

ILLINOIS COMMERCE COMMISSION

Docket Nos. 08-0619, 08-0620, 08-0621 (cons.)

REBUTTAL TESTIMONY

OF

LYNN D PEARSON

SUBMITTED ON BEHALF OF

**CENTRAL ILLINOIS LIGHT COMPANY
d/b/a AmerenCILCO**

**CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
d/b/a AmerenCIPS**

**ILLINOIS POWER COMPANY
d/b/a AmerenIP**

THE AMEREN ILLINOIS UTILITIES

March 10, 2009

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ILLINOIS COMMERCE COMMISSION
Docket Nos. 08-0619, 08-0621, 08-0621 (cons.)
REBUTTAL TESTIMONY
of
Lynn D. Pearson
Submitted on Behalf of
THE AMEREN ILLINOIS UTILITIES

I. INTRODUCTION

A. Witness Identification

Q. Please state your name and business address.

A. My name is Lynn D Pearson. My business address is One Ameren Plaza,
1901 Chouteau Avenue, St. Louis, Missouri 63103.

**Q. Are you the same Lynn D. Pearson that previously filed testimony in
this proceeding?**

A. Yes.

B. Purpose and Scope

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to address issues of various witnesses
concerning the Ameren Illinois Utilities' (AIU) proposed UCB/POR
Program. I have reviewed certain Illinois Commerce Commission Staff
(Staff) and Intervenor witnesses' testimonies and positions as they relate
to my direct testimony in these consolidated dockets. Principally, I am

24 responding to the direct testimony of the Staff witnesses Ebrey, Rukosuev
25 and Clausen, the Citizens Utility Board (CUB) witness Thomas, Dominion
26 Retail, Inc. (DRI) witness Barkas and Illinois Competitive Energy
27 Association / Retail Energy Supply Association (ICEA/RESA) witness
28 Cerniglia. I also introduce the witnesses of the AIU sponsoring rebuttal
29 testimony.

30 The AIU have accepted certain positions or recommendations
31 advanced by some of the parties. However, silence on any other issues
32 should not be interpreted as acceptance of any position.

33 **Q. In addition to your rebuttal testimony, do you sponsor any other**
34 **exhibits?**

35 A. Yes, I sponsor five exhibits. Ameren Exhibits 4.1A and 4.1B contain the
36 Ameren Illinois Utilities' Response to ICC Staff Data Request No. TEE
37 5.01, which is a redlined version of the proposed tariffs reflecting changes
38 agreed to in response to Staff data requests. Ameren Exhibit 4.2 contains
39 the Ameren Illinois Utilities' Response to ICC Staff Data Request No. TEE
40 4.03, which reflects additional tariff language changes proposed by Staff
41 witness Ebrey and agreed to by the AIU. Ameren Exhibit 4.3 contains
42 selected pages from the AIU proposed Supplier Terms & Conditions
43 (ST&C) tariff modified to reflect changes in the treatment of disputed
44 charges since AIU filed their proposed tariffs in September 2008. Ameren
45 Exhibit 4.4 contains a draft of the Informational Filing the AIU proposes to
46 use to implement the UCB/POR Program. Ameren Exhibit 4.5 is a page

47 from Connecticut Light & Power Company's Terms and Conditions for
48 Electric Suppliers. Ameren Exhibit 4.6 is the ICC Staff Response to AIU
49 Data Request No. Ameren-Staff 3-22.

50 **II. INTRODUCTION OF WITNESSES**

51 **Q. Who will be sponsoring rebuttal testimony on behalf of the Ameren
52 Illinois Utilities?**

53 A. Rebuttal testimony will be presented by myself (Ameren Exhibit 4.0),
54 Darrell E. Hughes (Ameren Exhibit 5.0), Joseph M. Solari (Ameren Exhibit
55 6.0), and Roger L. Pontifex (Ameren Exhibit 7.0). Mr. Hughes' testimony
56 is responsive to the Direct Testimony of Staff witness Phipps in regard to
57 the Fixed Charge Rate (FCR) component of the recovery mechanism at
58 issue in this proceeding. Mr. Solari responds to Staff witness Rukosuev in
59 regard to a 60-day compliance period. Mr. Pontifex responds to the direct
60 testimony of DRI witness Barkas and CUB witnesses Thomas and
61 McDaniel with regard to disputed charges and consumer protection
62 issues. My testimony will focus on components of the proposed
63 UCB/POR tariffs.

64 **III. ICC STAFF WITNESS THERESA EBREY**

65 **Q. Ms. Ebrey proposed specific language changes to the tariffs revised
66 by AIU to reflect the addition of the UCB/POR Program. Do you
67 agree with Ms. Ebrey's proposed changes?**

68 A. I appreciate Ms. Ebrey's thorough review of the proposed tariffs and
69 agreed to many of her proposed tariff changes in response to various data

70 requests. I agree with many changes proposed by Ms. Ebrey in her direct
71 testimony. Through the data request process, Ms. Ebrey recommended a
72 number of changes to the AIU proposed modifications to the ST&C and
73 Supplemental Customer Charges (SCC) tariffs. The AIU agreed with many
74 of the changes recommended by Ms. Ebrey. The resulting ST&C and SCC
75 tariffs were provided in the Ameren Illinois Utilities' Response to ICC Staff
76 Data Request No. TEE 5.01, which is attached and identified as Ameren
77 Exhibit 4.1.

78 **Q. Does the AIU response to Staff data request TEE 5.01 reflect all of**
79 **the changes recommended by Ms. Ebrey and accepted by the AIU?**

80 A. No, it does not. Due to the expedited nature of the proceeding the Ameren
81 Illinois Utilities' Response to ICC Staff Data Request No. TEE 5.01 (the
82 red-lined tariffs) does not reflect Staff's proposed changes in the tariff
83 agreed to by the AIU in Staff witness Ebrey's TEE 4 series of data
84 requests. The data request responses concerning those additional
85 changes with which the AIU agreed are attached as Ameren Exhibit 4.2.
86 The AIU will make all agreed upon changes to the tariffs in its compliance
87 filing, to the extent the changes are approved the Commission.

88 **Q. Beginning on page 4, line 61 of her direct testimony Ms. Ebrey claims**
89 **“certain language in the tariffs could be interpreted to provide for**
90 **recovery of something other than full recovery of any uncollected**
91 **receivables.” Do you agree with Ms. Ebrey's recommended changes**
92 **meant to clarify the tariff cost recovery mechanism?**

93 A. Not completely. At page 5 lines 103 – 105 of her direct testimony, Ms.
94 Ebrey proposes to add the following language to part i) of Uncollectibles
95 Cost Reconciliation on 3rd Revised Sheet No. 5.025 “equal to the write-off
96 amounts for the portion of final bills associated with the RES receivables
97 after all reasonable and customary Customer collection processes have
98 ceased...” This added language is redundant because the same language
99 appears in the Definition of Actual Uncollected Receivables on 3rd Revised
100 Sheet No. 5.016. I recommend this added language to part i) be rejected.
101 Aside from the redundancy and chance of confusion, in my judgment the
102 definition section is the better placed in the tariff to explain the nature of
103 the costs to be recovered.

104 In part ii) at page 5 lines 106 – 109, Ms. Ebrey recommends
105 deleting the phrase “uncollectible cost assumed in the UCB/POR Discount
106 Rate Uncollectible Cost Component” and proposes to insert the phrase
107 “dollar amount of uncollectibles included in the actual discounts taken in
108 the purchase of receivables”. I recommend this phrase be modified as
109 follows: “dollar amount of uncollectibles calculated using the Uncollectible
110 cost component of the UCB/POR discount rate and included in the actual
111 discounts taken in the purchase of receivables.” With that slight
112 modification, I agree Staff’s recommendation aids to clarify the
113 Uncollectibles Cost Reconciliation Mechanism. I recommend this same
114 phrase be used in place of Ms. Ebrey’s proposed language on page 6
115 lines 115 – 118 and lines 125 – 129 of her direct testimony.

116 Also, I concur with the change proposed by Ms. Ebrey on page 6
117 lines 121 – 125.

118 Finally, with respect to the definition of Factor APRR, I recommend
119 the same modification to Ms. Ebrey’s proposed revision. The APRR
120 definition should read as follows:

121 APRR = The dollar amount of uncollectibles calculated using the
122 Uncollectible cost component of the UCB/POR Discount Rate and
123 included in the actual discounts taken in the purchase of
124 receivables during the reconciliation period.

125 **Q. Please comment on the other changes to the tariff proposed by Ms.
126 Ebrey at page 7 of her direct testimony.**

127 A. At page 7, lines 150 – 151, Ms. Ebrey proposes to remove the phrase “but
128 not limited to” as it is included in the definition of cost eligible for recovery
129 in the discount rate. I disagree with this change. As stated in direct
130 testimony, the AIU continues to design the necessary changes to the
131 billing system and business processes in order to implement the
132 UCB/POR Program. The nature of all costs is simply not known. One
133 example of ongoing changes is the definition of and process for handling
134 Disputed Charges, which continues to evolve.

135 At page 7 lines 157 – 160, Ms. Ebrey proposes to delete the
136 UCB/POR Start-Up Costs from the Definition section on 3rd Revised Sheet
137 No. 5.019. I disagree with this proposed change. There is merit in
138 maintaining a generic definition of Start-Up Costs because it also appears
139 in the SCC tariff and the two tariffs should be consistent.

140 I agree with the remaining changes proposed by Ms. Ebrey as
141 shown on page 7, line 161 through page 8, line 170.

142 **IV. ICC STAFF WITNESS TORSTEN CLAUSEN**

143 **Q. Are there recommendations in Mr. Clausen's direct testimony with**
144 **which you agree?**

145 A. Yes. The AIU does not object to the Staff proposal to prepare two reports,
146 within 12 months and 18 months from the effective date of the instant
147 tariffs. The AIU agree to Mr. Clausen's proposal to strike the sentence
148 referred to at page 15, line 318 through page 15 line 321 of his direct
149 testimony. The AIU also agree to the recommendation at page 17, line
150 355 that the AIU "provide an updated estimate of its UCB/POR start-up
151 costs as of December 31, 2009 on or before January 31, 2010. The AIU
152 agrees that a similar report shall be filed on January 31, 2011. The AIU
153 agrees to inform the Illinois Commerce Commission (ICC) if any changes
154 to the UCB/POR Program Charge during the initial rate period are needed
155 in order to avoid "a drastic increase" at any time during the five-year cost
156 recovery period, as recommended by Mr. Clausen at page 24, lines 504 –
157 509.

158 The AIU agree with the clarifying changes to the tariff language
159 recommended by Mr. Clausen at page 24, lines 516 through page 27, line
160 573 of his direct testimony.

161 **Q. At page 10, lines 202 – 203 of his direct testimony, Mr. Clausen**
162 **recommends that the UCB/POR discount rate not be changed until**
163 **the initial rate period expires in May of 2012. Do you agree with this**
164 **proposal?**

165 A. No, not for every component of the discount rate. The AIU proposed
166 UCB/POR discount rate has four components. I understand that the RES
167 would prefer to have a stable discount rate over time. For this reason,
168 three of the four components of the AIU' proposed discount rate do not
169 change during the initial rate period which extends through May 2012.
170 However, the fourth component, which is the Uncollectible Cost
171 Component (UDC), is based on the most recent rate case data and
172 Commission Final Order for each of the electric AIU. In order to minimize
173 future controversy and to adhere to cost causation principles, this cost
174 component should be based on a Commission approved level of
175 uncollectible expense. The AIU continue to support the proposal to revise
176 the UDC pursuant to the Commission approved level of uncollectible
177 expense in future delivery service rate case proceedings. This approach
178 synchronizes future changes to the UDC with the uncollectible component
179 included in the AIU BGS rates via Rider PER – Purchased Electricity
180 Recovery and thereby helps create a more level playing field for the RES.
181 The AIU have publicly stated their intent to file rate cases later this year. It
182 is the AIU' understanding that in three of the four jurisdictions which have
183 UCB/POR programs as shown on Ameren Exhibit 1.1, the discount rate

184 changes annually. Therefore, the RES should not find AIU's proposal
185 overly unstable or uncertain.

186 **Q. Mr. Clausen recommends setting the initial discount rate at a level**
187 **higher than what AIU proposed by adding a Balance Factor. How do**
188 **you respond?**

189 A. The AIU does not support the addition of Mr. Clausen's recommended
190 Balance Factor for the following reasons:

- 191 1. The proposed level of Mr. Clausen's Balance Factor of 0.41% has
192 no cost support and was chosen to achieve a discount rate of
193 1.5% (Ameren-Staff (?)3-13 and 3-14). It is the AIU' concern that a
194 discount level that is set too high could pose a RES barrier to
195 entry.
- 196 2. The AIU cannot assess the incremental cost of implementing the
197 Balance Factor without further details; these details are lacking in
198 Mr. Clausen's direct testimony. Further, this is a new concept and
199 has not been considered in the development of the AIU UCB/POR
200 start-up cost estimate.
- 201 3. The addition of the Balance Factor would add some complexity to
202 an already complex discount rate formula.
- 203 4. Mr. Clausen does not explain how the Balance Factor would be
204 integrated into AIU proposed reconciliation mechanism. At page
205 12, lines 235 – 239, he states that any money collected through
206 the Balance Factor should be applied towards any under-recovery
207 of the four other components of the discount rate in the following
208 order: 1) the uncollectible component (UDC); 2) POR start-up
209 costs (PSD); 3) UCB start-up costs (USD); and 4) ongoing
210 administrative cost (OAdm). What if more than one component is
211 under recovering? What if one component is under recovering but
212 another is over recovering? These and other nuances are left
213 unexplained.
- 214 5. Similarly, Mr. Clausen does not explain the treatment of money
215 collected through the Balance Factor if there were over-recovery
216 in the other four components.

217 6. Although I am not an attorney, I am advised Mr. Clausen's
218 proposal that money from the Balance Factor be applied toward
219 under-recovery of the uncollectible component (UDC) is
220 inconsistent with the law. Section 16-118 (c) states:

221 "The tariff filed pursuant to this subsection (c) shall
222 permit the electric utility to recover from retail
223 customers any uncollected receivables that may
224 arise as a result of the purchase of receivables
225 under this subsection (c),..."

226 Under Mr. Clausen's proposed Balance Factor, actual uncollected
227 receivables would be paid for by money collected from the RES.

228 **Q. Is Mr. Clausen's proposed Balance Factor the only way to ensure**
229 **that a substantial portion of the start-up and implementation cost is**
230 **recovered from RES using the UCB/POR service?**

231 A. No. If the goal is to ensure that a larger portion of the UCB
232 implementation cost is paid by the RES, a much simpler and straight
233 forward approach would be to increase the targeted share of the start-up
234 cost born by the RES and modify the 25%/75% split of the UCB
235 implementation cost. Based on current and preliminary estimates,
236 increasing the RES share of UCB implementation costs from 25% to 35%
237 would increase the discount rate during the initial rate period from 1.12%
238 to 1.19%. The resulting UCB/POR Program Charge would be \$0.03 per
239 customer account per month. Stated differently, if the ICC desires that the
240 RES pay for more of the start up costs, it is our view changing the split will
241 accomplish this purpose and do so in a lawful manner.

242 **Q. Mr. Clausen's second recommendation is to increase the recovery**
243 **period from five to seven years. Do you agree with this proposal?**

244 A. No. The five-year cost recovery period is tied to the five-year economic life
245 for Information Technology (IT) investments of the type being made to
246 implement the UCB/POR Program. The five-year recovery period is
247 incorporated in the FCR described by Mr. Hughes in Ameren Exhibit 2.0.
248 As stated by Mr. Hughes at page 4 line 74 "This is the standard book
249 accounting life that is consistent with other IT software investments." It is
250 appropriate to have the FCR cost recovery mechanism period be
251 consistent with the amortization period.

252 **Q. What is your recommendation with respect to the cost recovery**
253 **period?**

254 A. The AIU continue to recommend a five-year cost recovery period for the
255 UCB implementation costs and POR start-up costs included in the RES
256 discount rate.

257 **Q. Mr. Clausen recommends that the AIU be obligated to include any bill**
258 **insert required by the ICC or other regulatory body and provided to**
259 **the AIU by the RES. Do you have any comments with respect to Mr.**
260 **Clausen's recommendations for bill inserts?**

261 A. Yes. The AIU oppose the blanket inclusion of RES bill inserts in its bills.
262 The cost estimate underlying the proposed tariffs does not include any
263 cost associated with RES bill inserts. The ICC would be flying blind if it
264 were to accept Staff's recommendation, as the nature and extent of the bill
265 inserts are unknown as is their cost impacts. For example, the cost of
266 complying with Mr. Clausen's recommendation could include unknown

267 additional postage cost, and postage service charges are increasing, and
268 system processing charges. In addition, it is my understanding that
269 available envelope space is at a minimum, leaving to question whether
270 there is a priority among RES bill inserts, RES vs. AIU bill inserts and so
271 forth. Further, the extent of Staff's recommendation is unknown. When
272 asked to provide examples of such required bill inserts, Mr. Clausen only
273 provided one example (See Staff Response to the AIU Data Request No.
274 Ameren-Staff 3-22, identified as Ameren Exhibit 4.6). Should the ICC
275 endorse a blanket inclusion of RES bill inserts based on this one
276 example? And what is imagined in the context of another regulatory
277 body's insert? Should the ICC be the means by which another agency's
278 message policies be accommodated? Again, the ICC is faced with a
279 recommendation lacking in detail.

280 **Q. Please continue.**

281 A. There may also be public perception reasons that support the AIU position
282 on this issue. A RES bill insert could be perceived as coming from the
283 utility rather than the RES. This could cause public confusion. It might be
284 more appropriate to have a RES message to its customers sent directly
285 via a letter from the RES. Of course, the AIU will comply with an ICC
286 requirement regarding RES bill inserts and would expect a reasonable
287 opportunity to recover the costs associated with furnishing such bill
288 inserts.

289 **Q. Do you have any comments with respect to Mr. Clausen's**
290 **recommendation regarding disputed charges?**

291 A. Yes. The process for handling disputed charges in the realm of the
292 UCB/POR Program is an issue that continues to develop as noted in the
293 Ameren Illinois Utilities' Response to Retail Energy Supply Association
294 Data Request No. RESA 2.05, attached to AIU witness Pontifex rebuttal
295 testimony and identified as Ameren Exhibit 7.5. The issue of disputed
296 charges will be addressed in the rebuttal testimony of Mr. Pontifex,
297 Ameren Exhibit 7.0. My discussion with respect to disputed charges will be
298 limited to recommended tariff changes. In the Ameren Illinois Utilities'
299 Response to Retail Energy Supply Association Data Request No. ESA
300 2.05, AIU indicated its intention to revise the proposed ST&C tariff to
301 remove the sentence "Charges billed by the Company to a Retail
302 Customer for the RES' electric power and energy supply service are
303 deemed to be disputed if such Retail Customer contacts the Company and
304 claims that such charges are not correct." (Reference Original Sheet No.
305 5.034) At page 23, lines 489 – 491, Mr. Clausen states "The various
306 descriptions and definitions of disputed charges throughout the tariffs are
307 likely to leave substantial room for contradictions and differing
308 interpretations." Attached as Ameren Exhibit 4.3 is tariff language revised
309 to clarify the issue and reflect the AIU modified position on disputed
310 charges.

311 **V. ICC STAFF WITNESS PHILIP RUKOSUEV**

312 **Q. In his direct testimony, Mr. Rukosuev recommends that the DS-3a**
313 **and DS-3b subgroups should not be used in AIU's UCB/POR service**
314 **tariffs. Do you agree with this recommendation?**

315 A. Yes, though not necessarily for the reasons he offers. As Mr. Rukosuev
316 points out, there is no precedent for the DS-3a and DS-3b subgroups
317 without prior ICC approval, but of course the ICC could give its approval
318 regarding same in this docket. By way of background, DS-3a and DS-3b
319 are simply used by the AIU as internal designations. In addition, it makes
320 sense that the DS-3 designation is consistent with designations related to
321 the AIU fixed price power supply charges as well as competitive
322 declarations given that the UCB/POR Program relates to competitive
323 suppliers.

324 **Q. Do you accept Mr. Rukosuev's alternative designation?**

325 A. Yes. The AIU agree to use language from the SCC Sheet No. 34.002
326 which reads "DS-3 (subject to the 400 kW limits of Rider BGS)" to replace
327 the references to DS-3a and DS-3b in the UCB/POR tariffs.

328 **Q. Has the AIU agreed to Mr. Rukosuev request to provide a draft of the**
329 **Informational Filing in its rebuttal testimony?**

330 A. Yes. A draft of the Informational Filing is attached as Ameren Exhibit 4.4.
331 The AIU notes that the Informational Filing provided in Ameren Exhibit 4.4
332 is a current draft and the AIU reserves the right to make any changes,
333 edits or modifications that are needed to be in compliance with the

334 Commission's Final Order, or any other changes needed to implement
335 and facilitate the UCB/POR Program.

336 **VI. CUB WITNESS CHRISTOPHER C. THOMAS**

337 **Q. In his direct testimony at page 5, line 117, Mr. Thomas states that**
338 **under the AIU proposed tariffs, customers are being asked to foot**
339 **the entire bill for the UCB/POR Program. Do you agree with this**
340 **statement?**

341 A. No. In the UCB/POR discount rate as proposed by the AIU, the POR
342 related start-up cost is assigned 100% to the RES, the Ongoing
343 Administrative cost is assigned 100% to the RES, and 25% of the UCB
344 related start-up cost is assigned to the RES. Perhaps we misunderstand
345 Mr. Thomas' testimony as he does state that "it is not unreasonable for
346 customers to bear some portion of the initial costs of the POR/UCB
347 program." (CUB Exhibit 2.0, page 5, lines 115 – 116)

348 **Q. At page 4, lines 90 – 94 of his direct testimony, Mr. Thomas states**
349 **that "AIU has presented no evidence that the proposed costs AIU**
350 **seeks to inflict on eligible retail customers will actually produce**
351 **sufficient benefits for those customers. The AIU proposal is**
352 **inappropriate because it forces eligible retail customers to**
353 **essentially subsidize RES operations." Please comment on this**
354 **statement.**

355 A. First, in its proposed tariff filing the AIU is complying with the mandates of
356 SB 1299, which requires the utility to provide utility consolidated billing and

357 purchase of receivables. As recognized by Mr. Thomas at page 5, lines
358 108 – 110 of his direct testimony, SB 1299 includes language that
359 provides for AIU recovery of prudently incurred costs associated with the
360 provision of UCB/POR services. As also recognized by Mr. Thomas at
361 page 8, line 206 – 207, “Fundamentally, POR and UCB programs are
362 established to enable RES to utilize the economies of scale and scope of
363 existing utility billing and collection systems” and not to “subsidize RES
364 operations.” Finally, the debate on the benefits of UCB/POR services was
365 resolved by the General Assembly when it passed SB 1299 and is not at
366 issue in this docket.

367 **Q. Does Mr. Thomas recommend a change to the AIU proposed tariffs?**

368 A. Yes. Mr. Thomas recommends the addition of what he calls the “Fair Cost
369 Allocation Adjustment” or FCAA. Under Mr. Thomas’ proposal, another
370 component, the FCAA, would be added to the UCB/POR discount rate.
371 According to Mr. Thomas, the FCAA is designed to reimburse retail
372 customers for their 75% share of the UCB implementation costs.

373 **Q. Do you have any concerns with respect to Mr. Thomas proposed**
374 **FCAA?**

375 A. Yes, I do. First, under Mr. Thomas proposal, AIU would be recovering
376 75% of the UCB implementation costs from both the retail customers and
377 from the RES during the initial rate period, which lasts through May 2012.
378 In essence, AIU would over recover the UCB implementation costs during
379 the initial rate period, assuming RES participation in the Program. Under

380 Mr. Thomas' proposal, the money collected from the RES through factor
381 FCAA would not begin to be repaid to eligible retail customers until June
382 2012. Second, based on the AIU current UCB implementation cost
383 estimate, adding the FCAA would result in a UCB/POR discount rate of
384 approximately 1.63%, which is nearly 50% higher than the discount rate
385 that results using the AIU current cost estimate and proposed cost
386 recovery mechanism.

387 **Q. What is your recommendation with respect to Mr. Thomas proposed**
388 **FCAA?**

389 A. I recommend that Mr. Thomas' proposed FCAA be rejected, for the
390 reasons outlined in the previous answer and as follows. The proposed
391 FCAA is a mechanism to ensure that the RES pay a higher share of the
392 UCB implementation costs. However, as noted by Mr. Thomas at page 8,
393 lines 216 – 217 "Of course, if the market never develops, then eligible
394 customers are still stuck footing the bill, and the AIU is held harmless."
395 While I don't necessarily agree with that statement, a higher UCB/POR
396 discount rate could conceivably increase the risk that some RES will
397 choose not to participate in the UCB/POR Program, and result in eligible
398 retail customers paying a larger share of the UCB implementation costs. In
399 the UCB/POR cost recovery mechanism as proposed by AIU, the more
400 successful the Program, the larger the share of UCB/POR implementation
401 and start-up costs paid for by the RES. That is a reasonable goal and it
402 can be best achieved by establishing a discount rate that is fair and does

403 not discourage RES entry to the residential and small commercial market
404 in Illinois.

405 **VII. DRI WITNESS WILLIAM BARKAS**

406 **Q. Do you have any general comments regarding the direct testimony of**
407 **Mr. Barkas?**

408 A. Yes. The AIU would like to acknowledge that the participation of Dominion
409 Retail, Inc. (DRI) in the ORMD workshop process has been invaluable, in
410 particular due to its experience in other jurisdictions. The AIU also
411 appreciates DRI's support for the AIU filing and its commendation of the
412 AIU efforts to enhance customer choice in its service territory by
413 implementing the UCB/POR Program (Barkas' direct testimony page 7,
414 lines 146 – 149). That is the essence of the SB 1299 mandate and that
415 mandate has been the AIU goal from the first ORMD workshop in early
416 2008.

417 **Q. Do you have any specific comments regarding the direct testimony**
418 **of Mr. Barkas?**

419 A. Yes. First, At page 4, lines 75 – 78, Mr. Barkas argues that a Connecticut
420 Light & Power (CL&P) POR discount rate of 0.43% should be included on
421 Ameren Exhibit 1.1, which is a list of POR discount rates in other
422 jurisdictions based on information gathered by AIU. We were aware of the
423 CL&P tariff at the time Ameren Exhibit 1.1 was prepared and excluded
424 CL&P from Ameren Exhibit 1.1 based on the following statement in
425 CL&P's tariff "Upon receipt of Customer payments, the Company shall

426 send a “pay/adjustment” transaction to the Electric Supplier.” (CL&P’s
427 Terms and Conditions for Electric Suppliers, page 11 of 16, effective
428 February 1, 2008, Docket No. 07-07-01 is attached as Ameren Exhibit
429 4.5.) The significance of the phrase “Upon receipt of Customer payments”
430 is that this is a so-called “pay as paid” program or something similar.
431 Under a “pay as paid” program the RES are paid for their receivables “if
432 and when” the utility is paid by the customer. In comparison, under the
433 other UCB/POR programs on Ameren Exhibit 1.1, the RES are paid for
434 their receivables whether or not payment is received by the utility. Second,
435 at page 4 lines 84 – 85, Mr. Barkas states that the AIU 0.82 percent
436 uncollectibles rate appears slightly on the high side compared to the other
437 utilities’ uncollectible rates shown on this chart. As indicated in direct
438 testimony, the AIU 0.82% uncollectible rate is based on the level of actual
439 uncollectibles approved by the Commission in the most recent delivery
440 service rate case. In effect, it is what it is; AIU did not manipulate this data
441 in order to inflate the level of uncollectibles and is in compliance with the
442 law. The discount rate is to be based on the electric utility’s historical bad
443 debt and any reasonable start-up costs and administrative costs
444 associated with the electric utility’s purchase of receivables. Third, at page
445 4 line 86, Mr. Barkas states that the AIU total POR discount rate of 1.2
446 percent is also on the high side. In response to a data request from Staff
447 TC 1.08, the information provided shows that the current estimated total
448 UCB/POR discount rate is 1.12%. This cannot be deemed unreasonable

449 in comparison with the discount rates from other jurisdictions shown on
450 Ameren Exhibit 1.1. Mr. Barkas states the reason AIU's total discount rate
451 is on the high side is because a share of the UCB implementation cost is
452 included in that discount rate. The AIU does not agree with Mr. Barkas
453 that its proposed discount rate is on the high side. It is DRI's position that
454 100% of the UCB implementation cost should be born by retail customers
455 via distribution rates (Barkas page 5 lines 97 – 99). In deference to
456 positions offered by stakeholders, AIU determined that a sharing of the
457 UCB implementation cost was a reasonable approach. Finally, Mr. Barkas
458 expresses concern with the AIU dispute resolution process. This issue is
459 addressed in the rebuttal testimony of Mr. Pontifex. In the Ameren Illinois
460 Utilities' Response to Retail Energy Supplier Association Data Request
461 No. RESA 2.05, the AIU already agreed to remove the sentence
462 referenced in Mr. Barkas direct testimony at page 6, lines 125 – 128. The
463 AIU current position with respect to dispute resolution should resolve this
464 issue.

465 **VIII. ICEA/RESA WITNESS RONALD CERNIGLIA**

466 **Q. Do you have any general comments regarding the direct testimony of**
467 **Mr. Cerniglia?**

468 **A.** Yes. The expertise of Mr. Cerniglia is the area of UCB/POR is
469 acknowledged and is welcomed in this proceeding. As noted in my direct
470 testimony, SB 1299 takes its lead from other states with retail choice and
471 AIU examined New York with respect to its UCB/POR programs. In

472 addition, AIU appreciates the efforts of the individual RES that are
473 members of ICEA and RESA with respect to their participation in the
474 ORMD workshops. Their combined experience in other jurisdictions
475 brought much to the process. However, there is an important difference
476 between the development of the UCB/POR Program in Illinois and New
477 York. In New York, UCB and POR programs were developed at the same
478 time as other retail choice and customer referral programs and the cost
479 associated with implementing those programs was included in base rates.
480 In Illinois, under the mandate of SB 1299, the steps being taken to
481 encourage retail choice at the residential and small commercial level come
482 many years after the market was first opened to retail competition. That
483 has implications for the various stakeholder positions with respect to the
484 cost recovery mechanism in Illinois.

485 **Q. Do you have any specific comments regarding the direct testimony**
486 **of Mr. Cerniglia?**

487 A. Yes. As noted by Mr. Cerniglia in his direct testimony at page 24, line 24
488 through page 25 line 3, the discount rate varies by utility and "is usually
489 set at a level comparable to the local utility's UCB percentage (typically
490 between .65% and 2%). AIU agrees with Mr. Cerniglia with respect to the
491 need for an appropriate discount rate based on the utility's historical
492 uncollectible costs.

493 **Q. Do you agree with Mr. Cerniglia's recommendation to remove the**
494 **AIU' so-called All-In or All-Out provision from its ST&C tariff?**

495 A. No. The provision being referred to as the All-In or All-Out provision
496 appears in the Availability/Eligibility section of the ST&C tariff 3rd Revised
497 Sheet No. 5.015. The AIU remain concerned about creating the potential
498 for some RES to utilize the UCB/POR Program to be selective about
499 which customers are place on the Program. The AIU continue to view this
500 provision as a customer protection measure necessary to prevent
501 unintended uses of the UCB/POR program. If the Program rules,
502 intentionally or otherwise, encourage RES to keep good-paying customers
503 using dual billing or the single billing option (SBO) and put their remaining
504 customers on the UCB/POR Program, the result could increase the level
505 of the AIU average uncollectible cost. The discount rate is predicated on
506 the average historical bad debt rate of the utility as established in a rate
507 case. The AIU' concern is, without this protective measure, the average
508 AIU uncollectibles cost could increase in the future as a result of the
509 UCB/POR Program and this cost would be shared by all retail customers.
510 The AIU believe it is important therefore to retain the "All-in" or "All-out"
511 provision.

512 **Q. Do you any comments regarding the "other problems" that Mr.**
513 **Cerniglia claims may arise as a result of the All-In or All-Out**
514 **proposal?**

515 A. Yes. Mr. Cerniglia claims some sophisticated customers may demand
516 more detailed bills that could not be provided under AIU' UCB/POR billing
517 option. He includes the prohibition on the ability to: a) bill for value added
518 services; and b) to include RES late fees in the purchased receivables.
519 The AIU' All-In or All-Out rule is irrelevant with respect to those items.
520 Those items could not be included in UCB/POR purchased receivables
521 even if the All-In or All-Out rule is rejected because they do not fall within
522 the definition of Power and Energy Services.

523 **Q. Do you agree with Mr. Cerniglia's recommendation with respect to**
524 **the scope of costs and charges that can be included in electric**
525 **Power and Energy Service?**

526 A. No. The AIU proposed ST&C includes a definition for Power and Energy
527 Service (Reference 3rd Revised Sheet No 5.018). It is defined as follows:
528 "Power and Energy Service for the UCB/POR Program refers to the RES
529 charges included in the receivables purchased by the Company and shall
530 only include charges for Power and Energy Service. Such charges for
531 Power and Energy Service shall include only those components the RES
532 is obligated to procure to meet its Customers' instantaneous electric
533 power and energy requirements and may also include charges for
534 Transmission Services and related Ancillary Transmission Services. The
535 accounts receivable purchased for the RES shall not include items such
536 as early termination fees or fees for value added service." The goal of SB
537 1299, as I understand it, in general and of the UCB/POR Program in

538 particular is to remove barriers to entry for RES by allowing them to utilize
539 the billing and collection services of the incumbent utility and thereby
540 provide alternative choices for electric suppliers to residential and small
541 commercial customers in Illinois. The UCB/POR Program proposed by the
542 AIU is a workable mechanism that meets this goal.

543 **Q. Do you agree with Mr. Cerniglia’s position that the AIU’ definition of**
544 **Power and Energy Service is overly restrictive?**

545 A. No. Based on his direct testimony, a RES could arguably include anything
546 and everything in the definition for Power and Energy Services. “Further,
547 this definition should take into consideration the **entire universe** of costs
548 that RESs incur in the provision of retail electric service.” (IECA-RESA Ex.
549 1.0, page 28, lines 4 – 5, emphasis added) Mr. Cerniglia states AIU
550 “should not be permitted to adopt an overly restrictive definition of the
551 types of costs and charges that RES are permitted to include in the
552 UCB/POR Program, including but not limited to renewable offerings and
553 the ability to recover costs associated with compliance with the RPS
554 requirements.” (IECA-RESA Ex. 1.0, page 7, line 7 – 11)

555 **Q. Mr. Cerniglia states that AIU’s proposal to prohibit RES from**
556 **recovering the cost of RECs through the UCB/POR Program limits**
557 **the ability of suppliers to meet their customers’ demand for green**
558 **energy. Do you agree?**

559 A. No. To the extent that RES procure power from renewable resources and
560 use that power to serve to residential and small commercial customers,

561 that falls within the scope of Power and Energy Services as defined by
562 AIU with respect to the UCB/POR Program. However, Renewable Energy
563 Credits (RECs) are financial instruments and fall outside the scope of
564 electric Power and Energy Service as defined by AIU with respect to the
565 UCB/POR Program. Mr. Cerniglia did not state in his direct testimony that
566 RECs are included in the offering provided by ESCOs in New York that
567 are purchased via utility POR programs. Mr. Cerniglia mentioned that New
568 York ESCOs offer “green power” which the State of New York Public
569 Service Commission in its Order Determining Future of Retail Access
570 Programs dated October 27, 2008 defined as “electricity purchased from
571 sources deemed environmentally beneficial” at page 4. Using that
572 definition, the AIU understand that “green power” is within the scope of
573 Power and Energy Services.

574 **IX. CONCLUSION**

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

576 **A.** Yes, it does.