STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	**)**	
On its own motion	**)**	
v.	**)**	**Docket No. 07-0165**
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	**)**	
	)	
Investigation pursuant to Section	**)**	
9-250 of the Public Utilities Act of	**)**	
Electric Rate Design.	**)**	

Ameren Illinois Utilities' Informational Filing

April 3, 2007

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INTRODUCTION

On December 16, 1997, House Bill 362 was signed into law as Public Act 90-561 (PA 90-561). PA 90-561 created several new laws and made a number of modifications to the Public Utilities Act ("Act") and other statutes. The Act was amended by adding Articles XVI, XVII, and XVIII. Article XVI, the Electric Service Customer Choice and Rate Relief Law of 1997 ("Restructuring Act"), applies to electric utilities and alternative retail electric suppliers ("ARES" or "RES"). The Restructuring Act had significant short- and long-term impacts on the electric industry in Illinois.

As the Illinois Commerce Commission ("Commission" or "ICC") itself has noted, the Restructuring Act has resulted in enormous benefits for Illinois, including [(1)]:

- Residential customers benefited from one of the largest and longest rate reductions and freezes, paying 20% less than they paid for electricity in 1994. The Commission estimated total savings statewide at $3.5 billion.
- Many new entities entered Illinois to compete for electric supply.
- Customers were given the power of choice, and have selected ARES.
- Statewide service reliability improved dramatically.
- Over 9,000 MW of new generation was built in Illinois by private investors.
- Illinois utilities restructured operations by divesting generation, becoming more productive and efficient in order to face the emerging competitive marketplace.

[(1)]Executive Summary, Final Report of the Illinois Commerce Commission's Post – 2006 Initiative To Governor Rod R. Blagojevich and the Illinois General Assembly ("Executive Summary"), page 1 (Appendix A)

Indeed, the Ameren Illinois Utilities significantly contributed to the sum total of these recognized benefits in Illinois, through significant infrastructure investments and service improvements since the Restructuring Act's passage.

While successful, the Restructuring Act presented significant challenges for the Illinois electric industry. Before January 2, 2007, the Ameren Illinois Utilities' residential electric customers enjoyed average bundled rates that were well below the national average for many years, and saved nearly $1 billion through 2006 due to rate reductions under the Restructuring Act. As the Staff Report noted, certain of the Ameren Illinois Utilities' customer classes have borne significantly higher increases than average in the transition to unfrozen rates.

This document has been compiled to provide an overview of (1) historical changes to the Illinois electric industry, brought on by the Restructuring Act; (2) recent power procurement and delivery services rate cases, filed in accordance with those changes, and (3) the impact of those changes on the Ameren Illinois Utilities' customers, with particular focus on those customer classes mentioned in the Commission Staff's March 1, 2007 Report.

BRIEF HISTORY

The Restructuring Act had significant impacts on Illinois electric public utilities and their customers. These significant impacts include, but are not necessarily limited to, the following:

- Rate Freeze
- Residential Rate Reductions

- Restructuring of the Public Utility Rates to Promote Competition and to Allow Customers a Choice of Energy and Meter Service Providers

- Creation of Functionally Separated/Integrated Distribution Companies

A. Rate Freeze

In accordance with the provisions of 220 ILCS 5/16-111, tariffs on file as October 1, 1996 were not allowed to be changed during the Mandatory Transition Period except for the conditions outlined in Section 16-111 of the Restructuring Act as follows:

> *Sec. 16-111. Rates and restructuring transactions during mandatory transition period.*
>
> *(a) During the mandatory transition period, notwithstanding any provision of Article IX of this Act, and except as provided in subsections (b), (d), (e), and (f) of this Section, the Commission shall not (i) initiate, authorize or order any change by way of increase (other than in connection with a request for rate increase which was filed after September 1, 1997 but prior to October 15, 1997, by an electric utility serving less than 12,500 customers in this State), (ii) initiate or, unless requested by the electric utility, authorize or order any change by way of decrease, restructuring or unbundling (except as provided in Section 16-109A), in the rates of any electric utility that were in effect on October 1, 1996, or (iii) in any order approving any application for a merger pursuant to Section 7-204 that was pending as of May 16, 1997, impose any condition requiring any filing for an increase, decrease, or change in, or other review of, an electric utility's rates or enforce any such condition of any such order; provided, however, that this subsection shall not prohibit the Commission from:*
> *(1) approving the application of an electric utility to implement an alternative to rate of return regulation or a regulatory mechanism that rewards or penalizes the electric utility through adjustment of rates based on utility performance, pursuant to Section 9-244;*
> *(2) authorizing an electric utility to eliminate its fuel adjustment clause and adjust its base rate tariffs in accordance with subsection (b), (d), or (f) of Section 9-220 of this Act, to fix its fuel adjustment factor in accordance with subsection (c) of Section 9-220 of this Act, or to eliminate its fuel adjustment clause in accordance with subsection (e) of Section 9-220 of this Act;*
> *(3) ordering into effect tariffs for delivery services and transition charges in accordance with Sections 16-104 and 16-108, for real-time pricing in accordance with Section 16-107, or the options required by Section 16-*

110 and subsection (n) of 16-112, allowing a billing experiment in accordance with Section 16-106, or modifying delivery services tariffs in accordance with Section 16-109; or
(4) ordering or allowing into effect any tariff to recover charges pursuant to Sections 9-201.5, 9-220.1, 9-221, 9-222 (except as provided in Section 9-222.1), 16-108, and 16-114 of this Act, Section 5-5 of the Electricity Infrastructure Maintenance Fee Law, Section 6-5 of the Renewable Energy, Energy Efficiency, and Coal Resources Development Law of 1997, and Section 13 of the Energy Assistance Act of 1989.

Appendix B shows a summary of charges taken from selected residential and non-residential bundled tariffs that the Ameren Illinois Utilities had in place immediately prior to January 2, 2007. Table 1 provides a summary of the Ameren Illinois Utilities' residential cents per kWh sold from 1997 through 2005 as compared to the National Average obtained from the Edison Electric Institute.

Table 1 – Residential Revenue per kWh Sold

Residential Revenue Per KWh Sold (cents per kWh)

	IP	CILCO	CIPS/UE	CIPS	UE-IL[(1)]	Ameren Illinois Utilities	EEI National Average
1997	10.33	7.25	7.97	8.13	7.18	8.97	8.88
1998	9.58	7.49	7.92	8.10	7.09	8.64	8.54
1999	8.41	7.52	7.88	8.13	6.71	8.08	8.43
2000	8.32	7.92	7.30	7.42	6.74	7.90	8.47
2001	8.29	7.70	7.25	7.39	6.57	7.84	8.80
2002	7.85	7.45	7.34	7.50	6.58	7.61	8.83
2003	7.73	7.36	7.19	7.35	6.48	7.48	8.89
2004	7.71	6.92	7.24	7.42	6.40	7.41	9.14
2005	7.61	6.90	7.25	7.41	6.50	7.37	9.60

(1)- Now known as AmerenCIPS-Metro East or AmerenCIPS-ME
Source: FERC Form 1 and Edison Electric Institute

B. Residential Rate Reductions

In accordance with the provisions of Section 16-111, varying residential base rate reductions were implemented for the Ameren Illinois Utilities. Base rates were frozen at levels established prior to passage of the Restructuring Act. Table 2 shows that the last

bundled rate increase for each of the Ameren Illinois Utilities ranged from 1982 to 1992 or a period of 15 – 25 years. Section 16-111 also provided for various residential rate decreases for each of the various Ameren Illinois Utilities. The decreases ranged from 5% to 20%. In total, the rate reductions resulted in savings to customers amounting to nearly $1 billion.

Table 2 – Retail / Rate Bundled History

Company Name	Year of Last Increase For Electric Bundled Rates	Bundled Electric Rate Reductions since 1997 (Residential only)	Residential Rate Reduction Impacts – 1998 through 2006 ($ millions) [1]
AmerenCILCO	1982	2% in 1998 2% in 2000 1% in 2002	$47.4
AmerenCIPS	1992 – CIPS 1987 – AmerenUE - Illinois Note: Former AmerenUE – Illinois is now part of AmerenCIPS: (Now known as AmerenCIPS-ME)	5% in 1998 5% in 1998	$104.5 AmerenCIPS 14.1 AmerenUE - Illinois $118.6 Note: AmerenUE-Illinois transferred to CIPS in 2005. All savings for AmerenUE-Illinois are included in CIPS data for 2005.
AmerenIP	1992	15% in 1998 5% in 2002	$792.2

(1) Source: Annual Report of each Ameren Illinois Utilities pursuant to Section 16-130 of the Illinois Public Utilities Act for the Year 2006

The May 2006 Commission report to the General Assembly reflects that retail customers have realized significant benefits from the residential rate reduction and rate freeze through the Mandatory Transition Period, which had been originally set to end on January 1 2005 but was extended by legislation through January 1, 2007. (Appendix C) Bundled rates for all non-residential customers were also frozen at 1997 levels

throughout the Mandatory Transition Period. Overall, the Commission estimated that residential customers in Illinois have saved approximately $4.5 billion as a result of the rate freeze and residential rate reductions. It was also noted by the Commission that thousands of non-residential customers have achieved significant savings by taking advantage of the opportunity to switch from utility-supplied power and energy to an ARES providing power and energy. Other provisions in the Restructuring Act permitted utilities to enter into special contracts with customers, in the advancement of retail choice, without the need for Commission approval. Finally, many non-residential customers took advantage of a tariff offering, the Purchase Power Option, which provided savings as compared to the tariffs on file.

C. Restructuring of the Public Utility Rates to Promote Competition and to Allow Customers a Choice of Energy and Metering Service Providers

In accordance with the provisions of the Restructuring Act every customer was to have its "choice of electric supplier" by May 1, 2002. The transition from a fully regulated industry to one in which customers were provided choice occurred in phases or stages. Section 16-104 provided that:

> *a. Each electric utility shall offer delivery services to retail customers located in its service territory in accordance with the following provisions:*
>
> *1) On or before October 1, 1999, the electric utility shall offer delivery services (i) to any non-residential retail customer whose average monthly maximum electrical demand on the electric utility's system during the 6 months with the customer's highest monthly maximum demands in the 12 months ending June 30, 1999, equals or exceeds 4 megawatts; (ii) to any nongovernmental, non-residential, commercial retail customers under common ownership doing business at 10 or more separate locations within the electric utility's service area, if the aggregate coincident average monthly maximum electrical demand of all such locations during the 6 months with the customer's highest monthly maximum electric demands during the 12 months ending June 30, 1999, equals or exceeds 9.5 megawatts, provided, however, that an electric utility's obligation to offer delivery services under this clause (ii) shall not exceed 3.5% of the*

maximum electric demand on the electric utility's system in the 12 months ending June 30, 1999; and (iii) to non-residential retail customers whose annual electric energy use comprises 33% of the kilowatthour sales, excluding the kilowatthour sales to customers described in clauses (I) and (ii), to each non-residential retail customer class of the electric utility.

2) *On or before October 1, 2000, the electric utility shall offer delivery services to the eligible governmental customers described in subsections (a) and (b) of Section 16-125A if the aggregate coincident average monthly maximum electrical demand of such customers during the 6 months with the customers' highest monthly maximum electrical demands during the 12 months ending June 30, 2000 equals or exceeds 9.5 megawatts.*

3) *On or before December 31, 2000, the electric utility shall offer delivery services to all remaining nonresidential retail customers in its service area.*

4) *On or before May 1, 2002, the electric utility shall offer delivery services to all residential retail customers in its service area.*

Electric public utilities were required to file delivery services tariffs with the Commission at least 210 days prior to the date they were required to begin offering delivery services according to the phase-in outlined in the Restructuring Act. The Commission was required to enter an order approving, or approving as modified, the filed tariffs no later than 30 days prior to the date on which the utility started offering such services. Additionally, Section 16-105 required the filing of delivery services implementation plans for Commission approval. These plans were to describe the processes and procedures the utility will utilize to offer delivery services to each class of eligible customers.

Table 3 - Initial Delivery Services Filings by Company (Non-residential Service only)

Company	Docket Nos.	Filed	Approved
Central Illinois Light Company	99-0119 99-0131 Cons.	March 1, 1999 March 5, 1999	August 25, 1999
Central Illinois Public Service Company	99-0121	March 1, 1999	August 25, 1999
Illinois Power Company	99-0120 99-0134	March 5, 1999	August 25, 1999
Union Electric Company – Illinois (Now known as AmerenCIPS-ME)	99-0121	March 1, 1999	August 25,1999

Table 4 - Subsequent Delivery Service Filings by Company (Residential Service included)

Company	Docket Nos.	Filed	Approved
Central Illinois Light Company	01-0465 01-0530 01-0637 Cons.	June 25, 2001 August 3, 2001 October 3, 2001	March 28, 2002
Central Illinois Public Service Company	00-0802	December 15, 2000	December 11, 2001
Illinois Power Company	01-0432	June 1, 2001	March 28, 2002
Union Electric Company – Illinois (Now known as AmerenCIPS-ME)	00-0802	December 15, 2000	December 11, 2001

The above table does not reflect the December 27, 2005 Delivery Service filings (Docket Nos. 06-0070-0072 consol.)

Unbundling of Delivery Services

In accordance with the provisions of the Restructuring Act, "unbundling of delivery services" was to be reviewed by the Commission. Section 16-109 provided that:

> *Unbundling of delivery services; Commission review. The General Assembly finds that the offering of delivery services will, and is intended to, facilitate the development of competition for generation services, and that competition may develop for other services currently offered on a tariffed basis by the electric*

utility. The Commission shall open a proceeding to investigate the need for and desirability of different or additional unbundling of delivery services for some or all electric utilities 3 years from the date that a tariff for delivery services is first approved or allowed into effect pursuant to this Section. The Commission shall open an additional proceeding to again investigate the need for and desirability of different or additional unbundling of delivery services for some or all electric utilities, 3 years after the entry of its final order in the first investigation proceeding. The Commission shall issue its final order in each investigation proceeding no later than 6 months after the proceeding is initiated. In each such proceeding the Commission shall consider, at a minimum, the effect of additional unbundling on (i) the objective of just and reasonable rates, (ii) electric utility employees, and (iii) the development of competitive markets for electric energy services in Illinois. Specific changes to the delivery services tariffs of individual electric utilities to implement findings and directives stated in an order in an investigation proceeding initiated under this Section shall be addressed through individual electric utility tariff filings. The Commission may also, in accordance with Section 16-108, upon complaint or upon its own initiative without complaint, upon reasonable notice, enter upon a hearing concerning the need and desirability of requiring additional or other unbundling of delivery services offered by electric utilities.

On January 13, 1999, the Commission entered an order initiating a proceeding to investigate the unbundling of delivery services pursuant to the requirements of Section 16-108. Specifically, electric utilities were required to provide the components of delivery services so that the Commission could review, approve and modify the prices, terms and conditions of the components of delivery services.

The Commission ordered in ICC Docket No. 99-0013 that the unbundled components when added together should produce delivery service rates that are currently on file. The Commission further ordered that the initial phase of unbundling would be for meters and their associated costs given that there appeared to be a competitive market for this service as offered by Meter Service Providers. The Commission also ordered that meter rates would be only developed for non-residential customers given Meter Service Providers were not interested in providing meter services to the residential market. At the time, tariffs allowing delivery service for residential customers had not yet been

established. Subsequently, interested parties expressed a desire to show an unbundled metering charge in residential delivery service tariffs.

D. Creation of Functional Separation/Integrated Distribution Company

The Commission was required under Section 16-119A to establish standards of conduct for utilities, but was not allowed to publish a proposed rule prior to May 15, 1999. The Commission was allowed to investigate and adopt rules pertaining to functional separation between generation services and delivery services of utilities whose principal service area was in Illinois, to create efficient competition. The Commission issued an Order on February 15, 2001, in Docket Nos. 98-0147/98-0148 (Cons.) which allowed for an alternative means of achieving the pro-competitive and anti-discriminatory objectives of Section 16-119A. Illinois public utilities were allowed to petition the Commission to become an Integrated Distribution Company (IDC). IDCs are prohibited by Commission rule from marketing, promoting, or advertising their retail electric supply. They took no active role in promoting their retail electric rates. IDCs focused on the provision of delivery services and voluntarily withdrew from the generation market to the maximum extent possible under state law. All Ameren Illinois Utilities are IDCs providing delivery services and do not own any generation assets nor participate in the generation market.

END OF TRANSITION PERIOD PREPARATIONS

E. Commission's Post-2006 Initiative

The Commission's Post-2006 Initiative ("Initiative") was a process that brought a diverse group of interested parties together to participate in an extensive series of meetings and workshops to examine the future of the electric market in Illinois, public

policy issues surrounding restructuring of the electric industry, and critical questions concerning procurement of supply to serve customers in the post-2006 environment. The Commission set up five Working Groups: Rates Working Group, Utility Service Obligations Working Group, Procurement Working Group, Competitive Issues Working Group and Energy Assistance Working Group to address issues related to the end of the Mandatory Transition Period. Appendix D contains the final reports by the Rates Working Group and the Procurement Working Group to the Commission.

As the Commission's Executive Summary (Appendix A) of the effort emphasized, the Initiative involved an enormous commitment of time and resources, noting that, "[e]very significant stakeholder interest was represented in the workshop process, with the participants bringing the views of consumers, power generators, financial intermediaries, utilities, units of government, environmental organizations and others to bear on the important topics that will shape the future of the electric industry in Illinois." At the conclusion of the effort, the Staff recommended that, "Large Illinois utilities that do not own significant generation resources should be encouraged to procure their electricity via a vertical tranche auction...." (Appendix A - page 9)

The Ameren Illinois Utilities used Staff's recommendations as guiding principles in the tariff development for the post-2006 rates. (Appendix A pages 10 and 11.)

C. Rates

Staff's recommendations related to rate design are as follows:

- *The Commission should adopt the RWG's agreement to separately present the delivery and generation components of ratepayer bills.*

- *The Commission should follow the counsel of the RWG and conduct a single proceeding to determine a common delivery service rate for both bundled and unbundled customers for each utility in the post-2006 era. Those rates will foster competition and streamline the regulatory process. This should be implemented within the next electric rate case for each utility.*

- *Staff recommends that the Commission continue to employ the cost-based ratemaking approach to the delivery component of bundled rates that it developed and refined in the previous delivery service proceedings.*

- *For the power and energy component of bundled service, the Commission should apportion auction prices to ratepayers according to their respective load factors and/or to other load characteristics to reflect the differing contributions of customers to costs.*

- *The Commission should examine whether larger customers would be better served by having fixed rather than hourly prices. Furthermore, if an hourly price plan is adopted, Staff recommends the Commission consider limiting that plan to only the largest utility customers, perhaps in the 3 MW and above range.*

- *The Commission should examine whether a monthly true-up is necessary or whether utilities should absorb surpluses or shortfalls that result from an auction process.*

- *The Commission should continue to make utility tariffs and ratemaking approaches more uniform. Within the next electric rate case for each utility, Staff will make recommendations to make tariffs and rate structures more uniform.*

- *The Commission should follow a policy on renewable energy that is consistent with the consensus positions of the RWG. The Commission should also approve rates that promote efficient conservation of energy.*

F. First Step: Power Procurement Tariff Filings

On February 28, 2005, the Ameren Illinois Utilities filed Power Procurement Tariffs ("Basic Generation Service" or "BGS") to be effective on January 2, 2007. This tariff filing contained a proposal to implement a competitive power procurement process

by establishing Rider BGS, Rider BGS-L, Rider RTP, Rider RTP-L, Rider D, and Rider MV.[1] The tariff filing was accompanied by power procurement and rate design direct testimony and exhibits, and was docketed in cases numbered 05-0160, 05-1061 and 05-0162.

The Ameren Illinois Utilities filed notice, as required by Commission rules, to the public that it had filed with the Commission and was requesting approval of new proposed Electric Service tariffs, which would provide for the procurement and pricing of power and energy to serve its customers.

Petitions to intervene were filed by Dynegy Inc.; the Illinois Industrial Energy Consumers ("IIEC"); the Citizens Utility Board ("CUB"); BlueStar Energy Services, Inc.; the People of the State of Illinois through the Attorney General ("AG"); Midwest Generation EME, LLC ("Midwest Generation" or "MWGen"); Constellation Energy Commodities Group, Inc. ("CCG" or "CECG"); Commonwealth Edison Company ("ComEd"); Midwest Independent Power Suppliers; Local Unions 15, 51, and 702 of the International Brotherhood of Electrical Workers ("IBEW"); Morgan Stanley Capital Group Inc.; the Electric Power Supply Association; the Illinois Energy Association; Ameren Energy Marketing Company; J. Aron & Company; the Environmental Law and Policy Center ("ELPC"); and the entities comprising the Coalition of Energy Suppliers ("CES" or "Coalition"), including U.S. Energy Savings Corporation ("USESC"), Constellation NewEnergy Inc., Direct Energy Services ("DES"), LLC, MidAmerican Energy Company, and Peoples Energy Services Corporation.[2]

[1] Page 1, Illinois Commerce Commission order in Dockets 05-0160-05-0161/05-0162 dated January 24, 2006
[2] Page 2, Illinois Commerce Commission order in Dockets 05-0160-05-0161/05-0162 dated January 24, 2006

The Ameren Illinois Utilities' filing reflected a plan to conduct a "New Jersey style" auction or competitive bidding process for the supply of power to all of its retail electric customers for the Post-2006 era. Suppliers in the auction would bid on uniform tranches of power supply for three products: (1) full requirements power at "fixed" prices for the aggregated load of all Illinois retail electric customers with individual demands of less than 1,000 kilowatts (kW) of AmerenCIPS, AmerenCILCO, and AmerenIP (i.e., within the "Ameren Illinois Footprint"), (2) full requirements power at "fixed" prices for the aggregated load of all Ameren Illinois Footprint customers with individual demands equal to or greater than 1,000 kW, and (3) Real Time Pricing power for all Ameren Illinois Footprint customers with individual demands equal to or greater than 1,000 kW.

The rates requested in the filing were based on the fact that the Ameren Illinois Utilities operate as IDCs under the Commission's rules, and do not own any significant generation resources. Because of this, the rates for power within the Ameren Illinois Footprint would need to allow for full, timely, and precise recovery of all costs associated with the procurement of power and energy needed to serve Ameren Illinois Footprint customers. This recovery was critical to both the financial health of the Ameren Illinois Utilities, and, also to the development of a robust competitive retail power market in Illinois. Absent timely recovery of actual power procurement costs from customers, the financial health of the Ameren Illinois Utilities could be unduly harmed.

The Ameren Illinois Utilities' rate design testimony presented and explained various aspects of the development of rate tariffs for the providing of power service to the Ameren Illinois Utilities' retail electric service customers at the end of the Mandatory

Transition Period. More specifically, these tariffs, along with Transmission Service ("TS") and Delivery Service ("DS") tariffs, would provide retail customers of these operating companies with a continuation of bundled service (i.e., complete service from production to transmission to distribution) via a combination of separate tariffs for power, transmission, and distribution services.

The Ameren Illinois Utilities addressed the following key rate design issues/items in direct testimony:

- The Ameren Illinois Utilities' primary rate design goal was to design class rates that reflect cost causation and equitable cost recovery principles, with a proper consideration of equity and fairness to all customer classes.
- Since a competitive procurement auction had not been conducted, the Ameren Illinois Utilities could not accurately calculate the impact of BGS prices for Post-2006 rates. However, the Ameren Illinois Utilities did provide some guidance on estimated auction prices based on prevailing market forward electricity prices per its 8K filings with the Security Exchange Commission ("SEC") as follows:

  > September 27, 2005 – Ameren reports that updates to the assumptions upon which the above-referenced estimate was based currently indicates that the average electric rates for Ameren Illinois Utilities, on a combined basis, may increase by 20% to 35% in 2007 over present bundled rate levels. The assumed wholesale power prices for this estimate were approximately $55 per MWH. (Appendix E)

- Cost-based rates promote the cost effective utilization of electricity by customers. To make appropriate decisions regarding the most efficient and effective use of electricity, as well as the acquisition of electrical consuming equipment, customers require accurate and appropriate price signals through electric rates.

- Cost based rates are essential for the development of a competitive power market, because individual class rates for power compete with prices from RES or ARES, alternative fuels, and co-generation. Accordingly, the utility's class rates should not provide a non-cost based advantage for customers to elect power service from one of the Ameren Illinois Utilities, to the detriment of competitive providers.
- The Ameren Illinois Utilities proposed the uniform application of "fixed" power rates by service classification across the entire Ameren Illinois Footprint. In other words, customers of specific service classifications (e.g., residential) would be billed under the same power rates regardless of which of the Ameren Illinois Utilities should serve them.
- The uniform application of power rates for the different "fixed" products across the entire Ameren Illinois Footprint is consistent with the bidding of the entire Ameren Illinois Footprint in the competitive power procurement or auction process, and would promote the following goals: (a) simplicity and ease of customer understanding, (b) total uniformity of tariff application, and (c) more efficient and effective administration of the Ameren Illinois Utilities' retail electric rates throughout its Illinois service territory.
- All customers within the Ameren Illinois Footprint would be given a choice between a "fixed" price product or a Real Time Pricing ("RTP") product for power service.
- Consistent with the Ameren Illinois Utilities' competitive procurement auction ("CPA") for power procurement post-2006, the utilities proposed to designate their two BGS offerings of "fixed" price power service as: 1) Rider BGS – Basic

Generation Service (Applicable to Customers with Demands Less than 1,000 kW and 2) Rider BGS-L – Basic Generation Service – Large (Applicable to Customer with Demands Equal to or Greater than 1,000 kW).

- The Ameren Illinois Utilities would bid only one RTP product for customers with demands equal to or greater than 1,000 kW; however, they would, via "rate design," afford customers with demands less than 1,000 kW the opportunity to elect billing for power under a RTP rate. As a result, the Ameren Illinois Utilities proposed to designate its two offerings of Real Time Pricing as: (1) Rider RTP – Real Time Pricing (Applicable to Customers with Demands Less than 1,000 kW) and (2) Rider RTP-L – Real Time Pricing Large (Applicable to Customers with Demands Equal to or Greater than 1,000 kW).
- The following Table 5 delineates the proposed BGS and RTP offerings for the related Delivery Service ("DS") Rates: (Appendix F)

Table 5 – Tariff Structure Proposed

Service Classification	Delivery Service	Basic Generation Service	Real Time Pricing
Residential Service	DS-1	BGS-1	RTP-1
Small General Service	DS-2	BGS-2	RTP-2
General Service	DS-3	BGS-3	RTP-3
Large General Service	DS-4	BGS-4	RTP-4
Lighting Service	DS-5	BGS-5	N/A

- These classes were proposed to reflect intra-class homogeneity and, also, limit the ability of customers to switch or migrate from one rate to another. Also, from a strategic perspective, the Ameren Illinois Utilities expected to align or synchronize their "DS" rates with those in the table above prior to the effective date of the BGS and RTP tariffs. This alignment would promote ease of customer and Commission Staff understanding in matching the applicable BGS and RTP service classifications with the corresponding DS rates.
- The proposed BGS class rates for post-2006 consisted of consumption-based (i.e., kWh only) charges for capacity and energy service due to the nature of today's commoditized wholesale markets for power. This proposal recognized that in recent years, the pricing of power has shifted from a fixed-variable cost-based method using actual embedded power plant investment and running or operating costs, to a market-based approach that has introduced the trading of uniform blocks of power supply offered through commodity exchanges and hubs. In essence, the market has shifted the capacity-related generation costs into the "energy price" on which power is traded.
- A rate translation prism that utilizes customer usage data, bid price and estimates of other components of costs would be utilized to develop respective class' BGS energy-only rates. The energy-only rate design resulting from the application of the rate translation prism adequately addressed cost causation and equitable cost recovery principles.
- Each of the BGS offerings contained seasonal pricing for power. Consistent with the Midwest Independent Transmission System Operator, Inc. ("MISO") of which

the Ameren Illinois Utilities were members, the Ameren Illinois Utilities designated the months of June, July, August, and September as the summer billing season with all remaining months being designated as non-summer (October – May). Additionally, BGS energy rates for larger customers (≥150 kW) contain the same seasonal differentiation along with on-peak versus off-peak billing provisions.

- Service Classification BGS-1 would apply to all residential customers who elect full requirements service from the utilities, commonly referred to as "bundled service", and who satisfy the applicable requirements for Residential Service. Customers within this classification will require energy-only metering and basic charges for BGS service in this classification are energy-only, with seasonal differentiation and a declining block rate for non-summer energy.
- Historically, many vertically integrated utilities utilized declining block rates to track the proportionately lower costs of increased volumes through certain fixed assets. This declining block pattern followed the trend of per-unit costs going down as volume goes up. Both AmerenCILCO and AmerenCIPS-ME had this form of non-summer rate design within their then existing bundled residential tariffs. Typically, customers with high levels of usage in the non-summer lower priced block have electric space heating. AmerenCIPS had lower non-summer end-use rates for residential customers qualifying as having electric space heating usage, while AmerenIP had both a declining block rate and even lower end-use rates for customers qualifying with electric space heating usage. At the time of the filing, the Ameren Illinois Utilities had approximately 820,000 residential

customers or 78 percent of the total who were either subject to blocked non-summer residential rates or were billed under end-use rates for electric space heating. The declining block for AmerenCIPS-ME was set at 600 kWh, AmerenCILCO's was set at 930 kWh, and AmerenIP's was at 300 kWh.

- AmerenIP's residential service further provided for a lower rate for non-summer space heating usage which is defined as "all kWh used during the billing period in excess of Non-Space Heat Usage". Non-Space Heat Usage was defined as "all kWh used during the billing period up to the product of the average daily usage in the two billing periods with the lowest non-zero kWh user per day occurring during the 12 consecutive billing periods ended with the current billing period multiplied by the number of days in the current billing period, but not less than 13 kWh per day". AmerenCIPS's Rider 5 – Residential Electric Space Heating Service provided blocking at the 0 - 400kWh, 401-800 kWh and all over 800 kWh levels. The non-spacing heating customer's average non-summer use for AmerenCIPS, AmerenIP, AmerenCIPS-ME, and AmerenCILCO is 696 kWh, 678 kWh, 800 kWh and 755 kWh, respectively.
- Historically, the policing or administration of end-use rates by the Ameren Illinois Utilities was burdensome and problematic due to the need to inspect customer's equipment for proper rate application.
- Considering the then current non-space heating customers' average usage levels for each of the Ameren Illinois Utilities, a conservative level of 800 kWh was utilized to establish the initial block for residential non-summer use. This conservative approach recognized the existence of lower rates for non-summer

usage above the class average for non space heating residential customers for the large number of customers within the residential use category. Additionally, the continuation of this form of rate design for such a large subset of the residential class would help to mitigate concerns of customer rate impact.

- The Ameren Illinois Utilities proposed that the Residential non-summer trailing block rate be set at approximately the same level as the non-summer off-peak rate for the BGS-3 classification. This proposal was based on the Ameren Illinois Utilities' desire to strike a balance between the mitigation rate impact for trailing block usage and the limiting of rate subsidies for this usage.
- As discussed previously, with the appropriate blocking levels, the objectives for determining the price differential between the first and second blocks of the residential non-summer rate were: (a) rate continuity and (b) rate impact mitigation. A review of the then existing residential non-summer block price differentials of the Ameren Illinois Utilities was conducted and a calculation yielded a simple average of approximately 45% (i.e., the trailing block rate was approximately 45% of the initial block rate.) Table 6 below demonstrates that the then existing block price differentials did not vary significantly among the Ameren Illinois Utilities. However, considering the nature of today's commoditized wholesale markets for power mentioned earlier, the establishing of a trailing block at a level of 45% of the initial block was considered inequitable due to the significant rate subsidy that would have been created for trailing block usage. The calculated value for the BGS-3 off-peak non-summer per unit cost was used as a surrogate to mitigate the expected cost of additional off-peak usage

associated with residential space heating. Additionally, the use of said value was not likely to produce a 55% discount from the Residential first block rate. (i.e., that is 100% minus 45%.) Also, it should be noted that Ameren Illinois Utilities' proposal mitigated energy costs only. That is, the existing bundled price differentials represented a discount on production, transmission and distribution, while the Ameren Illinois Utilities' proposal only contained a differential for power. Therefore, this proposal "watered down" the average of the then existing differentials.

Table 6 – Residential Bundled Non-Summer Rates in Effect in 2006

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

- Service Classification BGS-2 - Small General Service would apply to all non-residential customers with individual metered demands of less than 150 kW or limited un-metered energy service customers who elect full requirements power service from Ameren. Customers within this classification would require energy-only metering and basic charges for BGS service in this classification are energy-only with seasonal differentiation.
- Similar to the residential class, the historical bundled rates of AmerenCIPS and AmerenIP mapped to the BGS-2 group contained provisions for "space-heating."

AmerenCIPS allowed non-residential space-heat customers to choose between a watt-hour metered rate and a demand metered time-of-use rate. Space-heat use was priced at approximately 3.5 ¢/kWh or less. Tariffs for AmerenIP determined space-heat usage by averaging the two billing months with the lowest average daily usage, and assuming all use over that amount constituted space-heat use. Space-heat use prices ranged from about 3.0 ¢/kWh to 3.2 ¢/kWh. Rates for AmerenCIPS-ME contained a declining block structure for usage, but did not contain an end-use rate for space-heat use. The tail block rate was 2.604 ¢/kWh for use over 1,500 kWh. AmerenCILCO's historical rates were the furthest away from an end-use rate for space-heat, although if the customer maintained a load factor greater than about 27% [or 200 kWh per kW-month], usage above that amount was priced at 3.647 ¢/kWh.

- While the existing bundled rate structures of the Ameren Illinois Utilities generally contained lower rates for "space heating" customers that would be mapped to the BGS-2 group, the rationale or logic used to establish the block for the residential class would be inappropriate for the BGS-2 class. The individual usage of customers within the residential customer class did not vary in magnitude as significantly as individual usage within the BGS-2 class. The BGS-2 class contained customers that were generally homogeneous in load patterns; however, there existed significant diversity in the magnitude of the loads of individual customers within this class. For example, a small hair styling business with electric heat and served under BGS-2 may have had an average monthly non-summer energy usage in the 1,000 – 2,000 kWh range, while a large fast food

restaurant with or without electric heating may have had an average non-summer monthly usage in the 20,000 - 30,000 kWh range.

- Such significant variations in average monthly usage rendered the development of a declining energy block for non-summer months' rates to be arbitrary. As a result, a declining or trailing block for non-summer energy was not proposed for this class. Further, with this proposed rate design consisting of basic seasonal energy charges only (and no declining block charges), there was a greater likelihood that these customers would be pursued by third party energy suppliers.
- Service Classification BGS-3 would apply to all customers with individual metered demands ranging from 150 kW to less than 1,000 kW and who elected full requirements power service from the Ameren Illinois Utilities and who satisfied all of the other applicable requirements for general service of the Delivery Service (DS-3) tariff. Basic charges for BGS service in this classification would be TOD energy with seasonal differentiation and, as a result, customers within this classification would require Time of Day ("TOD") energy and demand metering.
- The historical bundled rates of AmerenCIPS and AmerenIP mapped to the BGS-3 group also contained provisions for "space-heating." Similar to customers mapped to BGS-2, AmerenCIPS allowed non-residential space-heat customers to choose between a watt-hour metered rate and a demand metered time-of-use rate. Space-heat use was priced at approximately 3.5 ¢/kWh or less. Tariffs for AmerenIP determined space-heat usage by averaging the two billing months with the lowest average daily usage, and assuming all use over that amount constituted

space-heat use. Prices for space-heat use ranged from 1.05 ¢/kWh for off-peak space-heat use up to approximately 3.2 ¢/kWh. Rates for AmerenCIPS-ME used a two-part rate structure (demand and energy charges), but did not contain an end-use rate for space-heat use. The on-peak and off-peak kWh charges were 1.744 ¢/kWh and 1.444 ¢/kWh, respectively. AmerenCILCO's historic rates would have benefited a space-heat customer if the customer maintained a load factor greater than about 27% (or 200 kWh per kW-month), with usage above that amount priced at 3.647 ¢/kWh.

- Service Classification BGS-4 - Large Service would apply to all customers with individual metered demands of at least 1,000 kW and who elected full requirements service from one of the utilities during an "Open Enrollment Period," and who satisfied all other applicable requirements for Large Service (DS-Rate 4). Customers within this classification would require hourly load profile energy and demand metering and basic charges for BGS service in this classification were TOD energy with seasonal differentiation.
- Service Classification BGS-5 – [Dusk to Dawn] Lighting Service would apply to all un-metered outdoor dusk to dawn lighting service automatically controlled by electronic photocells and who elected full requirements power service from the An Ameren Illinois Utility and who satisfied all other applicable requirements for either private outdoor area lighting or municipal outdoor lighting service. The Ameren Illinois Utilities have established a separate classification for this type of lighting service to recognize the unique load characteristics of photocell controlled lighting.

- The Ameren Illinois Utilities utilized the underlying principles of the Public Service Electric and Gas Company (PSE&G) rate prism, as adjusted to reflect Ameren Illinois Footprint and MISO specifics to translate the single winning bid prices from the auction process into BGS rates for the respective customer groups.
- The Ameren Illinois Utilities discussed a plan to file a Transmission Service Rider – Rider TS with their next Delivery Service case. The proposed procurement process required suppliers to provide certain ancillary services for the provision of power and energy and Rider TS would collect the remaining transmission costs for the provision of company-supplied power and energy supply service from customers taking service under the following tariffs: Rider BGS, Rider RTP, Rider BGS-L and Rider RTP-L. Rider TS provides for full recovery of all costs, fees, and charges for transmission and related services not otherwise recovered under the BGS or RTP riders. This rider is not applicable to customers taking service from a RES.
- Decisions in the Commission's Order in these dockets on the above-referenced key rate design issues/items were as follows:

> *Based on the record presented in the instant docket, the Commission finds that the vertical tranche auction proposed by the Ameren Companies, subject to the modifications and conditions found appropriate herein, best meets the needs of Ameren Companies' customers in providing adequate, reliable, and reasonably priced supply post-2006 (pages 105-106)*
>
> *Having reviewed the record, the Commission concludes that, on balance, the Ameren Companies' proposal to obtain a "full requirements" product through the auction process is reasonable. (page 107)*

The Commission concludes that the first ten days of September 2006 should be approved as the period for commencing the initial ComEd and Ameren auctions (page 123)

The Ameren Companies described nine Customer Supply Groups defined under Rider MV: Residential Customer Group (BGS-1), Small General Service Customer Group (BGS-2), General Service Customer Group (BGS-3), large General Service Group (BGS-4), Dusk to Dawn Lighting Group (BGS-5), Optional Real-Time Pricing Customer Group (RTP), Real-Time Pricing Large Customer (RTP-L), Self-Generating Group, and partial Requirement Customer Group.(page 204)

Staff proposed a mitigation plan in an effort to alleviate concerns about potential rate shock for some of Ameren's customers. Under Staff's proposal, if the overall bill increase for customers within that auction is 13.33% or less, the maximum increase for any group of customers within the auction would be 20%. For an overall increase greater than 13.33%, the 150% of auction average limit would apply. Staff's proposed plan would apply only to the BGS auction.(page 244)

The Commission understands that adopting a rate mitigation plan could increase uncertainty for auction bidders which could in turn increase the prices resulting from an auction. Nevertheless, the Commission believes that all things considered, Staff's mitigation proposal offers important protections to ratepayers and should be adopted. The Commission believes it is appropriate to adopt the rate mitigation proposal here [Staff's proposed rate mitigation on page 244] to provide both customers and suppliers as much advance notice and certainty as possible. (page 245)

The Commission understands Ameren's concern and appreciates Ameren's proposal ("Rider D") as an effort to avoid an undesirable outcome. The Commission, however, concludes that the proposal should not be approved at this time.(page 252)

(6) the new tariff sheets authorized to be filed by this Order should reflect an effective date not less than 30 days after the date of filing, with the tariff sheets to be corrected, if necessary, within that time period, and should reflect an operational date of no earlier than January 2, 2007; (page 259)

F. Second Step: Delivery Services Filings

On December 27, 2005, the Ameren Illinois Utilities filed revised electric tariff sheets for electric delivery service tariffs along with certain terms and conditions for electric service. The Commission established Docket Nos. 06-0070, 06-0071 and 06-0072 for AmerenCILCO, AmerenCIPS and AmerenIP, respectively.

These revised electric tariffs went into effect on January 2, 2007 to coincide with the implementation of the electric tariffs approved in Docket Nos. 05-0160, 05-0161, and 05-0162 (Cons.) The revised Delivery Service tariffs, along with the Basic Generation Service tariffs, reflected the requirements to implement a competitive power procurement process and certain other changes to clarify terms and conditions. The filing was accompanied by the standard filing requirements (Part 285 of Title 83 of the Illinois Administrative Code) for a public utility requesting an increase in rates. The filing also included testimony and exhibits supporting the need for the increase. The Ameren Illinois Utilities filed their public notices of proposed changes to tariff schedules in accordance with the requirements of Section 255 of Title 83 of the Illinois Administrative Code.

Petitions to intervene were filed by the Attorney General, on behalf of the People of the State of Illinois ("AG"); Citizens Utility Board ("CUB"); City of Champaign, City of Urbana, City of Bloomington, Town of Normal, and Champaign County (collectively referred to as the Local Government Interveners ["LGI"]); Local Unions 51, 309, 649, 702, and 1306 of the International Brotherhood of Electrical Workers, AFL-CIO ("IBEW"); Dynegy, Inc.; Wal-Mart Stores, Inc. ("Wal-Mart"); Blue Star Energy Services, Inc.; Kroger Company ("Kroger"); Constellation NewEnergy, Inc. ("Constellation"); and Peoples Energy Services Corporation ("Peoples") (Constellation

and Peoples are collectively referred to as the Coalition of Energy Suppliers ["Coalition"]). Air Products & Chemicals Company, Archer-Daniels-Midland Company, ASF-Keystone, Inc., BOC Gases (a subsidiary of The BOC Group, Inc.), Caterpillar Inc., ConocoPhillips Company, Illinois Cement Company, Keystone Consolidated Industries, Inc., Marathon Petroleum Company, Olin Corporation, Tate & Lyle Ingredients America, Inc., Plastipak Packaging, Inc., United States Steel Corporation, and the University of Illinois also petitioned to intervene as the Illinois Industrial Energy Consumers ("IIEC"). The Administrative Law Judges granted the petitions to intervene. Commission Staff ("Staff") participated as well.

The Ameren Illinois Utilities' rate design testimony presented and explained various aspects of the development of tariffs for the provision of delivery services to retail electric service customers of the utility. These tariffs, when combined with power supply tariffs, reflected the continuation of bundled service (i.e., complete service from production to transmission to distribution) via the combination of separate tariffs for power supply, transmission, and distribution service. The Ameren Illinois Utilities proposed uniform delivery service tariffs and policies for the three operating entities, observing that tariff uniformity has long been a goal of customers, utilities, ARES and Staff. Customers with facilities in different service territories could rely upon a common data set in procuring power supply, and marketers could reduce administrative costs and more easily transact business. This would help reduce barriers to retail competition.

Five delivery service customer classes were proposed: Residential Delivery Service or DS-1; Small General Delivery Service or DS-2 (non-residential service with a maximum monthly demand less than 150 kW); General Delivery Service or DS-3

(nonresidential service from 150 kW to less than 1,000 kW); Large General Delivery Service or DS-4 (nonresidential service 1,000 kW and greater); and Lighting Service or DS-5 and the parties to this proceeding generally accepted these customer classifications, which included a separate uniform customer and meter charge for each class. These Delivery Service tariffs would apply to all customers regardless of whether electric power and energy was provided through company-supplied power and energy tariffs or from a third party supplier. The Commission appreciated the effort to develop uniformity among the tariffs of three Ameren Illinois Utilities and determined that the general customer classes were reasonable.

The following Table 7 delineates the virtual bundled service options for customers filed by the Ameren Illinois Utilities. All electric service customers are required to take delivery service under their applicable rate classification with supply being provided as an optional rider to their basic delivery service: (Appendix F)

Table 7 – Virtual Bundled Service for Company-supplied Power and Energy

Service Classification	Delivery Service Rate	Basic Generation Service Rider	Real-Time Pricing Rider	Transmission Service Rider TS
Residential Service	Rate DS-1	Rider BGS (BGS-1)	Rider RTP (RTP-1)	Rider TS (TSC_N)
Small General Service	Rate DS-2	Rider BGS (BGS-2)	Rider RTP (RTP-2)	Rider TS (TSC_N)
General Service	Rate DS-3	Rider BGS (BGS-3)	Rider RTP (RTP-3)	Rider TS (TSC_N)
Large General Service	Rate DS-4	Rider BGS-L (BGS-4)	Rider RTP-L (RTP-4)	Rider TS (TSC_I)
Lighting Service	Rate DS-5	Rider BGS (BGS-5)	N/A	Rider TS (TSC_L)

Key uncontested rate design items in whole or in part addressed in the Order were as follows:

- Uniform DS tariffs for the three operating entities. At the direction of the Commission, the Ameren Illinois Utilities had taken steps to make conforming changes to delivery tariffs and business processes after the acquisitions of Central Illinois Light Company and Illinois Power Company.
- The Ameren Illinois Utilities' BGS tariff filings contain uniform customer classes across the entire Ameren Illinois Footprint. The Ameren Illinois Utilities believe that consistency and uniformity among BGS and DS customer classes will benefit its customer service network, billing systems, tariff administration, and field operations by permitting the administration of a single set of electric tariffs versus three differing sets for Illinois. This streamlining effort allows improvement in operational efficiency and results in better customer service.
- Each of the three operating utilities would have five delivery service customer classes: Residential Delivery Service or DS-1, Small General Delivery Service or DS-2 (nonresidential service with a maximum monthly demand less than 150 kW) General Delivery Service or DS-3 (nonresidential service from 150 kW to less than 1,000 kW), Large General Delivery Service or DS-4 (nonresidential service 1,000 kW and greater), and Lighting Service or DS-5. The parties to this proceeding generally accepted these customer classifications, which include a separate uniform customer and meter charge for each class. For example, the AmerenIP DS-1 customer and meter charges would be different from the AmerenIP DS-2 customer and meter charges, but the AmerenIP DS-1 customer and meter charges would be the same as the AmerenCIPS and AmerenCILCO

DS-1 customer and meter charges. Distribution and demand charges for each customer class would be separately determined for each distribution company.

- The parties in the DS case agreed to a method to adjust rates in this case in the event they recovered a total revenue requirement different than that proposed. The rate adjustment preserved uniform customer and meter charges across the Ameren Illinois Utilities.

Key contested rate design items addressed in whole or in part in the Order were:

Interclass Subsidization (page 171)

- The Ameren Illinois Utilities used the Embedded Cost of Service Studies to determine for each rate class the level of revenues necessary to meet the operating and maintenance expenses, depreciation provisions applicable to investment in utility plant, property taxes, income and other taxes, and the fair rate of return on utility rate base. The Ameren Illinois Utilities then used a two step methodology to modify the proposed delivery service rates set at the equalized rate of return for each operating entity. First, the DS-1 through DS-3 rate classes were targeted to receive an equal percent revenue change from existing to rebundled service. This had the effect of reducing the DS-1 revenue requirement and increasing the DS-2 and DS-3 revenue requirement. The second step was to ensure that the DS-4 class would receive at least a 5% rate increase. This class distribution allocation method was consistent with the Commission's recent rulings in Docket Nos. 01-0637, 00-0802, and 01-0432, for CILCO, CIPS, and IP, respectively. The Administrative Law Judge's

Proposed Order accepted this adjustment; however, that finding was reversed by the Commission.

Commission Conclusion (page 175)

> *Ideally, rates should be designed in a way that reflects the cost of service to the various customer classes. Sometimes the actual cost of service may produce rates that utilities believe will be beyond the level of customers' tolerance and will propose rates to mitigate "rate shock." The second and third issues mentioned above stem from the parties' concerns over the potential for rate shock. Any rate design that includes recovering less than the cost of service from a customer class undoubtedly creates the need for one or more of the other customer classes to shoulder the burden of the revenue shortfall. In other words, a subsidy is created. The Commission acknowledges that rate shock is a valid concern. However, circumstances in this case lead us to believe that no customer class here should subsidize the delivery services rates of another. The Commission directs the Ameren companies, in compliance filings, to file tariffs based on cost of service using the NCP allocation method.*

A comparison of the prior (pre-2007) delivery service rates and rates currently in effect are shown in Appendix G. The appendix also shows the average cents/kWh for each of the rate classes for prior and present rates. The DS-1 (residential) class average rates range from about 3.5 cents/kWh for AmerenIP and AmerenCILCO to about 2.9 cents/kWh for AmerenCIPS. This contrasts with the DS-4 (customers with demands over 1,000 kW) class average delivery service rates that average about 0.3 cents/kWh. Individual customer DS-4 average delivery service rates may vary dramatically depending on the voltage a customer may take service under. Higher voltage customers will pay less since they use less of the distribution system. Lower voltage customers will pay more since those customers use more of the distribution system.

G. Supply Requirement for Utilities Procured Through Illinois Auction

The Illinois Auction is a competitive procurement process approved by the ICC for the procurement of electricity at wholesale by the Ameren Illinois Utilities (and

Commonwealth Edison) for delivery to Illinois retail consumers requiring electric power and energy from the utility since all Ameren Illinois Utilities are IDCs and do not own generation. The Illinois Auction, a competitive auction process, is an open one, based on a public "reverse" wholesale auction with extensive oversight by the ICC. It was designed to achieve stable rates and to secure the lowest price attainable in the marketplace. This procurement process approach is a direct outgrowth of the Commission's Initiative discussed earlier. The Illinois Auction began on September 5, 2006 and ended on September 8, 2006. Based upon the results of the Illinois Auction, the Ameren Illinois Utilities filed an 8K with the SEC disclosing the results and impacts of the Illinois Auction:

> September 18, 2006 – This 8k refers to an Ameren News Release - For residential customers the estimated impact breaks down as follows: For AmerenIP, AmerenCIPS and AmerenCILCO, the average residential customer would pay approximately $92 per month in 2007. This would mean a monthly increase of about $26 for AmerenIP and AmerenCIPS customers, approximately 40 percent higher than present rates. For AmerenCILCO customers, it would mean an increase of approximately $33, or 55 percent over present rates. (Appendix E)

The Ameren Illinois Utilities filed their Retail Supply Charge Informational Filings in compliance with the requirements of the approved Rider MV – Market Value of Power and Energy tariffs. (Appendix H)

H. Overall Timeline

A timeline of activities beginning with the passage of the Restructuring Act to the end of the Mandatory Transition Period is shown in Appendix I.

AFTER JANUARY 2, 2007

I. Tariffs as of January 2, 2007

In accordance with the Rate's Working Group agreement, the Ameren Illinois Utilities have separately presented the delivery and electric power and energy supply as separate components of a ratepayer's bill. Appendix J provides copies of residential bills prior to 2007 and after January 1, 2007 where the bill separately presents the delivery and supply components. Detailed and full disclosure billing is provided by the Ameren Illinois Utilities in order to clearly identify each component of a customer's bill thus enabling customers to easily compare and assess other power supply options.

J. Status of Choice for Customers Post-2006

Customer Switching Impacts – Pre-2007

Section 16-120(b) of the Restructuring Act directs the ICC to submit an annual report to the General Assembly that provides information concerning the development of competitive electricity markets in Illinois. Section 16-120(b) requires the Commission to furnish certain statistical information concerning power and energy sales to customers eligible to select new suppliers by electric utilities and also by Alternative Retail Electric Suppliers. The Section 16-120(b) reports continued to 2006.

According to the ICC's latest report, *Retail and Wholesale Competition in the Illinois Electric Industry: Third Triennial Report, Illinois Commerce Commission, May 2006* (Appendix C), customers switching to an alternative supplier [a measure of competition] had occurred only in the State's largest utility services areas. In the areas where switching has occurred, the largest-use customers have exhibited the highest switching rates. Switching rate dropped significantly as the size of the customer load dropped. Historically, the rate of switching to RES for non-residential customers under 1

MW was little more than 1% and has remained at zero for residential customers during the Mandatory Transition Period. However, the ICC states that because switching has not been as dynamic for the smaller customers, it does not mean that retail competition should be reconsidered. (Appendix C - page 6) Retail competition has provided benefits, not only in the form of electric savings but other benefits as well. Non-residential customers have opportunities to receive new products and services or different types of pricing structures which are not offered by utilities and those benefits are expected to continue in the future even if utilities continue to serve the smaller electric customers. The ICC stated that it remains hopeful that residential competition will begin to develop after the transition period ends.

Customer Switching Impacts – 2007

Retail competition is clearly evident among customers falling into the above 1,000 kW category of service and switching impacts are starting to be seen for other non-residential customers. Appendix K depicts customer switching activity as of February 28, 2007. Competition for the smaller-use customers, especially residential customers, has not occurred. Only one ARES has been certified to serve residential customers.

SUPPLEMENTAL BILL ANALYSES

K. Bill Impacts – Bundled 2006 vs. Estimated Virtual Bundled Post-2006

Estimated Residential Bill Impacts

Appendix L shows residential customer bill impacts under several different usage scenarios comparing rates in effect in 2006 to rates estimated to be in effect in 2007. The analysis was performed for each of the Ameren Illinois Utilities. AmerenCIPS and

AmerenIP also had rates that provided a lower price for winter electric heating use. Those rates are also modeled.

The first ten usage scenarios modeled range from 100 kWh each month up to 7,500 kWh each month. These usage values conform to usages provided in Schedule E-9 of the Part 285 filing requirements. Scenario 11 shows a bill comparison for the "typical" general use and all electric household. Scenarios 12 through 16 show general and all electric use for customers of increasing size, starting with small customers and increasing to very large customers. Scenarios 17 through 20 reflect the mathematical average of 2006 usage for each Ameren Illinois Utility for both general and all electric usage customers. Specifically, Scenario 17 shows the AmerenIP averages, Scenario 18 reflects AmerenCIPS-ME, scenario 19 is AmerenCIPS, and scenario 20 is for AmerenCILCO. Scenarios 21 through 24 reflect various usages of customers with different seasonal usage patterns.

A common theme through all of the scenarios is that the percentage increases in the non-summer months is greater than those expected in the summer months. Historical 2006 rates contained lower non-summer pricing compared to the summer period. In addition, AmerenCIPS and AmerenIP also had low space-heat end use rates. (Please see Appendix B for summary of 2006 rates.) Current 2007 rates do not provide nearly the same degree of rate seasonality nor do they provide deep winter discounts for high-use customers.

Non-summer residential BGS rates reflect a declining block pricing structure with prices varying slightly by utility. The initial block is for use up to 800 kWh and is approximately 7.7 ¢/kWh. Use over 800 kWh is priced at approximately 6.0 ¢/kWh.

Summer prices are approximately 6.8 ¢/kWh for all kWhs. The distribution delivery charge (DS-1) is applied to all kWhs used. The distribution delivery charges range from approximately 1.9 ¢/kWh for AmerenCIPS to approximately 2.6 ¢/kWh for AmerenCILCO. The combination of higher power prices and flat distribution charges resulted in substantial winter bill increases for high winter usage. A comparison of average realizations and expected increases for each of the Ameren Illinois Utilities is provided below:

Table 8 – Summary – 2006 Bundled Rates vs. Estimated 2007 Bundled Rates at Average Usage Levels

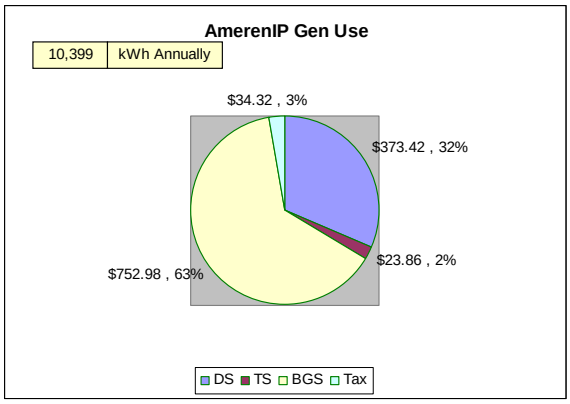
	AmerenCIPS Gen Use					AmerenCIPS All Electric				
	2006	2007	Difference	kWh		2006	2007	Difference	kWh
	¢/kWh	¢/kWh	Percent	Use		¢/kWh	¢/kWh	Percent	Use
Total	8.40	10.92	30%	10,399	Total	6.19	9.96	61%	17,765
Ann. Avg	8.40	10.92	30%	867	Ann. Avg	6.19	9.96	61%	1,480
Wint Avg	7.99	11.39	43%	777	Wint Avg	5.26	9.89	88%	1,665
Sum Avg	9.00	10.22	14%	1,046	Sum Avg	8.97	10.17	13%	1,112
	AmerenCIPS-ME Gen Use					AmerenCIPS-ME All Electric				
	2006	2007	Difference	kWh		2006	2007	Difference	kWh
	¢/kWh	¢/kWh	Percent	Use		¢/kWh	¢/kWh	Percent	Use
Total	7.44	10.92	47%	10,399	Total	5.49	9.96	81%	17,765
Ann. Avg	7.44	10.92	47%	867	Ann. Avg	5.49	9.96	81%	1,480
Wint Avg	6.05	11.39	88%	777	Wint Avg	4.16	9.89	138%	1,665
Sum Avg	9.51	10.22	8%	1,046	Sum Avg	9.48	10.17	7%	1,112

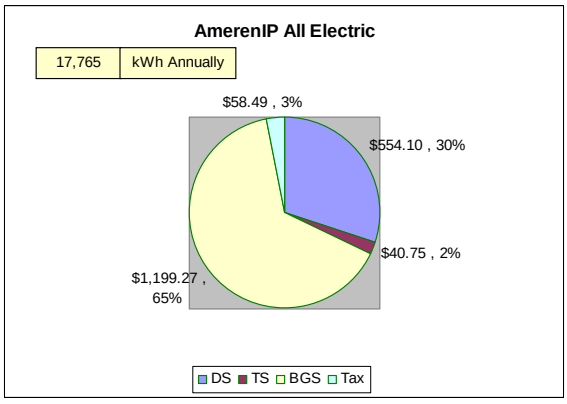
	AmerenCILCO Gen Use					AmerenCILCO All Electric				
	2006	2007	Difference	kWh		2006	2007	Difference	kWh
	¢/kWh	¢/kWh	Percent	Use		¢/kWh	¢/kWh	Percent	Use
Total	7.72	11.55	50%	10,399	Total	6.39	10.59	66%	17,765
Ann. Avg	7.72	11.55	50%	867	Ann. Avg	6.39	10.59	66%	1,480
Wint Avg	7.42	12.02	62%	777	Wint Avg	5.80	10.52	81%	1,665
Sum Avg	8.16	10.85	33%	1,046	Sum Avg	8.13	10.80	33%	1,112
	AmerenIP Gen Use					AmerenIP All Electric			
	2006	2007	Difference	kWh		2006	2007	Difference	kWh
	¢/kWh	¢/kWh	Percent	Use		¢/kWh	¢/kWh	Percent	Use
Total	8.38	11.39	36%	10,399	Total	6.35	10.43	64%	17,765
Ann. Avg	8.38	11.39	36%	867	Ann. Avg	6.35	10.43	64%	1,480
Wint Avg	8.04	11.86	48%	777	Wint Avg	5.53	10.36	87%	1,665
Sum Avg	8.88	10.69	20%	1,046	Sum Avg	8.82	10.64	21%	1,112

As shown above, winter increases range from 43% for AmerenCIPS General Use to 138% for AmerenCIPS-ME All Electric. In contrast, summer increases range from 7% for AmerenCIPS-ME All Electric to 33% for AmerenCILCO customers. Different usages result in different annual impacts. In general, households with high winter use relative to summer use (such as all electric customers) have experienced higher percentage increases, further compounded by extreme winter temperatures experienced during January –February 2007. These conditions have triggered customer complaints.

Conversely, customers with significantly higher summer use relative to winter use will experience more modest increases.

Post- 2006 rates consist of delivery service, transmission service, cost of power, and taxes. The pie chart below shows the contribution of each component to the total annual electricity cost for the "typical" general use and all electric households for AmerenIP, respectively.





As shown in the graph above, the total power cost is more than 60% of the total bill, and delivery service consists of about 30%. One item to note is that delivery service billings are about $373 for the general use customer and about $554 for the all electric customer. Based on the "typical" customers in this scenario, the all electric customer pays about $181 (or about 48%) more for delivery service than the general use customer, while summer average usage is only about 6% more. Further exploring the distribution cost of serving high winter use customers and the resulting revenue collected from those customers is an area of interest in this proceeding, and could lead to the need to reduce high winter use distribution delivery charges.

Point number 5 of the Ameren Illinois Utilities' 8 point plan presented at hearings before the Illinois House of Representatives on February 27, 2007. The Ameren Illinois Utilities, before the Illinois House of Representatives, discussed the potential to reduce rates paid by residential customers who use more than 800 kWh in a non-summer month. The stated goal was to reduce prices in the higher use category by approximately 25%. The adjustments would take the form of reductions in prices for both DS-1 and BGS-1 for use over 800 kWh. The Ameren Illinois Utilities will provide an example of how this may be accomplished at the workshop scheduled for April 11, 2007.

Appendix M illustrates the distribution of annual percentage increase for residential customers for each of the Ameren Illinois Utilities.

Appendix N illustrates the residential block usage data for actual 2006 weather-normalized usage for each of the Ameren Illinois Utilities.

Appendix O shows 2004 test year kWh data separated between summer and winter use, and further separated into kWh blocks of 0 – 800 kWhs; 801 – 1,500 kWhs; 1,501 – 3,000 kWhs and all over 3,000 kWhs for residential customers. Usage for AmerenCIPS is also separated to reflect the prior delineation of AmerenCIPS for Henderson and Hancock counties and AmerenCIPS-ME (old UE-IL). This data was estimated by using the weather-normalized 2006 kWh blocking data to develop percentages of total seasonal use within each block. The 2004 test-year information is useful for determining total revenue requirements if delivery service rates are adjusted.

Estimated Non-residential Bill Impacts

Appendix P shows Rate DS-2 non-residential customer bill impacts under several different usage scenarios comparing rates in effect in 2006 to rates estimated to be in effect in 2007. The analysis was performed for each of the Ameren Illinois Utilities.

Appendix Q illustrates the distribution of percent increases for non-residential customers under Rate DS-2 and Rate DS-3 by each of the Ameren Illinois Utilities for the winter season, the summer season and annually.

Appendix R illustrates the non-residential block usage data for Rate DS-2 and Rate DS-3 for actual 2006 weather-normalized usage for each of the Ameren Illinois Utilities. The weather-normalized data for Rate DS-3 has been further broken down identifying customers with demands greater than 400 kW.

Appendix S illustrates the distribution of annual percentage increase for non-residential customers assumed to be served under Rate DS-2 and BGS-2, and Rate DS-3 and BGS-3 for each of the Ameren Illinois Utilities. The results vary widely among utilities, former rate classifications of each utility and new rate groupings. For example, the majority of AmerenIP's DS-2 customers are expected to see annual rate decreases, but former SC 13 – Unmetered Service, non-controlled (e.g., signal lighting), is expected to experience annual rate increases ranging from 10% to 120%. Conversely, nearly all AmerenCILCO DS-3 customers are expected to experience rate increases, with increases expected to be between 25% and 60% with some expected to experience increases above 150%.

APPENDIX TABLE

APPENDIX F - Table of Contents for Electric Service beginning January 2, 2007

AmerenIP
AmerenCILCO
AmerenCIPS

[For bundled full service and unbundled delivery service tariffs applicable for service after January 2, 2007: https://www2.ameren.com/Rates/ratesSvcMap.aspx]

APPENDIX G - Comparison of Prior and Post-2006 Delivery Service Rates for Ameren Illinois Utilities

AmerenIP
AmerenCILCO
AmerenCIPS
AmerenCIPS-ME

APPENDIX H - Retail Supply Charge Informational Filings

Original Retail Supply Charge Informational Filing
(Filed September 2006)

AmerenIP
AmerenCILCO
AmerenCIPS

2nd Retail Supply Charge Informational Filing
(Effective January 2, 2007)

AmerenIP
AmerenCILCO
AmerenCIPS

[Retail Supply Charges applicable for service after January 2, 2007: https://www2.ameren.com/Rates/ratesSvcMap.aspx]

APPENDIX I - Timeline of Events

APPENDIX J - Old and New Bill Formats

APPENDIX K - Switching Statistics

Supply Options Chosen by Customer, February 28, 2007

AmerenIP
AmerenCILCO
AmerenCIPS

APPENDIX L - Residential Bill Impacts

APPENDIX M - Residential Distribution

APPENDIX N - Residential Blocks

APPENDIX O - 2004 DS Billing Determinants with Residential Blocking

APPENDIX P - Non-Residential Bill Impacts

APPENDIX Q - Non-Residential Distribution

APPENDIX R - Non-Residential Blocks

APPENDIX S - Non-Residential Impacts by Bundled Rates