

ILLINOIS COMMERCE COMMISSION

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

REVISED

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%. It is the AIU' concern that a discount level that is set too
194 high could pose a RES barrier to entry.
- 195 2. The AIU cannot assess the incremental cost of implementing the
196 Balance Factor without further details; these details are lacking in
197 Mr. Clausen's direct testimony. Further, this is a new concept and
198 has not been considered in the development of the AIU UCB/POR
199 start-up cost estimate.
- 200 3. The addition of the Balance Factor would add some complexity to
201 an already complex discount rate formula.
- 202 4. Mr. Clausen does not explain how the Balance Factor would be
203 integrated into AIU proposed reconciliation mechanism. At page
204 12, lines 235 – 239, he states that any money collected through
205 the Balance Factor should be applied towards any under-recovery
206 of the four other components of the discount rate in the following
207 order: 1) the uncollectible component (UDC); 2) POR start-up
208 costs (PSD); 3) UCB start-up costs (USD); and 4) ongoing
209 administrative cost (OAdm). What if more than one component is
210 under recovering? What if one component is under recovering but
211 another is over recovering? These and other nuances are left
212 unexplained.
- 213 5. Similarly, Mr. Clausen does not explain the treatment of money
214 collected through the Balance Factor if there were over-recovery
215 in the other four components.

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

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

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

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

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

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

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

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

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

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

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

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

279 **Q. Please continue.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

404 **VII. DRI WITNESS WILLIAM BARKAS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

573 **IX. CONCLUSION**

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

575 **A.** Yes, it does.