp. 6-7) Staff witness Mr. Zuraski reached the same conclusion; he testified that "Mr. Walsh has not identified a service provided by the utility or an activity engaged in by the utility that can be ignored by the utility." (Staff Ex. 7.0, p. 14) He also found the reasons advanced by Mr. King for unbundling "customer enrollment" to be unconvincing. (Id., pp. 14-18)

In summary, it remains the case that no "customer handling" activities which can be unbundled (other than those encompassed within the unbundled metering functions or the SBO) have been

²⁰In fact, some third parties are already offering this type of service, even though it has not been "unbundled". (IP Ex. 7.2, pp. 6-7; see also Tr. 583-84) Unbundling of customer enrollment activities is not necessary in order for a RES to be able to offer the service of interfacing with the local utility as a service or marketing attraction to customers. (IP Ex. 7.2, p. 8)

identified. The activities identified by Mr. Walsh and Mr. King are either not delivery services, not services provided to individual customers, or not services that the DSP could cease to provide for a customer even if the customer "takes" the service from a third party.²¹

V. EFFECT OF UNBUNDLING ON ELECTRIC UTILITY EMPLOYEES

Illinois Power urges the Commission to seriously consider the effect of its decisions in this docket on electric utility employees. IP believes that, as a result of the extremely expedited schedule on which the initial proceedings in this docket were conducted, inadequate attention was devoted to this statutory criterion. (IP Ex. 7.1, p. 7) In this phase, seven representatives of the International Brotherhood of Electrical Workers ("IBEW") local unions that perform metering and customer service work for the Illinois electric utilities testified as to the numbers of employees who are engaged in functions potentially affected by unbundling of metering, billing and customer handling, and the potential impacts on these employees' livelihoods of the unbundling of these functions. (IBEW Ex. 1.0 - 7.0) These witnesses included Mr. John Johnson, Mr. Danny Miller and Ms. Mary McGlade representing IP employees in IBEW Local Nos. 51, 702 and 1306.

It should be obvious that unbundling metering, billing and/or customer handling, and allowing third parties to provide these services, will result in reduced employment for utility personnel who today perform these services. IP witnesses Barud and Krohne testified that Illinois Power employs

²¹Mr. Walsh provided a discussion of how unbundling customer handling services would affect the objective of just and reasonable rates, efficient pricing, electric utility employees, and the development of competitive markets for electric energy services. (Enron/NE Ex. 1, pp. 15-18) However, since he never identified any "customer handling" services capable of being unbundled, his discussion is irrelevant. Further, his discussion was very general and did not contain any specifics about the particular "customer handling" activities he proposed to be unbundled. Mr. Krohne effectively rebutted what little substance there was in Mr. Walsh's discussion. (IP Ex. 7.2, pp. 7-8)

over 250 persons in metering service functions and 165 persons in its call center.²² (IP Ex. 3.2, p. 12; IP Ex. 7.1, p. 7; IP Ex. 7.2, pp. 7-8) Illinois Power is not advocating that the Commission backtrack on the FIO's decision that metering and billing should be unbundled. However, the Commission should take into account the effect on electric utility employees in making specific decisions in this phase of the case:

- ☛ Unbundling metering functions beyond those identified in the MOU could result in additional adverse impacts on employees.
- ☛ Requiring MSPs to be certified, and to demonstrate the technical qualifications of their employees comparable to those of utility employees as part of the certification process, will help to maintain a demand for skilled and qualified employees, consistent with the General Assembly's intent in §16-128(a) of the Act.
- ☛ Limiting the provision of unbundled metering service to MSPs that provide advanced metering services will mitigate the employment impact on utility meter readers.
- ☛ Rejecting proposals for additional unbundling of billing beyond the SBO and the unbundled metering functions will mitigate the impacts of unbundling on utility employees engaged in the billing process.
- ☛ Rejecting proposals to unbundle "customer handling" will mitigate impacts of unbundling on utility employees engaged in call center and other customer service functions.

The impacts of unbundling on worker safety is another important effect on electric utility employees. Safety is a paramount issue once multiple providers are involved in the provision of distribution services, including metering service. The Commission must ensure that the safety-related technical issues involved in unbundling metering, such as those discussed by IP witness Mr. Barud

²²If, as contended by witnesses such as Enron/NE witness Walsh and Mr. Camp of PHASER (see Enron/NE Ex. 1, pp. 16-17; Enron/NE/PHASER Ex. 3, pp. 2-6), unbundling will increase utility employment, then one must wonder why these services are being unbundled. If unbundling these services leads to increased hiring by utilities to build, manage and maintain new systems and other interfaces necessary to unbundling, then it is not leading to greater efficiencies. Rather, it would seem to increase total costs, for which customers ultimately must pay. (IP Ex. 7.2, p. 8)

in his testimony in the initial hearings in this docket (IP Ex. 3.1), are addressed and resolved, and that the resulting processes and procedures have been satisfactorily tested, before unbundled metering service is implemented. (IP Ex. 3.2, pp. 12-13)

VI CONCLUSION

The Commission should enter an interim order (1) adopting the provisions of the Memorandum of Understanding, and (2) resolving the issues listed in §I.C of this brief in the manner summarized in that section and as explained throughout this brief.

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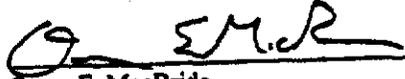
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CERTIFICATE OF SERVICE

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The undersigned, an attorney, certifies that he caused copies of the foregoing document to be served on the persons shown on the attached service list by placing copies with U.S. Mail, postage prepaid on November 10, 1999.


Owen E. MacBride

C-01692