STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	)	
d/b/a Ameren Illinois	)	
	)	Docket No. 14-0097
	)	
Petition for Approval of Tariffs	)	
Associated with the Small Volume	)	
Transportation Program	)	

REPLY BRIEF OF AMEREN ILLINOIS COMPANY

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I. INTRODUCTION

Faced with a record that establishes that the Small Volume Transportation Program ("SVT Program") will not provide benefits to customers that justify the updated costs, the Illinois Commerce Commission ("Commission") should order Ameren Illinois Company d/b/a Ameren Illinois ("AIC" or "Ameren Illinois" or the "Company") to stop implementation of the program. This is the position urged by the Company, the Citizens Utility Board ("CUB") and the People of the State of Illinois ("AG"). Importantly, the Staff of the Illinois Commerce Commission ("Staff") does not take a position with respect to continuation of the SVT Program, but acknowledges that if the Commission believes SVT is no longer a net benefit to ratepayers, the Commission should conclude the docket without ordering continued implementation. Indeed, it makes no sense to order Ameren Illinois to spend an additional $21 million to complete implementation of a program whose questionable benefits are vastly outweighed by the significant, known costs.

As their Initial Brief makes clear, the alternative gas suppliers take a self-interested position in requesting that the Commission order Ameren Illinois to complete implementation of the Program. But the gas suppliers' position is an easy one for them to take—they have no skin in the game. They refuse to commit to fund any of the costs of the program or provide any concrete marketing plans by which they would provide any benefits to customers, and they continue to push for programmatic changes that would drive up costs and extend the implementation timelines simply because such changes would make the gas suppliers' business easier to conduct. It is the customers, however, who should be the focus of the decision-making process, and if the Commission follows the recommendation of the suppliers, it is the customers who would be forced to pay for a program that may not be used and does not provide corresponding benefits.

As noted in AIC's Initial Brief, the original intention of this docket was to resolve certain disputed issues with respect to the SVT Program design. But due to the evolution of the design process, including feedback from stakeholders through the workshop process, estimated costs for the remainder of program implementation have gone up and the purported benefits of SVT have become uncertain when one takes into account how gas markets have evolved since the Company was first ordered to implement an SVT program. Ameren Illinois witness Mr. Scott Glaeser explained how future gas prices and the lack of municipal aggregation, among other factors, could very well lead to low levels of participation in the SVT Program. Without adequate program participation, benefits will be extremely limited, regardless of program costs. The better course forward is not to blindly push the SVT Program to completion, but rather stop implementation so that the Commission can assess whether and how to proceed with a customer choice program for AIC. And should the Commission have any concerns regarding the money spent to date, those concerns should be allayed, as AIC customers will enjoy the benefits of system upgrades that are already used and useful for purposes other than SVT.

Should the Commission disagree with the Company, CUB, and AG, and order Ameren Illinois to continue implementation of the SVT Program, the Commission will have to decide whether any of the suggested changes to the Program should be adopted. As explained by AIC in its Initial Brief, the suggested changes will extend implementation timing and increase costs—costs that will further outweigh SVT's questionable benefits. For example, one supplier has called into question whether the SVT Program even complies with the Public Utilities Act and should the Commission agree, the possible cost of addressing this issue (*i.e.*, designing and implementing a different single billing option, *even though options currently exist*) is completely unknown.

For the reasons set forth below and in Ameren Illinois' Initial Brief, the Commission should stop implementation of the SVT Program to save customers tens of millions of dollars on a program that might not be used and would not provide benefits at this time. Instead, should the Commission decide to continue with residential gas choice at this time, the Company recommends the Commission order interested stakeholders to continue investigation of viable alternatives that would not be as expensive as the SVT Program, but would be capable of producing demonstrable customer benefits. If, against the arguments of the Company, CUB, and AG, the Commission opts to move forward with the SVT Program, Ameren Illinois urges the Commission to adopt the Program as currently proposed by AIC in this proceeding so that system integrity, as well as the estimated costs and implementation timeline not be negatively impacted.

II. PROCEDURAL HISTORY

III. CONTINUATION OF SVT PROGRAM

Before addressing the various programmatic proposals regarding the SVT Program, the Commission must decide the policy question of whether, in light of the uncontested increase to the estimated implementation cost and timeline, AIC should spend approximately $21 million in additional funds and proceed with the remainder of implementation for the SVT Program. As explained in AIC's Initial Brief, the answer to this policy question is "no." (AIC IB at 8-25.) The parties, however, are divided on the answer to this policy question:

- Staff gives the Commission three options regarding the continuation of the SVT Program, but has maintained a neutral position on the outcome, as Staff does not make a recommendation whether to move forward or terminate implementation at this time;

- CUB-AG and Ameren Illinois urge the Commission to stop implementation; and
- The Illinois Competitive Energy Association ("ICEA"), the Retail Energy Supply Association ("RESA"), the Retail Gas Suppliers ("RGS"), and Nicor Advance Energy ("NAE") urge the Commission to move forward with implementation, regardless of the significant costs and lack of economic benefits that would call for spending approximately $21 million (over a 21-24 month period).

As explained in Ameren Illinois' Initial Brief, the evidence establishes that the Commission:

1) Should deny the petition and refuse to order further implementation of the SVT Program because the current lack of benefit to customers does not justify spending approximately $21 million (over 21-24 months) on proceeding with the SVT Program at this time;
2) Order AIC to stop implementation of Phase 2 of the SVT Program; and
3) Should the Commission decide to continue with residential gas choice at this time, order AIC and interested stakeholders to explore whether viable alternative gas customer choice programs exist, including AIC's proposed Gas Price Choice Program.

(AIC IB at 9.) Given the updated circumstances, such relief serves the interests of all involved, including the Commission, AIC, its customers, and the alternative gas suppliers. However, other parties have taken positions with respect to this issue in their respective Initial Briefs. Ameren Illinois responds to those positions, in turn, below.

A. Response to Staff's Position

Importantly, Staff maintains a neutral position on whether to proceed with the final phase of SVT implementation (Hearing Tr. at 393). Nonetheless, Staff addresses three issues in its Initial Brief's discussion of the continuation of the SVT Program: whether market changes make SVT more or less favorable at this time; what the Commission's next step should be; and whether AIC's alternative gas choice program is a viable option. First, Staff does not agree with AIC that gas markets have changed in such a way that impacts the analysis of whether to spend approximately $21 million on an SVT Program at this time. In testimony, AIC established that market conditions have changed—*i.e.*, lack of gas municipal aggregation legislation, and more price stability at lower costs due to the increased supply of gas from fracking. Staff dismisses both of these alleged market changes, summarily stating: "[f]racking [] does not materially affect[] the viability of retail markets," and "[i]t is certainly possible to have an active market without municipal aggregation." (Staff IB at 4.)

Second, Staff recommends that the Commission should not approve any cost recovery in this docket, regardless of how the Commission decides to proceed on gas choice. (Staff IB at 4.) Staff also lays out three options for the Commission (without providing an opinion on which option the Commission should choose):

1) Reaffirm its previous order—the SVT Program and related tariffs would continue to be litigated in this docket to resolution.

2) Request the parties provide additional information regarding whether SVT is cost beneficial.

3) Decide to conclude the docket and SVT Program implementation (if the Commission believes that SVT is no longer a net benefit to ratepayers).

(*Id.* at 4-5.)

Third, Staff recommends that the Commission reject the alternative choice program outlined by Mr. Glaeser in his supplemental direct testimony because AIC's description of the program is vague and appears very different than the proposed SVT Program. (Staff IB at 5.)

In response to the first issue raised by Staff (market conditions), Ameren Illinois notes that despite Staff's criticism of the Company's position, Staff never takes the position that the SVT Program should proceed despite the increase in costs. Staff's criticisms of the Company's positions are without basis in evidence. As explained by AIC in its Initial Brief and supported by testimony, current and forecasted market conditions portend low customer participation in the Program, which makes the current environment less conducive to a successful SVT program.

(Ameren Ex. 4.0 at 18.) At the time the initial SVT program was contemplated, natural gas markets were much different than they are today. (*Id.* at 11-12.) Back then, gas municipal aggregation legislation was anticipated and the success of AIC's electric choice program gave rise to the potential for substantial switching for AIC gas customers. (*Id.*) But as the SVT Program evolved and developed over the course of two rate cases and many workshops, so too did the gas markets—no gas municipal aggregation legislation was passed and the price and supply of gas has been impacted by development in shale gas technologies. The present market conditions support reconsideration of the proposed program given the revised cost.

As the development of the SVT Program progressed, so has the rapid expansion of shale gas production in the continental United States. (Ameren Ex. 4.0 at 12.) Domestic gas supply discoveries have resulted in a significant positive shift of the supply curve. (*Id.*) Rapidly increasing domestic production has both moderated the price and volatility of natural gas markets. (*Id.*) Low gas prices and low volatility reduces the ability of marketers to avail themselves of temporal price disparities with respect to commodity prices, futures and derivatives.[1] (*Id.*) Thus, there may be less of an ability on the part of marketers to take advantage of low price opportunities and entice customers to switch. (*Id.*)

Staff argues that the Company did not "provide any concrete evidence that gas retail market participation has been reduced by the shale revolution" (Staff IB at 4), but the above establishes that Staff's argument is unfounded. It cannot be disputed that customers who

[1] As explained in AIC's Initial Brief, over the 2015-2025 timeframe, natural gas prices are expected to average between $4 and $6 per MMBtu. (Ameren Ex. 4.0 at 12.) Additional dry shale production capacity emerges at prices greater than $6 effectively becoming a ceiling to long-term prices. (*Id.*) Shale gas production is more of a manufacturing process rather than an exploration process creating a large resource base ready to be tapped when gas prices move moderately higher. (*Id.*) The significant volatility in natural gas prices has now moderated, as forward prices are expected to remain stable for the next few years. (*Id*. at 13.) Accordingly, the introduction of shale gas has created a fundamental change in natural gas markets.

participate in retail gas choice programs often do so because they are interested in saving money on the cost of gas. (Hearing Tr. at 163 (RGS witness Mr. Crist acknowledging that "a likely reason" customers contact suppliers is to make "an inquiry about a commodity price").) Even RGS witness Mr. Crist admitted that "natural gas supply markets, commodity markets impact gas prices." (*Id.* at 167.) As the shale gas revolution helps drive down the difference between the cost of gas purchased from AIC and the cost of gas purchased from a retail gas supplier, logic dictates that customers have less incentive to switch and, in fact, would do so at lower levels than a market where a higher price differential existed.

Secondly, Staff's position on the lack of gas municipal aggregation does nothing to support spending approximately $21 million on SVT at this time. Rather, Staff merely argues that "[i]t is certainly possible to have an active market without municipal aggregation." (Staff IB at 4.) But that it is "possible" to have an "active" market is beside the point and does not identify any ascertainable benefits to customers. And, importantly, Staff conceded at the hearing that "municipal aggregation for gas customers, all else equal, is likely to lead to higher rates of switching to transportation service than would be the case in its absence." (Hearing Tr. at 392.) Indeed, as noted above, as the SVT program was initially contemplated and developed, Ameren Illinois communities were availing themselves of electric municipal aggregation and switching en masse to third party supply. (Ameren Ex. 4.0 at 13-14.) The success at that time with respect to municipal communities led many to believe that gas municipal aggregation was imminent. (*Id.*) So to accommodate the mass switching functionality expected, AIC was required to design systems and processes capable of accommodating such a development. (*Id.*) However, today the trend has reversed, with fewer electric customers of AIC are now switching to alternative supply and some customers are switching back to AIC supply. (*Id.*) Further, legislation that would mandate municipal aggregation for gas has not come to pass and there is no evidence that such legislation is imminent. (Hearing Tr. at 90-91.)

Today, AIC is concerned that the moderated commodity price and volatility, together with the change in electric switching and a reversal of the municipal aggregation trend, could result in the launch of a SVT Program that costs tens of millions of dollars but is used by a very small portion of the Company's customer base. (Ameren Ex. 4.0 at 14.) Given the shale gas effect on gas markets, the cost of SVT will likely be greater for customers over the next few years than the opportunity for price savings. (*Id.*) While there may be other non-financial benefits to SVT participation, the costs as they exist today pose a significant hurdle for enabling customers to save more money from third party choice than they incrementally spend as a result of the impact of SVT implementation. (*Id.* at 15.) Accordingly, given the changed market conditions coupled with increased costs, the Commission should stop SVT implementation.

In response to the second issue raised by Staff—the Commission's three options regarding continuation of the SVT Program—Ameren Illinois supports the third option, by which the Commission would "accept[] the revised costs estimates and timelines . . . [and] decide to conclude the docket." (Staff IB at 5.) Ameren Illinois thoroughly explained why the Commission should order the Company to stop implementation of the SVT Program in its Initial Brief (at 8-25) and, for the sake of brevity, hereby incorporates those arguments by reference.

Additionally, the Commission should not take either the first and second option. The record has more than sufficient evidence—evidence that has gone largely unrebutted—regarding the cost and lack of benefits to customers of proceeding with the SVT Program at this time. And while Staff states the Commission could approve the SVT Program and simply assess the reasonableness and prudence of costs incurred to test and implement the SVT Program at a future date, such a path would be illogical and potentially unfair. AIC has informed the Commission of the scope of the increase in costs to the SVT Program so that the Commission can assess the path forward *before* AIC spends the money testing and implementing the Program. It would be unfair for the Commission to direct AIC to proceed with the SVT Program based on the record evidence (including scope of the costs) and then somehow disallow prudently incurred costs in a future proceeding.

Finally, responding to the third issue raised by Staff, regarding the alternative choice program outlined by Ameren Illinois witness Mr. Glaeser, Ameren Illinois agrees that it would need to provide additional information regarding the Gas Price Choice ("GPC") program before implementation of the program could be approved by the Commission. (Staff IB at 5.) Staff argues that the Commission should "reject the alternative choice program" because "Ameren only provides a vague description that differs markedly from the proposed Ameren SVT Program." (*Id.*) Ameren Illinois presented the GPC program to give parties and the Commission a sense of what types of alternative programs could be implemented if the SVT Program does not move forward. The Company does not seek specific approval from the Commission at this time, as the details of such a program would need to be further discussed, designed and developed. Ameren Illinois requests that implementation of the SVT Program be stopped at this time—a request on which Staff does not take an opposing view (even though it does not agree either)—not that the Commission approve the GPC program.

B. Response to CUB-AG's Position

Ameren Illinois supports CUB-AG's position that the Commission should stop implementation of the SVT Program. Like Ameren Illinois, CUB-AG recommend that the Commission reject the draft SVT tariffs submitted in this proceeding and hit the pause button on gas choice in Ameren Illinois territory. (CUB-AG IB at 6.) CUB-AG agree with Ameren

Illinois witness Mr. Glaeser's opinion that recent changes in market conditions mean that the SVT Program would likely only be used by a very small portion of Ameren Illinois' customer base. (*Id.* at 7.) CUB-AG further agree with Mr. Glaeser that "it is clear from the information provided that the potential for gas cost savings to AIC's customers is called into question and those potential gas cost savings completely disappear once you add in the cost to recover the additional $21 million Phase 2 cost of the SVT Program." (*Id.* at 8 (citing Ameren Ex. 4.0 at 17).) CUB-AG recommend that the Commission adopt the cost-benefit analysis offered by Ameren Illinois because it represents a reasonable methodology under which the Commission can consider impacts of going ahead with the SVT Program. (CUB-AG IB at 9.)

CUB-AG discredit the positions of ICEA/RESA/RGS, asserting that ICEA/RESA's claims of future benefit from the SVT Program are "purely speculative," and that RGS' position that AIC's cost-benefit analysis fails to take into account non-economic determinants of customer behavior is "void of any evidence." (CUB-AG IB at 13-14.)

In sum, CUB-AG argue that, on the basis of the current record, "the Commission cannot reasonably conclude that Ameren should incur the over $32 million in costs to implement the program without a showing of net benefits." (CUB-AG at 12.) Thus, as both CUB-AG and Ameren Illinois argue, the Commission should stop implementation of the SVT Program.

C. Response to ICEA/RESA/RGS' Position

1. Summary of ICEA/RESA/RGS' Positions

ICEA/RESA/RGS continue to support the SVT Program and recommend that the Commission "direct Ameren to minimize its costs as much as possible and [] accelerate the implementation of the SVT Program as much as it can." (ICEA/RESA/RGS IB at 6-7.) According to ICEA/RESA/RGS, "it is unquestioned that customers will benefit from an SVT Program." (*Id.* at 7.) According to the gas suppliers, one major benefit is the ability of suppliers to offer a diverse range of products and services, such as fixed rate and bundled products that Ameren Illinois cannot offer. There are also wholesale benefits of an SVT Program, including increased liquidity at the Ameren Illinois trading hubs, greater reliability because suppliers have intrastate pipeline assets that can be utilized to deliver into the system that Ameren Illinois may not have access to, and downward price pressure on wholesale prices at the Ameren Illinois hubs. (*Id.* at 8-9.)

ICEA/RESA/RGS argue that Ameren Illinois has "taken the money approved for SVT and instead used it for non-SVT related items outside of the Commission's Order and is now asking for more money to delay or disallow the SVT Program." (*Id.* at 10.) ICEA/RESA/RGS assert that any additional funds needed for the SVT Program should be addressed in a future rate case and should only be recovered if they are deemed to be reasonable and prudent.

ICEA/RESA/RGS next argue that, to the extent the Commission wants to consider Ameren Illinois' revised cost estimates, those estimates are overstated and suspect. As an initial matter, ICEA/RESA/RGS criticize Ameren Illinois' alleged decision to make its SVT Program "the most sophisticated Choice program in the State" by including "bells and whistles" that go beyond the program that was approved in Docket 13-0192. (*Id.* at 13.) With respect to the Company's revised cost estimates, ICEA/RESA/RGS argue that the benefits implemented during Phase 1 of SVT implementation are not necessary for the SVT Program specifically. (*Id.* at 17-19.) Accordingly, the $11.6 million Ameren Illinois spent on IT system upgrades in Phase 1 should not be considered SVT costs. (*Id.* at 20.) The $10.6 million approved by the Commission for Ameren Illinois to implement the SVT Program is therefore still available for SVT costs. ICEA/RESA/RGS further argue that Ameren Illinois' estimates of Phase 2 costs are suspect. (*Id.* at 20-23.)

With respect to AIC's revised implementation timeline, ICEA/RESA/RGS argue that the schedule is not reasonable. (*Id.* at 23-24.) These parties argue that because Ameren Illinois' customers should not have to wait until 2016 or later to obtain the benefits of competition, the Commission should consider ordering Ameren Illinois to implement the SVT Program in phases. (*Id.* at 23.)

ICEA/RESA/RGS also challenge the Company's characterization of how gas markets have evolved, and how the current environment is less hospitable for an SVT Program. (*Id.* at 24.) Specifically, ICEA/RESA/RGS argue that the "so-called shale gas 'revolution'" began long before the SVT Program was litigated, that shale gas has not led to a decline in switching in other markets with gas choice programs, that NYMEX future prices are not useful for predicting the volatility of future gas prices, and that Mr. Glaeser's prediction of future prices of natural gas should generally not be relied on. (*Id.* at 26-31.)

Further, with respect to market conditions, ICEA/RESA/RGS disagree with AIC's position that the trend in electric customer switching has reversed. (*Id.* at 31.) ICEA/RESA/RGS also argue that municipal aggregation for natural gas is not "dead" in Illinois, but, at any rate, is not necessary for a robust SVT Program. (*Id.* at 32.)

Next, ICEA/RESA/RGS disagree with AIC's cost-benefit analysis. (*Id.* at 34.) For example, ICEA/RESA/RGS argue that AIC fails to take into account potential savings and benefits once the program is fully paid for and that the current offers in both Nicor Gas Company and The People Gas Light and Coke Company's service territories are 10-20% below those utilities' gas charges as of August 2014. (*Id.*)

Finally, ICEA/RESA/RGS argue that Ameren Illinois' Gas Price Choice Program is not a real Choice program and is not an acceptable alternative to the SVT Program. (*Id.* at 38.)

ICEA/RESA/RGS criticize the program as a way for the Company to attempt to maintain its supplier role. In addition, ICEA/RESA/RGS claim the GPC program would restrict product innovation, as they would only be able to offer fixed prices, not other innovative products, including green products, variable caps, products bundled with energy efficiency, and smart thermostats. Further, the GPC program would be "difficult" for customers, as they would receive two separate bills, which would be confusing. (*Id.* at 40.) Finally, ICEA/RESA/RGS argue that all the wholesale benefits gained from choice would be lost with the GPC Program.

2. Response to ICEA/RESA/RGS

As an initial matter, it cannot be ignored that while gas suppliers portend to identify "benefits" for the customers[2] when urging the Commission to proceed with SVT, "other than stating that these are potential benefits, there is a distinct lack of evidence in the record that the Commission can rely on to support that these benefits would occur." (ICC Docket No. 12-0569, Final Order (Jul. 29, 2013) at 18.) Moreover, suppliers have refused to commit to assisting customers and/or AIC in paying for the implementation of the SVT Program in any way, even though they argue for multiple programmatic changes that would drive up the cost of SVT simply on the basis that it would provide benefits to the *suppliers*' business. (*See* AIC Cross Ex. 7 (response to AIC-RGS 2.12/4.4 asking if suppliers would be agreeable to an annual fee or per bill charge assessed to suppliers for the purposes of offsetting the rate impact on customers); Hearing Tr. at 144 ("Q. Now, Mr. Crist, is it correct that at this point, IGS is unwilling to commit to paying any form of per-bill fee as part of the SVT Program? Is that right? A. That is correct. .

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[2] When asked to identify such benefits, RGS witness Mr. Crist stated that "'economic benefit' is not the only benefit that should be considered" and identified what he believes to be additional benefits to include "customer experience, loyalty programs and other bundles [SIC] products…." (AIC Cross Ex. 10.) IGS has identified such bundled products as including such things as "sewage protection," "HVAC service contracts," "compressed natural gas consulting services," "fuel rewards," and "biomass generation." (AIC Cross Ex. 11.)

. .").)[3] Instead, suppliers demand that the SVT Program proceed on a fast track schedule, jeopardizing testing and reliability, and incorporate new, never before designed components that suppliers raise in this docket regardless of the cost. If implemented, the suppliers will receive the benefit of Utility Consolidated Billing ("UCB") and Purchase of Receivables ("POR") (collectively, "UCB/POR"), and AIC will provide full billing and collection services for the suppliers, which fully eliminates the collection risk to suppliers. (Hearing Tr. at 143-44 (Mr. Crist admitting that once the supplier has been paid for the receivable, the supplier does not bear any credit or collection risk—the Company bears the collection risk.) No other gas utilities in Illinois currently provide this service. Suppliers demand all of this despite having no marketing plans or identified products for which the Commission (or AIC) could adjudge benefits. (Hearing Tr. at 83 (ICEA/RESA have not drawn up marketing plans); *id.* at 147 (IGS has no business or marketing plans).) Essentially, suppliers are asking that AIC and ultimately its customers pay tens of millions of dollars to allow suppliers the option to enter the Illinois retail market with little to no risk, should they decide there is a profit incentive for them to do so. The suppliers' self-serving positions should be given little weight when compared to the total lack of demonstrable benefits to customers at this time.

In regards to ICEA/RESA/RGS' other arguments, they state that the ICC Docket No. 13-0192 Order approved the SVT Program without requiring a cost-benefit analysis, and thus SVT should be implemented regardless of any such analysis. (ICEA/RESA/RGS IB at 14.) This is an absurd position. According to ICEA/RESA/RGS, just because the Commission did not specifically state that a cost-benefit analysis was required prior to implementation of the SVT

[3] AIC Cross Exhibit Numbers refer to the corresponding number identified when filed on e-Docket on December 17, 2014.

Program, the Company is required to implement the program even if subsequent analyses reveal that the program would not be cost-beneficial to customers. ICEA/RESA/RGS' technical argument is a "form over substance" argument that ignores the interests of customers who would be paying for a program that would not provide them with demonstrable benefits.

In addition to arguing that the SVT Program should be implemented regardless of whether it is cost-beneficial, ICEA/RESA/RGS argue at length that AIC's proposed SVT Program should be modified. ICEA/RESA witness Ms. Ringenbach admitted, however, that she has not done an analysis of how much it would cost AIC or its customers to implement any of ICEA/RESA's recommendations. (Hearing Tr. at 81.) It appears, therefore, that ICEA/RESA/RGS recommend that the Commission blindly adopt their recommendations, regardless of the cost, in the face of evidence that the proposed SVT Program will cost significantly more than originally anticipated. Again, such a position must be rejected.

With respect to ICEA/RESA/RGS' criticisms of how AIC has designed and implemented SVT to date, their complaints ring hollow. The fact remains that the SVT Program was designed and developed over time in connection with workshops in which suppliers participated. The Company worked, in good faith, with the suppliers to design a program that would accommodate the needs and interests of all interested parties, including AIC, its customers and the suppliers. The timing of that process was laid out in AIC's Initial Brief, as was the fact that Phase 1 of the SVT Program implementation is already in operation and providing benefits to AIC's gas operations and its customers. (*See* AIC IB at 10-16.[4]) To now criticize the results of the process in this proceeding is unfair and the suppliers' complaints should be disregarded.

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[4] AIC also explained in its Initial Brief how Phase 1 system improvements and functionalities serve as the foundation for the SVT program, but also help to manage deliveries on AIC's complicated gas system, as well as

Moreover, even though ICEA/RESA/RGS recommend that the Commission direct AIC to minimize its costs as much as possible and accelerate the implementation of SVT as much as it can, ICEA/RESA does not provide any recommendation or analysis as to how to accomplish either of these directives. (Hearing Tr. at 83-84.) Would the Commission order AIC to eliminate certain functionalities or reduce the amount of testing (which comprises a large portion of the $21 million), such that AIC could not ensure that the SVT Program would not adversely impact the integrity of the integrated systems, including the billing system? There is no evidence in the record allowing for such a result. Accordingly, the Commission should reject ICEA/RESA/RGS' vague and unsupported suggestion regarding minimizing costs and accelerating the implementation timeline as it would baselessly jeopardize AIC's gas system integrity.

With respect to ICEA/RESA/RGS' criticism of AIC's characterization of gas market conditions, including its characterization of how municipal aggregation could affect a gas choice program, ICEA/RESA/RGS criticisms are baseless for the same reasons that Staff's criticisms are. Much like Staff witness Dr. Reardon, RGS witness Mr. Crist admitted under cross examination that municipal aggregation can, indeed, significantly increase the number of customers that participate in small volume transportation programs. (Hearing Tr. at 179.) Mr. Crist's testimony supports AIC's observation regarding the lack of municipal aggregation and how it would likely lead to lower customer participation rates.

Finally, it cannot be ignored that there is evidence in this record of choice programs in the United States that have extremely low, if not zero, participation. (Hearing Tr. at 280 (Mr.

(continued…)

plan for future infrastructure upgrades and service. (AIC IB at 14-16.) Accordingly, suppliers' argument that these costs were not SVT-related is not supported by the evidence.

Glaeser testifying that "I think if you look across the US at all of the customer choice programs, there's, I think, a couple states -- and two come to mind to me, Minnesota and Wisconsin. They have customer choice programs, but no customers are participating at all. So zero is a realistic number to use, and if you look at the bigger picture of about 67 million residential customers in the US, gas customers, roughly about 7 million are actually customer choice participants across the country. That's about 10 percent.") Moreover, ICEA/RESA witness Ms. Ringenbach, when asked to quantify her expectations regarding customer participation, stated that she "would consider 10% [participation] significant," which provides some context on suppliers' expectations as well. (AIC Cross Ex. 1 at 11.) Illinois should not take the risk of spending tens of millions of dollars on SVT Program testing and implementation when the risk of getting low participation is real and demonstrable. Indeed, as explained by Mr. Glaeser, even though demonstrable benefits to customers are questionable at varying levels of participation, at a low level it cannot be disputed that customers will not receive benefits from the Program.[5] (*See* Ameren Ex. 4.0 at 15-17; Ameren Exhibit 4.1 1-32 (explaining the lack of benefits to customers at varying levels of participation.)

D. Response to NAE's Position

NAE urges the Commission to reject any proposals that would result in Ameren Illinois' SVT Program not going forward. (NAE IB at 2.) NAE argues that there is no legitimate basis to deny gas choice to the Company's residential and small commercial gas supply customers. Although NAE did not sponsor a witness in this proceeding, it supports the testimony of RGS witness Mr. Crist. Because NAE adopts the position of RGS, Ameren Illinois will stand on its

[5] Suppliers criticize Mr. Glaeser's use of a five year depreciation, but as he explained at the hearing, it would not matter if the SVT Program had a 10 year depreciation period under the analysis, as the potential benefits would still not justify the costs. (Hearing Tr. at 280.)

position as stated in response to Staff and ICEA/RESA/RGS. In sum, the Commission should reject NAE's position on this issue as well.

At bottom, the Commission has before it a critical policy issue as to whether, in light of the current cost and timing estimates, SVT Program implementation should stop. The Commission has the opportunity to stop implementation *before* AIC spends approximately $21 million on a gas choice program that very well may not result in a relatively high level of switching. The Commission should do so.

IV. SVT PROGRAMMATIC PROPOSALS

Should the Commission decide that the approximately $21 million in costs are justified and AIC should proceed with SVT Program implementation, the Commission should approve the SVT Program as proposed by AIC without change.

A. Uncontested Issues

Aside from AIC, no party addressed the Uncontested Issues in its Initial Brief. Thus, with respect to Uncontested Issues, AIC stands on its positions in its Initial Brief. (AIC IB at 25-30.)

1. Uncontested Tariff Proposals by AIC

2. Definition of Weighted Average Cost of Gas ("WACOG") to be Used in Rider GTA

3. Calculation of Inventory Sales Price

4. Price to Compare ("PTC")

5. Legal Ownership Concerns

B. Contested Issues

1. Display of Price-to-Compare ("PTC") on SVT Customer Bills and Tariff Language Regarding Notification of PTC

CUB-AG continue to recommend that the Commission require AIC to include the utility Purchased Gas Adjustment ("PGA") rate on the face of its bill in a conspicuous manner for all customers, including customers that have chosen an alternative supplier. (CUB-AG IB at 18.) Staff disagrees with CUB's suggestion to include the PGA rate in customer bills. Instead, Staff argues, it would be more useful to include a link to the Commission's Natural Gas Choice web page. (Staff IB at 6.) Likewise, ICEA/RESA also oppose CUB's proposal. ICEA/RESA encourage the Commission to require information on how to find pricing on the ICC website be provided on AIC consolidated bills. (ICEA/RESA/RGS IB at 42-43.)

Like Staff and ICEA/RESA, Ameren Illinois continues to oppose CUB-AG's position on this issue. As stated in AIC's Initial Brief, displaying the current-month's PGA on the customer bill would not provide helpful information and could, in fact, cause confusion. (AIC IB at 33-35.) It would be more useful for customers to learn information about the Price to Compare on the Commission's website, which provides accurate and detailed pricing information. (*Id.* at 34.) AIC is agreeable to providing information about how to find pricing information on the Commission's website on the face of customer bills. Accordingly, the Commission should reject CUB-AG's proposal regarding display of the PGA on the face of customer bills.

2. Rescission Period for Non-Residential Customers with Annual Usage >5,000 Therms

(a) Positions of Staff and ICEA/RESA/RGS

Staff and ICEA/RESA/RGS disagree with AIC's existing 10-day enrollment rescission period for customers with annual usage greater than 5,000 therms. (Staff IB at 6-7; ICEA/RESA/RGS IB at 44.)

Staff argues that large customers can protect their interests without a rescission window. (Staff IB at 7.) RGS argues that prior to October 2013, large customers taking service under

Rider T had no rescission period, and that most gas distribution companies do not impose a rescission period on large customers. (ICEA/RESA/RGS IB at 44.) Because it is common business practice for the supplier to hedge or "lock in" the price almost immediately after reaching a supply agreement with a larger customer, the supplier may be harmed if the customer rescinds its agreement. A 10-day rescission period may lead to some customers gaming the system and rescinding an agreement with a supplier within the 10-day period if the customer observes a drop in prices after the supplier has already bought the gas for the customer. To accommodate this risk, suppliers would likely raise their prices. Thus, the 10-day rescission period is not good for either the customer or supplier. (ICEA/RESA/RGS IB at 45.)

Like Staff and RGS, ICEA/RESA believe that the 10 day rescission period should be limited to residential and small commercial customers. (ICEA/RESA/RGS IB at 45.) ICEA/RESA suggest a solution to address AIC's concern regarding how to identify small commercial customers: Ameren Illinois can add language to the letter they send to customers informing them of their enrollment and rescission, indicating the rescission period only applies to a customer with annual usage of 5,000 therms or less. (*Id.* at 45-46.) Like RGS, ICEA/RESA worry about the cost to suppliers if a large customer rescinds after the supplier has "locked in" the price of supply for the contract. (*Id.* at 46.) Like Staff, ICEA/RESA argue that large customers do not need a rescission period because they are believed to be market savvy and "understand their contracts."

ICEA/RESA further argue that AIC has failed to provide any calculation of the costs of having different rescission periods for customers with different levels of usage, and has failed to provide the impacts of such a change on implementation timing. (ICEA/RESA/RGS IB at 47.) ICEA/RESA argue that, even though AIC is concerned with the situation where there is unauthorized switching, AIC's rescission proposal applies to customers who rescind for any reason, not just those who rescind because of unauthorized switching. (*Id.*) ICEA/RESA agree with AIC that there should not be separate rescission periods for Rider T and Rider SVT, but they disagree on the solution. ICEA/RESA recommend that Rider T and proposed Rider SVT should be revised to limit the 10-day rescission period to residential and small commercial customers per the statutory requirements. (*Id.*)

(b) Ameren Illinois' Position

As explained in AIC's Initial Brief, the Commission should approve the same 10-day rescission period for SVT customers as it previously approved for the Rider T program. (AIC IB at 38-40.) In response to Staff and ICEA/RESA, AIC points out that, regardless of the fact that large customers may have more resources to protect their interests, it is still possible for large customers to suffer from mistaken, errant, or unauthorized switches. AIC's proposed rescission period would allow all customers to quickly correct such unwanted switches in a way that (1) does not cause customer confusion, and (2) would be less burdensome on the Company to administer than having different rescission periods based on usage.

In response to ICEA/RESA, Ameren Illinois points out that revising the rescission period provided by Rider T is not within the scope of this proceeding, and thus the Commission should dismiss ICEA/RESA's suggestion that Rider T should be revised to be in line with ICEA/RESA's proposal for Rider SVT in this proceeding. Thus, for the Commission to establish the same rescission period for Rider T and Rider SVT in this proceeding—a goal both AIC and ICEA/RESA recommend—the Commission must adopt the 10-day rescission period for all Rider SVT customers.

Despite ICEA/RESA's assertion that AIC can simply add the same rescission language to the letters mailed to all customers, at some point, Ameren Illinois will need to know whether a particular customer has the benefit of the 10-day rescission window if that customer requests rescission. Ameren Illinois witness Mr. Peter Millburg explained why it would be burdensome—if not impossible—for the Company to track the annual consumption of each customer to clearly communicate with each customer about rescission rights. (AIC IB at 39.) An exact calculation of the burden associated with implementing different rescission periods is unnecessary, as the primary purposes of the 10-day rescission period are to permit, in an efficient and economical manner, an enrollment to be stopped when that enrollment is disputed by a customer or supplier, and to provide for such rescission in a way that does not cause customer confusion. It just happens that providing a 10-day rescission period for all customers would be less costly and timely to implement than providing different rescission periods based on customer usage.

In response to ICEA/RESA's criticism that AIC's rescission period would apply to customers who rescind for any reason (not just unauthorized switching), AIC points out that it would be unreasonable to require the Company to limit the rescission period to instances of unauthorized switching. Such a policy would eat up additional administrative resources as the Company would be forced to investigate the reasons customers switched.

Representing suppliers, ICEA/RESA/RGS fail to adequately account for the concerns of consumers. ICEA/RESA witness Ms. Ringenbach admitted that the "serious consequences" that would result from the proposed 10-day rescission period are consequences to the supplier (not the consumer). (Hearing Tr. at 78-79.) ICEA/RESA express concern that AIC's proposed rescission period could cost a supplier millions of dollars, but fail to provide an example. (*Id.* at 79.) While arguing that AIC has failed to calculate the costs of implementing a different rescission period, ICEA/RESA have similarly failed to analyze how much it would cost AIC or customers to adopt their recommendation, or how much time it would take. (*Id.* at 79-80.)

Another example of how ICEA/RESA/RGS fail to take into account customer concerns is their characterization of "slamming." RGS witness Mr. Crist testified that "slamming," which he defined as an unauthorized switch of a customer to any provider of service, does not necessarily cause economic harm to the customer: "If a customer is slammed, they could have a benefit economically or they could have an economic detriment." (Hearing Tr. at 122-23.) Thus, even though the customer is the victim of unauthorized switching, RGS takes the incredible position that the result could be an economic benefit to the customer. This characterization of slamming as not necessarily a negative event provides context, at least in part, why RGS does not adequately value the rescission rights of all consumers.

Mr. Crist admitted, however, that one benefit of the proposed rescission period would be that if a customer were "slammed," the customer would be able to unwind the agreement without requiring that the Commission adjudicate a complaint concerning the alleged "slamming." (Hearing Tr. at 134-35.) Thus, RGS admits that the 10-day rescission period could save Commission time and resources.

For the foregoing reasons, the Commission should dismiss the arguments set forth by Staff and ICEA/RESA/RGS and adopt AIC's 10-day rescission period for SVT customers, including those non-residential SVT customers with annual usage of greater than 5,000 therms.

3. Nomination Schedules

ICEA/RESA agree that the nomination schedule should be the same for both Rider T and Rider SVT, but argue that the ability of suppliers to propose same-day nomination changes is a must to avoid interruptions of service when a pipeline is cut. (ICEA/RESA/RGS IB at 49.) ICEA/RESA argue that Ameren Illinois' proposed revision eliminates the ability of suppliers to propose same day nomination changes, which creates serious problems for suppliers. (*Id.* at 48.) ICEA/RESA believe that the nomination schedule should be the same for both Rider T and Rider SVT, and that the standard should be that used by all suppliers using the pipelines coming into Ameren Illinois. (*Id.* at 49.) ICEA/RESA propose following the North American Energy Standards Board ("NAESB") standards for intraday nominations. (*Id.*)

RGS agrees with the position of ICEA/RESA that the same-day nominations allowed under Rider T should also be allowed under Rider SVT, but adds that weekends and holiday nominations should be submitted as part of a three-day nomination on a year-round basis, not just during the four summer months. (ICEA/RESA/RGS IB at 49.) RGS argues that in most other choice programs, the weekend and holiday nominations are submitted as part of a three-day nomination, as suppliers would find it difficult to purchase small amounts of gas on a weekend. (*Id.*)

As stated in its Initial Brief, Ameren Illinois' proposed nomination schedule already matches the NAESB standards, even though utilities are not required to follow these standards. (AIC IB at 42.) The Commission should not allow intraday nominations because doing so would eliminate the Company's opportunity to cure any shortfall in supply should any gas suppliers not deliver all required gas on a given day. This could jeopardize the reliability of AIC's system if suppliers leave AIC short gas and AIC has no nomination cycles left to cure the supply shortfall. The financial interests of suppliers do not outweigh the importance of operating a reliable system. Indeed, suppliers agree with this point as well. (Hearing Tr. at 89.) Neither Peoples/North Shore Gas nor Nicor Gas allows intraday nominations—they don't even offer the evening nomination changes that AIC has agreed to allow. (AIC IB at 43.)

In response to RGS' proposal regarding winter season three-day nominations, AIC's proposed tariff states that for summer months—May, June, July, and August—the most recent estimated Daily Delivery Requirements will be held for weekends and holidays, but for the other eight months, suppliers are required to complete the nomination process to match the Daily Delivery Requirement every day. This requirement is designed to match the suppliers' nominations to their customers' load—residential and small commercial customers' load is very temperature sensitive and can vary greatly in shoulder and winter months, which is why AIC revised the daily nomination change requirement during the 2012 workshops to be shoulder and winter months only (as there are typically steady loads during summer months). In shoulder and winter months, which are more likely to have 30-50 degree temperature changes from one day to the next, suppliers should be required to secure the necessary assets to serve their customers' load swings just like the utility is required to do. (AIC IB at 43.)

For the foregoing reasons, the Commission should reject ICEA/RESA/RGS' recommendation that the Company allow intraday nominations. The Commission should likewise reject RGS' recommendation that winter season three-day nominations be extended to the entire year.

4. 200% Penalty for Non-Delivery

(a) Background

AIC's proposed SVT Supplier Terms and Conditions contain the following provision: By 8 a.m. Central prevailing time the day of gas flow, the Company shall match the Delivery Requirement to the Pipelines final DCN. If the Pipelines final DCN is less than the Delivery Requirement, the Supplier shall be charged 200% of the Chicago Citygate Price for the Nomination shortfall. (Ameren Ex. 1.3 at 14.)

(b) Positions of ICEA/RESA and RGS

ICEA/RESA argue that the 200% penalty provision is unfair because it is "extremely common" for shippers to be cut in the evening cycle and AIC is not subject to a penalty if it is caught under the same circumstances. (ICEA/RESA/RGS IB at 50-51.) ICEA/RESA assert that a supplier under normal circumstances could use the Intraday Day schedule opportunity to shift load from one contract to another in order to ensure gas flows in the same amount, but under Ameren Illinois' tariff, that supplier would be charged a 200% penalty even though there was absolutely no impact to reliability and the supplier was never short. Meanwhile, AIC could avoid this penalty, even if it were caught in the same situation. (*Id*.)

ICEA/RESA recognize that some penalty is appropriate, but argue for an opportunity to cure: "other utilities allow for an intraday nomination before a penalty would be applied or, if there is a limit, it is only that intraday cannot be used to increase amounts but only to ensure the nominated amount is matched."

ICEA/RESA argue that its concern with the proposed penalty would be addressed by the revisions it proposes to Ameren Illinois' nomination procedures—namely, adopting the NAESB intraday standards. Alternatively, ICEA/RESA suggest that if the Commission does not want to match the full NAESB intraday standards, at a minimum the Commission "should require that this penalty [] only be applied if the nominations do not match after Intraday 1 cycle with a 10 a.m. deadline." (ICEA/RESA/RGS IB at 51-52.)

RGS agrees, adding, "The purpose of imposing a penalty is to provide compensation for replacement gas—penalties should not be adopted for the purpose of raising revenues or harming suppliers for unintentional mistakes. Ameren should adopt the same penalty schedule as its interstate pipeline suppliers have which is to charge a supplier the costs of replacing any supply deficiencies . . ." (ICEA/RESA/RGS IB at 52.)

(c) Ameren Illinois' Position

As explained in AIC's Initial Brief, the Commission should not credit the concerns presented by ICEA/RESA or RGS. (AIC IB at 46-47.) The 200% penalty is both in line with the market and serves an important deterrent purpose. Contrary to ICEA/RESA's argument that the penalty creates an imbalance in the market (because AIC is not subject to the same penalty to which suppliers are subject), the purpose of the penalty is to deter *suppliers* (not the incumbent utility) from failing to deliver the required gas. ICEA/RESA is also incorrect to state that, under AIC's proposal, the penalty occurs before the supplier has any ability to cure. Under AIC's proposal, the suppliers have the evening cycle (up until 6 p.m. the day before gas flow) to correct any problems with the timely cycle nominations. (*Id.*) The penalty would only be assessed after the evening cycle nominations have been confirmed by the pipeline. That suppliers do not agree with the timing of the remedy does not mean there is no remedy, particularly when AIC is providing the estimated daily delivery requirements to the suppliers *three days in advance*, subject to change depending on weather, in order to help the supplier in their gas acquisition process.

For these reasons, the Commission should disregard the concerns presented by ICEA/RESA and RGS and should adopt the proposed penalty structure.

5. Calculating the Cost for Capacity Release

Ameren Illinois' SVT Supplier Terms and Conditions states, "[t]he release price for both allocation periods will be the weighted average of all Pipeline capacity associated with the SVT Group based on the cost of the Company's assets." (Ameren Ex. 1.3 at 10.) As explained in AIC's Initial Brief, the issues raised by RGS relating to the calculation of the cost for capacity releases are twofold: (1) RGS would like AIC to release a pro-rata share of capacity by assigning specific pipeline costs instead of using the weighted average of all pipeline capacity costs; and (2)

RGS would like AIC to eliminate the mandatory capacity release requirement if the MDQ is less than 100. (AIC IB at 47.) RGS' suggestions should be rejected for the reasons stated in AIC's Initial Brief.

First, AIC explained in its Initial Brief how RGS' proposal to release a pro-rata share of capacity would be administratively burdensome, as it would result in numerous capacity releases at different rates on different pipelines, and thus increase the number of calculations and entries into the pipeline electronic bulletin boards. (AIC IB at 49.) RGS makes an unsupported assertion that its proposal would be "administratively easy" (ICEA/RESA/RGS IB at 53), yet RGS has failed to provide any evidence or analysis as to the cost or impact of its proposal on AIC's gas systems. With far less administrative burden than that required by RGS' proposal, AIC's proposal would result in the supplier paying the same or approximately the same cost for capacity.

In response to RGS' second proposal regarding capacity release, AIC urges the Commission to reject the recommendation to eliminate the capacity release for less than 100 MDQ. Adoption of RGS' proposal would essentially require AIC to get into the business of marketing pipeline capacity on behalf of suppliers—suppliers that should be perfectly capable of re-releasing the pipeline capacity if they do not need it. (AIC IB at 50.) RGS's proposal would also require the development of a complex (and expensive) process for the charging and crediting of suppliers without any justification for doing so. (*Id.*)

For these reasons, the Commission should reject RGS' recommendations regarding calculating the cost for capacity release. In the event, however, that the Commission finds merit in RGS' proposals in part or in whole, the Commission should not adopt them outright, as explained in AIC's Initial Brief. (AIC IB at 50-51.) Because of the additional expense and time that it would take to implement RGS' proposals, the Commission should allow AIC to review and report on the cost and time that it would take to implement the suggestions.

6. Asset Allocation Periods

RGS argues that there should be monthly asset allocations so that suppliers can avoid paying the PGA price for growth between asset allocation periods. (ICEA/RESA/RGS IB at 54-55.) In addition to monthly allocation, RGS proposes alternatives by which suppliers could avoid paying the PGA price, such as creating a threshold for supplier growth that would trigger a monthly re-allocation of capacity. For example, if a gas supplier's Choice Average Day (summer) or Peak Day (winter) increases or decreases by +/- 10%, Ameren Illinois could recall current capacity and re-release based on the new MDQ. Another alternative RGS suggests is to make any incremental capacity that is needed outside of the allocation period the responsibility of the supplier. (*Id.* at 54.)

Staff agrees with RGS that AIC's tariff language that only allows capacity reallocations in November is unnecessarily restrictive, as other gas utilities provide reallocations more frequently. (Staff IB at 7-8.) Staff, however, does not provide a specific recommendation regarding how to address the issue, particularly given the lack of demonstrated benefits to customers. (*Id.*)

As explained in AIC's Initial Brief, RGS' proposal for monthly asset allocations should be rejected for several reasons, including that it would significantly increase the number of transactions, create operational risk, could jeopardize system integrity, and would introduce significant administrative burden to the Company and cost to its customers for no material benefit. (AIC IB at 52-54.)

As an initial matter, asset allocations is a topic that was thoroughly addressed during the 2012 workshops and prior rate proceedings, and this issue is not one of the unresolved issues that the Commission determined should be addressed in this docket. (Ameren Ex. 2.0 at 12.) In Docket 13-0192, AIC compromised on the issue of asset allocation in order to reach an agreement with suppliers. (AIC IB at 52.) Specifically, AIC revised its tariff in Docket 13-0192, as set forth in Ameren Exhibit 26.1, to address supplier concerns regarding the PGA price. (Ameren Ex. 2.0 at 12.) The adjustment was that AIC will not charge the PGA price for gas supplies until the daily delivery requirement exceeds the MDQ of the individual SVT group. (*Id.*) The revision was intended to minimize the times the supplier is purchasing gas from the utility as it increases its customer base between asset allocation periods. Indeed, ICEA/RESA supported Ameren Illinois' proposed asset allocation methodology in Docket 13-0192 because, in their opinion, it would make a choice program available, which was better than the alternative. (Hearing Tr. at 90; ICEA/RESA Ex. 3.0 at 4.) It appears RGS is re-introducing this issue at this time to push forward a previously resolved concept of monthly asset allocations.

RGS urges AIC to implement an extremely complicated process of monthly asset allocation without recognizing the extreme burden such process would impose on the Company, and ultimately its customers. RGS witness Mr. Crist admitted that he does not know what the incremental costs would be in terms of administrative costs and system expenses, as he has not done any quantitative analysis regarding RGS' proposal to have monthly asset allocations. (Hearing Tr. at 139.) AIC witness Ms. Vonda Seckler explained the burdensome process that RGS' proposal would entail. (Ameren Ex. 2.0 at 12-15.) "For the once a year November asset allocation, the proposed SVT Program requires the participating suppliers who have increased the number of customers they serve since the May asset allocation period to purchase inventory in the on system storage fields to support their SVT group for the winter. Using the assumption of 25 participating suppliers, there would be 300 new transactions (25 suppliers times 12 storage fields) to manage each month instead of each year if monthly asset allocations are approved. Although this is not a FERC regulated release, AIC needs to determine the volume for each transaction, bill the supplier for the inventory, and monitor the impact to remaining inventory and purchasing strategies." (*Id.* at 13.) Further information regarding how the system would be complicated and expensive to administer is contained in Ameren Illinois' Initial Brief at 52-54.

In addition to operational risk, RGS' proposal would require AIC to hire additional resources to perform monthly asset allocations, which would unnecessarily increase the cost to support a SVT Program. (Ameren Ex. 2.0 at 15.) Thus, RGS' request would benefit suppliers (who would gain greater flexibility) at the expense of AIC and its customers.

While RGS claims that other utilities outside of Illinois have set up monthly asset allocations (ICEA/RESA/RGS IB at 55), RGS witness Mr. Crist admitted that he does not know if the gas choice programs run by Peoples, Nicor, or North Shore provide for monthly asset allocation. (Hearing Tr. at 149-50.)

The Commission should also reject RGS' alternative proposals (by which suppliers could avoid paying the PGA price) because the alternative proposals would also require monthly allocations. Even if the proposals did not entail monthly allocations *every* month (only some months), they impose too great an administrative burden, given the fact that there is no corresponding benefit, since AIC's current system works well.

For the reasons explained above and in AIC's Initial Brief, the Commission should adopt Ameren Illinois' proposed asset allocation period—a period to which the suppliers agreed.

7. Combined Billing / Billing Agents Receiving Gas/Electric Information

ICEA/RESA/RGS express concern regarding AIC's current practice of providing one bill containing both gas and electric charges to each customer's designated billing agent (which may be a supplier) because it would potentially allow the suppliers to see each other's charges.

ICEA/RESA/RGS advocate for AIC reverting to its former practice of sending out bills for gas service to the customer's gas supplier and bills for electric service to the customer's ARES. Many gas suppliers are ARES and vice versa. ICEA/RESA/RGS therefore argue that allowing one of the two to view and process combined bills will potentially give one competitor a window into another competitor's prices. (ICEA/RESA/RGS IB at 56-57.)

The Commission should reject ICEA/RESA/RGS' proposal because it would limit customers' rights and there are alternative ways of addressing their concerns, as explained in AIC's Initial Brief. (AIC IB at 55-57.) The decision to designate a billing agent—whether that billing agent is a competitor or something else—lies solely with the customer. This position is supported by Staff. (*Id.* at 55.) Further, it is more efficient for the Company to send one bill to combination customers, and customers have told the Company they prefer to receive single bills for all of their services. (*Id.* at 56.) The SVT Program is a consolidated billing program that provides an opportunity for the suppliers to use the utility's billing system and avoid the cost of issuing or collecting on their own self-generated bills. (*Id.*) One of the tradeoffs suppliers must accept in exchange for the benefit of using the utility's billing system is that a combined bill could potentially provide information regarding a supplier's pricing to a competing supplier. (*Id.*) In any event, suppliers may prevent competitors from seeing sensitive pricing information by directing the bill containing detailed service charges to particular individuals within the customer's organization if the customer agrees to processing the charges internally or not forwarding the bill to a competitor. Additionally, suppliers could bill their supply charges and AIC could bill its delivery charges. These possible solutions make the suppliers' recommendation unnecessary as well, and thus the Commission should reject the proposal that would unnecessarily limit the rights of customers. (*Id.* at 57.)

8. Customer Complaint Tracking and Reporting

CUB-AG recommend that the Commission direct AIC to report to the Commission if it observes a spike in customer complaints about a particular supplier or if it observes a pattern of complaints indicating a problem with a supplier's marketing or service. (CUB-AG IB at 20.)

ICEA/RESA propose that CUB's proposal be modified to instead require, if AIC is capable, a monthly report be provided to the Commission's Office of Retail Market Development ("ORMD") and the supplier to ensure that if there are issues they can be corrected as quickly as possible. (ICEA/RESA/RGS IB at 59.) CUB-AG are amenable to this modification. (CUB-AG IB at 21.)

Staff does not take a strong position on this issue. While Staff does not oppose CUB's proposal to require the utility to report high levels of customer complaints, it notes that tariffs are likely not required to induce AIC to convey information about problems in the market to the Commission or its Staff. (Staff IB at 8.)

RGS opposes CUB's recommendation because AIC already has sufficient complaint procedures in place and the Commission already has a mechanism that allows customers to evaluate suppliers' complaint history. (ICEA/RESA/RGS IB at 58-59.)

The Commission should reject CUB-AG's recommendation to require the Company to report if it observes a high level of customer complaints or if it observes a pattern of complaints because the terms "high level" and "pattern" are vague and would lead to confusion. (AIC IB at 58.) Further, it is unclear exactly what types of communications the Company would be required to track and report—*i.e.*, what types of customer concerns should be tracked as "complaints"? In addition, suppliers seem to be generally self-policing and thus the Company's current practice of referring customers with concerns about their supplier to their supplier first has been effective in addressing customer concerns. (*Id.* at 58.)

The Commission should also reject ICEA/RESA's alternative recommendation that the Company send a monthly report to both the supplier and the ORMD for the same reasons the Commission should reject CUB-AG's proposal. A generic requirement for a monthly report would result in additional administrative costs with little incremental value to customers, especially because AIC's current complaint-handling procedure has been effective at addressing customer concerns.

9. Inclusion of Consumer Protections in Contract Offers

CUB-AG propose that suppliers disclose to customers in the contract/agreement the applicable "grace periods" specified in both the PUA and the 13-0192 Order, which allow customers to avoid paying a termination fee within specified period of time under certain circumstances. (CUB-AG IB at 22.) In the suppliers' Initial Brief, RGS opposes this recommendation and ICEA/RESA opposes in part. (ICEA/RESA/RGS IB at 60-62.) At this time, AIC does not take a position on this issue, but respectfully reserves the right to address this issue, if appropriate, during briefing on the draft proposed order.

10. Requirement to File Tariff Allowing Alternative Gas Suppliers ("AGS") to Issue Single Bills

Nicor Advanced Energy, LLC ("NAE") argues that Ameren Illinois' proposed SVT Program is out of compliance with the Public Utilities Act ("PUA"). (NAE IB at 3-5.) NAE's argument that Ameren Illinois' proposed SVT Program is not in compliance is further evidence of why the Commission should reconsider its decision to approve the SVT Program for AIC's service territory. NAE's Initial Brief cites Section 19-135 of the PUA, which provides:

> Single billing.
>
> It is the intent of the General Assembly that in any service area where customers are able to choose their natural gas supplier, a single billing option shall be offered to customers for both the services provided by the alternative gas supplier and the delivery services provided by the gas utility. A gas utility shall file a tariff

> pursuant to Article IX of this Act that allows alternative gas suppliers to issue single bills to residential and small commercial customers for both the services provided by the alternative gas supplier and the delivery services provided by the gas utility to customers[.]

(220 ILCS 5/19-135.) NAE argues that "the intent and meaning of Section 19-135 [are] clear and unambiguous," and that Ameren Illinois must "allow AGSs a single billing option whereby they may issue single bills containing the gas utility's delivery service charges." (NAE IB at 4-5.) NAE asserts that the single bill option is important because it allows gas suppliers the ability to offer unique and creative services, such as a fixed bill product, that they would not otherwise be able to offer. (*Id.* at 4.) NAE argues that other gas utilities in Illinois that allow customers to choose their natural gas supplier have complied with this requirement. (*Id.* at 5 (referring to Peoples Gas, North Shore Gas Company, and Northern Illinois Gas Company).) Finally, NAE asks that the Commission direct Ameren Illinois to file a revised tariff allowing the single billing option ("SBO") "as soon as possible within 60 days of the entry of the Commission's order in this proceeding." (*Id.* at 5.) ICEA/RESA join NAE in recommending that "Ameren [Illinois] be required to file a tariff allowing AGS[s] to issue single bills," but add that "this should not delay implementation of the SVT Program." (ICEA/RESA/RGS IB at 62.)

Ameren Illinois' proposed tariff does not provide for suppliers to bill Ameren Illinois delivery charges on a supplier bill, but it does provide for consolidated billing. (Hearing Tr. at 354.) This was done after extensive workshops on the SVT Program. Yet, according to NAE, just because Ameren Illinois offers consolidated billing does not mean it meets the single billing requirements of the statute. (*Id.* at 357.) But NAE's arguments fall short. "Single billing" means the combined billing of the services provided by both a natural gas utility and an alternative gas supplier to any customer who has enrolled in a customer choice program. (220 ILCS 5/19-105.)

Unlike on the electric side, which has far more robust and specific regulatory requirements (*see* 83 Ill. Admin Code 451.100, *et seq.*), a gas utility only must offer a "single billing option" for "both services provided by the alternative gas supplier and the delivery services provided by the gas utility." (220 ILCS 5/19-135; *see also* 83 Ill. Admin. Code 551 (not addressing single billing option).) As explained by AIC witness Mr. Peter Millburg, if a combination customer selects a billing agent for their account, the billing agent would receive the same bill that would have otherwise been sent to the customer. (Ameren Ex. 3.0 at 14.) Thus, should a supplier desire to issue a single bill, they could simply be designated as the customer's billing agent and then issue a bill directly to the customer. NAE does not address this option in its brief, but its existence renders AIC compliant with the Act's requirement for SBO.

However, NAE's argument that the SVT Program does not comport with the Act provides yet another, new and significant reason for why the Commission should stop implementation of the SVT Program at this time. NAE did not sponsor any prefiled testimony on this issue, and while it would have been more efficient for NAE to have provided evidence on this issue so that the Commission and the interested parties could assess the requested relief, NAE has instead chosen to challenge the SVT Program as out of compliance at the evidentiary hearing and during briefing. Rather than have the Commission address this issue without the benefit of testimony or evidence regarding the cost of NAE's proposal, which very well could increase the cost and time estimates above $21 million and 21-24 month time period, the Commission should stop SVT Program implementation and allow the interested stakeholders to work together to explore viable alternatives.

11. Other

V. CONCLUSION

As explained above and in AIC's Initial Brief, AIC initiated this proceeding with an understanding that the SVT Program implementation costs and timeline would be lower than they are, as well as an understanding that consensus has been reached on SVT Program design. However, in light of the changed circumstances, the evidence establishes, due to a lack of demonstrated benefits to customers that justify the approximately $21 million in additional program cost, the Commission should order AIC to stop implementation of the SVT Program. Should the Commission desire to continue with development of residential gas choice in AIC's service territory, the Commission should allow interested stakeholders to continue to investigate and consider viable alternatives that would not be as expensive as the SVT Program, but would have clearly demonstrable benefits. However, to the extent the Commission declines to order AIC to stop SVT Program implementation, AIC respectfully requests that the Commission approve the SVT Program as proposed by AIC without change.

Dated: January 23, 2015

Respectfully submitted,

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d/b/a Ameren Illinois

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CERTIFICATE OF SERVICE

I, Mark W. DeMonte, an attorney, certify that on January 23, 2015, I served a copy of the foregoing Reply Brief of Ameren Illinois Company by electronic mail to the individuals on the Commission's Service List for Docket No. 14-0097.

__*/s/ Mark W. DeMonte*
Attorney for Ameren Illinois Company