

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

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<b>Illinois Commerce Commission</b>	)	
<b>On Its Own Motion</b>	)	
<b>-vs-</b>	)	
<b>Central Illinois Light Company d/b/a</b>	)	
<b>AmerenCILCO; Central Illinois Public</b>	)	<b>Docket No. 07-0165</b>
<b>Service Company d/b/a AmerenCIPS;</b>	)	
<b>Illinois Power Company d/b/a AmerenIP</b>	)	
<b>Investigation pursuant to Section 9-250</b>	)	
<b>of the Public Utilities Act of Electric</b>	)	
<b>Rate Design</b>	)	

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**BRIEF ON EXCEPTIONS OF THE**  
**STAFF OF THE ILLINOIS COMMERCE COMMISSION**

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August 8, 2007

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**BRIEF ON EXCEPTIONS OF THE  
STAFF OF THE ILLINOIS COMMERCE COMMISSION**

Staff of the Illinois Commerce Commission (“Staff”), by and through its counsel, pursuant to Section 200.830 of the Rules of Practice (83 Ill. Adm. Code 200.800) of the Illinois Commerce Commission’s (“Commission”), respectfully submits its Brief on Exceptions to the Proposed Order (“Proposed Order” or “PO”) issued by the Administrative Law Judge (“ALJ”) on July 31, 2007 in the above-captioned matter.

**I. INTRODUCTION**

The Proposed Order reviews the issues in a clear and concise manner, is well written, and reflects the positions taken by Staff, 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 (collectively, “Ameren” or the “Ameren Companies” or the “Ameren Illinois Utilities”); the Illinois Industrial Energy Consumers (“IIEC”);The

Grain and Feed Association of Illinois (“GFA”); Constellation NewEnergy, Inc (“CNE”); the Citizens Utility Board (“CUB”); Direct Energy Services, LLC MidAmerican Energy Company and Peoples Energy Services Corporation, as the Coalition of Energy Suppliers (“CES”) and BlueStar Energy Services, Inc. (“Blue Star”).

Although Staff supports most of the PO, there is a potential concern with one conclusion, the continuance of rate prism and rate mitigation. While Staff believes the conclusion may now be moot due to new legislation awaiting the Governor’s signature, Staff does take exception to this conclusion in the event said legislation does not become law.

## **II. EXCEPTIONS**

### **A. Proposed Discontinuance of Rate Prism and Rate Mitigation Mechanism**

#### Argument

On July 31, 2007 Senate Bill 1592 and its various amendments (collectively “new legislation”) was sent to the Governor to be signed into law. It is Staff’s understanding that the new legislation if signed into law by the Governor would among other things eliminate the future power auctions for the Ameren Companies as contemplated by the order in ICC Docket Nos. 05-0160, 05-0161 and 05-0162 (Consolidated). The Staff proposal in this proceeding which the PO rejected focused on the method of translating auction results into supply charges. Specifically, Staff proposed that the Commission reject the rate prism in favor of an across-the-board increase on existing charges. Staff believes the elimination of the auction and accompanying prism obviates the Staff proposal that directly pertains to that prism.

In light of the fact that the new legislation has not yet become law, Staff takes exception to the PO's conclusion regarding the rate prism. For the reasons previously stated in Staff's initial and reply brief the rate prism should be discarded and should be replaced by Staff's across-the-board, equal percentage increase or decrease proposal. As set forth in Staff's initial and reply brief, the continued use of the prism adds uncertainty. Staff's proposal is simple, straight forward and a transparent approach versus the rate prism. (Staff RB, p. 7) Staff proposes the following modifications to the PO.

Proposed Modification  
(PO, p. 52-53)

D. Commission Analysis and Conclusions

Pursuant to the Ameren Procurement Order in consolidated Dockets 05-0160, 05-0161 and 05-0162, the results of the blended segments of the 2006 auction were entered into series of formulae, sometimes known as the "prism" or "rate prism." The prism is designed to allocate fixed price generation supply or BGS-FP costs to each participating customer class and translate those charges into retail supply rates for customers.

In addition, the Procurement Order approved a Staff-proposed rate mitigation mechanism. Generally speaking, that plan limited increases for individual customer classes in the first BGS-FP auction to a maximum of 20%; however, if the overall increase in the BGS-FP auction were greater than 13.33%, the maximum increase for an individual class would be 150% of the BGS-FP auction group's average increase. The rate mitigation plan was intended to mitigate large increases in the bills of customers in any given rate class to which the results of the blended auction segment is applied, and the plan is still in effect.

In the instant docket, Staff proposes to eliminate the role of the rate prism and the rate mitigation formula in the 2008 Auction. Instead, Staff would apply the same percentage increase or decrease to each customer class on an across-the-board basis in order to avoid disproportionate impacts on individual classes.

Ameren does not oppose Staff's proposal for residential (BGS-1) and small non-residential (BGS-2) customers. However, Ameren objects to it for larger customer classes, and Constellation NewEnergy opposes Staff's proposal; they claim it may

adversely affect larger customers' ability to make efficient switching decisions. CNE also argues that this issue is more appropriately addressed in other dockets.

Having reviewed the record, the Commission finds that adoption of Staff's proposal to eliminate the role of the rate prism and the rate mitigation formula, with respect to the procurement of supply in the 2008 Auction process, to be reasonable~~would be premature~~.

While ~~d~~Departure from cost-based class revenue allocations and intraclass rates in favor of an across-the-board increase is a significant action; ~~whether~~ an action of this magnitude is ~~will be~~ necessary to avoid disproportionate rate impacts resulting from future procurement of supply ~~is not known~~ at this time. To the extent future procurement prices warrant further modification~~consideration~~ of this action~~proposal~~, it may be revisited at that time. Accordingly, Staff's proposal to eliminate the rate prism will ~~not~~ be adopted at this time.

The role of the rate prism with respect to alternative supply procurement methods is an issue not reached by the Commission in this Order.

### III. CONCLUSION

WHEREFORE, for all the reasons set forth herein, the Staff of the Illinois Commerce Commission respectfully requests that its recommendations be approved in this proceeding.

Respectfully submitted,

/s/  
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