

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 06-0800

DIRECT TESTIMONY

OF

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Submitted On Behalf

Of

**CENTRAL ILLINOIS LIGHT COMPANY d/b/a AmerenCILCO,
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AmerenCIPS, and
ILLINOIS POWER COMPANY d/b/a AmerenIP**

(The Ameren Illinois Utilities)

May 1, 2007

23 **Q. Have you previously testified before the Illinois Commerce Commission (the**
24 **“Commission”)?**

25 A. Yes. I previously testified in Docket No. 91-0335, regarding Illinois Power’s
26 electric marginal cost of service study; Docket No. 93-0183, regarding Illinois
27 Power’s gas marginal cost of service study; Docket No. 98-0348, regarding
28 Illinois Power’s proposed Rider DA-RTP II; Docket No. 98-0680, regarding the
29 investigation concerning certain tariff provisions under Section 16-108 of the
30 Public Utilities Act (“PUA”, or “Act”) and related issues; Docket No. 98-0769,
31 regarding requirements governing the form and content of contract summaries for
32 the 1999 Neutral Fact Finder; Docket Nos. 99-0120 & 99-0134 (Cons.) regarding
33 approval of Illinois Power’s Delivery Service Implementation Plan and Tariffs;
34 Docket Nos. 00-0259/00-0395/00-0461 (Cons.) regarding proposed Rider MVI
35 and revisions to Rider TC; Docket No. 01-0432 regarding electric Delivery
36 Service Tariff rate design and related matters; Docket No. 04-0476 regarding gas
37 rate design; Docket Nos. 06-0070/06-0071/06-0072 (Cons.) regarding electric
38 Delivery Service Tariff rate design and related matters; and Docket Nos. 06-
39 0691/06-0692/06-0693 (Cons.) regarding residential real-time pricing tariffs.

40 **Q. What is the purpose of your direct testimony?**

41 A. The purpose of my testimony is to discuss certain changes within Rider MV
42 which serve to improve certain elements in the auction process, thereby creating
43 the potential to reduce the overall cost of power and energy for customers of the
44 Ameren Illinois Utilities. Specifically, I recommend changes to the timeline
45 associated with gathering and publishing market cost information within the retail

46 rate prism, the number of days after a successful auction declaration that are
47 required before filing the Retail Supply Charge Informational Filing, additional
48 language regarding contingency supply purchases within Rider MV, and the
49 amount of detail shown on customer bills. These recommendations are based
50 upon our experience with the most recent Auction and certain issues identified
51 within the "Issues List" filed in this docket. I have structured my testimony using
52 the general classifications from the issues list and have identified the specific
53 issue my recommendation addresses.

54 **Tentatively Uncontested Issues**

55 **Q. What issue related to the publishing of market cost information are you**
56 **addressing?**

57 A. Item N. Timeline – Issue 1 in the issues list, under "Tentatively Uncontested
58 Issues", states "The Market Cost data and final prism applicable to the Ameren
59 tariffs should be provided to suppliers at a point closer (than the current 135 days)
60 to the Auction Commencement Date."

61 **Q. What is the significance of the Market Cost data within the rate prism?**

62 A. The rate prism is used to shape the single winning auction values for the fixed
63 price categories (BGS-FP and BGS-LFP) into seasonal, time of use, and class
64 differentiated prices. The Market Cost data flowing through the rate prism
65 provides the basis for seasonal and time-of-use price differentiation reflected in
66 the Retail Supply Charge Informational Filing provided by each Ameren Illinois
67 Utility. For example, the final auction price for the Ameren BGS-FP category of
68 approximately \$65/MWh, is split into summer and winter prices for residential

69 and smaller commercial customers, and further into on- and off-peak prices for
70 larger non-residential customers with demands of less than 1,000 kW. The
71 Market Cost data also forms the basis for the seasonal supplier payment ratios,
72 and thus has a direct impact on the amount suppliers are paid in the summer and
73 non-summer seasons.

74 **Q. Considering the significance of Market Cost data and the rate prism on**
75 **pricing as discussed above, do you agree the Ameren Illinois Utilities should**
76 **or can provide the final Market Cost data and prism at a point closer to the**
77 **Auction Commencement Date?**

78 A. Yes. The current timeline calls for the final Market Cost data and prism 135
79 calendar days, or more than four months, prior to the Auction Commencement
80 Date. Reducing the number of days before the final Market Cost data and prism
81 are provided would provide a more current reflection of seasonal pricing to retail
82 customers and, also may improve the likelihood of Market Cost being more
83 consistent with what potential suppliers also see as the appropriate seasonal splits.
84 In summary, providing final Market Cost data and prism about 75 calendar days
85 prior to the Auction Commencement Date will provide more current pricing and a
86 more current reflection of seasonal pricing to retail customers.

87 **Q. Mr. Craig Nelson states in his direct testimony that the Ameren Illinois**
88 **Utilities could reduce the number of days by which the utility has to submit**
89 **the Retail Supply Charge Informational Filing from nine to two business**
90 **days within the Declaration of Successful Result. Are there any significant**

91 **hurdles that would prevent filing the Retail Supply Charge Informational**
92 **Filing within two business days?**

93 A. I am not aware of any issues that would prevent the Retail Supply Charge
94 Informational Filing within two business days of the Declaration of Successful
95 Result. For reference, this is item N. Timeline – Issue 3.

96 **Q. Item P. Contingency Purchases – Issue 2 suggests that the calculation of the**
97 **charges recovering supply costs in the event the Commission initiates an**
98 **investigation of the auction results be clarified. How do you respond?**

99 A. As an aside, this is not a proposal that will change the ultimate recoverability of
100 the costs at issue. The Ameren Illinois Utilities agree that in the event an Illinois
101 Auction Section result is rejected, clarification of the calculation of charges
102 recovering supply costs is appropriate. The Ameren Illinois Utilities determined
103 that clarification was appropriate and previously proposed Appendix B to the
104 Rider MV – Market Value of Power and Energy (Rider MV) to clarify the
105 recovery of costs for power and energy acquired in the MISO-Administered
106 Markets for customers served under Rider RTP-L – Real Time Pricing – Large
107 (Rider RTP-L). Additional modifications can be made to Rider MV as an
108 appendix to clarify how costs will be recovered in the event that auction results
109 are rejected for any Illinois Auction Section and the contingency supply
110 requirements are enacted under the Section 5 – Limitations and Contingencies
111 under Rider MV. I discuss later in my testimony general language that would
112 apply to each category of service.

113

114 **Open Issues**

115 **Q. Item P – Issue 1 in the 'issue list states, “Should more detail be included in**
116 **the tariffs on how purchases from bilateral markets will occur in the event of**
117 **a contingency?” Do you agree that such detail should be provided?**

118 A. Yes, the Ameren Illinois Utilities recommend that an appendix be added to Rider
119 MV to clarify how purchases of power and energy will be undertaken in the event
120 of a contingency. Such an appendix would detail how capacity and ancillary
121 services are procured by each of the Ameren Illinois Utilities and the associated
122 calculation of charges to customers. Note the process itself is not changing but
123 just that clarifying language is being added to better explain the process in effort
124 to minimize any confusion in this area.

125 **Q. Item P – Issue 3 of the 'issue list states “Should revisions be made to the**
126 **contingency purchase provisions in an effort to reduce expected costs?” Do**
127 **you agree that such revisions should be made?**

128 A. Yes. In particular, we recommend that the Ameren Illinois Utilities submit Day
129 Ahead demand bids based upon the expected loads for the next day if purchases
130 from MISO Locational Marginal Price (“LMP”) markets are necessary, thus
131 reducing exposure to MISO Revenue Sufficiency Guarantee (“RSG”) charges. In
132 the MISO Markets, load that is bid and cleared day ahead is settled at the day-
133 ahead LMP price. Any deviation from the load which clears day ahead is settled
134 at Real Time LMP prices and is subject to RSG charges. As noted, in Mr. James
135 Blessing’s testimony, while day ahead LMP prices have averaged slightly above
136 real-time LMP prices since the start of the MISO Markets, real time LMP

137 combined with RSG is noticeably higher than day ahead LMP. Presently, Rider
138 MV points only to the real-time market, thereby subjecting 100% of this load to
139 real time LMP plus RSG. Bidding the expected load into the day-ahead market is
140 therefore expected to result in lower cost contingency supply purchases.

141 **Q. Please outline the primary features of an appendix to Rider MV that would**
142 **address contingency purchases.**

143 A. The appendix would address procurement of three main cost components of
144 contingency purchases. In the event any of the categories of service are not
145 provided through the auction and the Commission has not approved an alternative
146 procurement mechanism, the appendix would also address recovery of costs from
147 customers. The categories of service are BGS-FP (Company-supplied customers
148 with demands under 1,000 kW), BGS-LFP (Company-supplied customers at a
149 fixed price with demands at 1,000 kW or more), and BGS-LRTP (Company
150 supplied customers at an hourly price with demands at 1,000 kW or more). The
151 three main cost components of contingency purchases are capacity, ancillary
152 services, and energy-related costs (including market settlement).

153 Procuring capacity, ancillary, and energy-related services will have common
154 threads across all categories of service. Capacity purchases would be made in
155 advance of the summer season to cover expected capacity requirements for
156 summer months, and in advance of each non-summer month for recovery in the
157 non-summer month. Ancillary services would continue to be purchased from
158 MISO-administered markets. Energy-related service would also be purchased
159 from MISO-administered markets, but instead of relying entirely on real-time

160 market purchases, day-ahead demand bids would be allowed in an effort to reduce
161 RSG cost exposure.

162 Recovery of each of the cost components may vary among each of the categories
163 of service. For the BGS-FP category, the majority of these customers are metered
164 with watt-hour metering. Accordingly, recovery of costs would be through a
165 monthly per kWh charge, similar to the present recovery mechanism. For the
166 BGS-LFP category, metering that records at least hourly intervals is used.

167 Accordingly, a demand based charge may be used for the recovery of demand-
168 related costs, and a \$/kWh energy charge would be used for recovery of energy
169 costs. Customers in the BGS-LRTP category also are interval metered, and thus a
170 demand based charge may be used for the recovery of demand-related costs, and a
171 \$/kWh energy charge would be used for recovery of energy costs.

172 Certain costs of providing contingency supply may not be known or realized until
173 after the customer's normal billing period. Because customers in the BGS-LRTP
174 are able to switch to and from this service to service with a Retail Electric
175 Supplier ("RES") on relatively short notice, waiting to recover costs based on
176 future customer usage is problematic. For example, energy-related costs such as
177 RSG charges incurred to serve customers in March may not be known until April.
178 If recovery of costs applies to May estimated usage, several customers who took
179 BGS-LRTP service in March could have switched to service with a RES after
180 March. In this case, costs incurred to serve those customers will be borne by
181 remaining BGS-LRTP customers (which is how current tariff language would
182 direct recovery of the costs). The new appendix would also address this cost/rate

183 imbalance by recovering costs to serve directly from customers that used BGS-
184 LRTP service. Subsequently, on March 20, 2007, the Ameren Illinois Utilities
185 filed Petitions for Special Permission in ICC Dockets Nos. 07-0204-07-0206,
186 incorporating the aforesaid changes to Rider MV. The Commission granted the
187 requested relief on April 4, 2007.

188 **Q. “Item L – Issue 9” in the issue list states, “Should the Market Value**
189 **Adjustment (“MVA”) and Supply Cost Adjustment (“SCA”) factors in the**
190 **Ameren Illinois Utility rates (and analogous charges in Commonwealth**
191 **Edison Company rates) be combined with the base Retail Supply Charge on**
192 **the customer’s bill in an effort to minimize confusion and**
193 **misunderstanding?” Do you agree that such a change is appropriate?**

194 A. Additional consolidation of the charges is appropriate. Presently, the Ameren
195 Illinois Utilities separately state the Retail Supply Charge, MVA, and SCA
196 charges. The MVA represents the Ameren Illinois Utilities’ monthly over-under
197 adjustment where costs and revenue are balanced. The SCA represents a
198 combination of the Uncollectible, Cash Working Capital Adjustment, and the
199 Supply Procurement Adjustment factors. All of these SCA components must be
200 set or determined in a delivery services rate case, and for the fixed price auction
201 products, the total SCA amount only changes when new auction results are
202 incorporated.

203 Anecdotally, customers, especially residential and small commercial customers,
204 are a bit confused with seeing three line items for cost of power on their bill. For
205 the reasons detailed above, we support a recommendation to combine the MVA

206 and SCA components into a single component on a customer's bill to help
207 minimize confusion and misunderstanding. Thus, customers would see a MVA
208 line item, plus the appropriate Retail Supply Charge. This would be done for both
209 the BGS-FP and BGS-LFP categories of service.

210 **Q. Does this conclude your testimony?**

211 A. Yes, it does.

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