Residential Gas Choice Workshop Report

I. Procedural Background

The Commission first addressed residential gas choice in Docket No. 11-0282, an Ameren Illinois Company d/b/a Ameren Illinois (“Ameren”, “Ameren Illinois,” the “Company.” or “AIC”) gas rate proceeding, where the Commission responded to a request from the Retail Gas Suppliers to develop a natural gas choice program for residential and small commercial customers. These customers would be served under AIC's GDS- 1 and 2 rates. The Commission ultimately determined that it would proceed with a workshop process to address the following issues: whether a Small Volume Transportation (SVT) program is appropriate for the AIC service territory, including whether there would be any benefit to customers from such a program; whether the costs of implementing such a program would be reasonable; whether there is utility support for the competitive market; will there be full utility cost recovery for the utility; and a properly adjusted price-to-compare. Order at 194, *Ameren Illinois Company d/b/a Ameren Illinois, Proposed general increase in natural gas rates (tariffs filed February 18, 2011)*, ICC Docket No. 11-0282 (January 10, 2012).

In AIC's next rate proceeding, Docket No. 13-0192, AIC filed a draft SVT tariff with accompanying testimony that was partially the result of discussions in the workshops that convened in 2012. Order, *Ameren Illinois Company d/b/a Ameren Illinois*, Proposed general increase in natural gas rates (tariffs filed March 6, 2013), ICC Docket No. 13-0192, December 18, 2013 Order (“13-0192 Order”). In its 13-0192 Order, the Commission approved an SVT program for Ameren Illinois, finding based on the record before it there "contains a sufficient showing that the potential benefits of an SVT program in AIC's service territory, while not certain, are likely." The order also expressed "concerns about the missteps by certain gas suppliers in the Northern Illinois market," and approved the SVT program, subject to "…additional consumer protections [which] are necessary to prevent the same types of abuses in the AIC territory.[1] *Id*. at 246. However, the Commission ordered Ameren Illinois to file tariffs consistent with the findings of the 13-0192 Order. Further, it ordered Ameren Illinois to hold a workshop to discuss all issues that were not resolved in Docket No. 13-0192. The Commission's 13-0192 Order also required Ameren Illinois to file a petition, tariffs and testimony in support of the SVT program.

On January 31, 2014, AIC, in compliance with the order in Docket 13-0192, filed a petition for approval of its Rider SVT tariff initiating Docket No. 14-0097. Order at 6-8, *Ameren Illinois Company d/b/a Ameren Illinois*, Petition for Approval of Tariffs Associated with the Small Volume Transportation Program, (tariffs filed Jan. 31, 2014), ICC Docket No. 14-0097 (July 8, 2015) (14-0097 Order). The petition requested resolution of certain disputed issues associated with the SVT program that were raised but not resolved in Docket No. 13-0192. Subsequently, AIC filed supplemental testimony, stating that the estimated cost to implement its SVT program has increased from $10.6 million originally projected to over $32 Million. Additionally, the timeline for roll-out of the program was extended approximately two years, to fourth quarter 2016. (14-0097 Order at 6-8.)

[1] The Commission's authority to impose these consumer protections as conditions on Ameren's proposed customer choice program was challenged by several alternative providers, but was ultimately upheld by the Fourth District Appellate Court in *Ameren Illinois Company vs. Illinois Commerce Commission*, *et al,* 2015 IL App (4th) 140173, ¶¶104, 137 (June 2, 2015).

II. Overview of Commission Order in Docket No. 14-0097

On July 8, 2015, the Commission issued its Final Order in Docket No. 14-0097. In its 14-0097 Order, the Commission acknowledged that it generally favors competition over regulation where feasible but in this instance does not believe the record shows the SVT program as proposed by Ameren Illinois is reasonable. (*Id*. at 32.) The Commission found that with the substantial projected costs of the SVT program it is not in the public's interest to approve the continuation of the SVT program. (*Id.*) In its 14-0097 Order, the Commission directed that workshops were to be held and a report produced to the Commission from Staff and AIC concerning the content of the workshops:

> The Commission has advanced lower costs for customers as a consideration in assessing the benefits of an alternative gas choice retail tariff. For Ameren customers, the Commission has concluded that it…agrees with CUB/AG that Joint Intervenors failed to supply an adequate savings analysis. Given the potential significant costs for consumer, the Commission finds that the benefits of the SVT Program must be adequately examined before Ameren Illinois can consider implementing the Program.
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> The Commission herein orders Ameren Illinois to conduct workshops with Staff and interested stakeholders to determine how and when residential gas customers in its service territory will have access to a gas supplier choice program. The workshops shall begin within 30 days and no later than 120 days from the date of this Order Ameren Illinois and Staff shall file a report in this docket informing the Commission as to the results. The report shall include a discussion of the most cost-effective retail gas choice program for (1) Program participants, and (2) all Ameren Illinois ratepayers. Specifically, the analysis should include all costs and benefits attributable to such a program where benefits include, but are not limited to, new services and lower consumer costs. Costs shall include only those costs necessary to implement the program. Upon receipt of the report, the Commission may consider further procedural action.

(14-0097 Order at 33.)

III. Workshop Overview

On August 6, 2015, the first workshop was held in accordance with the 14-0097 Order. The goal of the first workshop was to discuss additional workshop scheduling, issues, stakeholder proposals and customer benefits. During discussions, it was agreed upon that there would be a total of three workshops held and at the conclusion of the workshops the stakeholders could circulate comments on October 8, 2015. The stakeholders discussed the interpretation of the Commission's 14-0097 Order, concluding that it called for a fundamentally different approach to creating a residential gas choice program than was embodied in the original SVT filing. AIC then presented its proposal for such a residential gas choice program. During the workshop, AIC agreed that it would provide answers to all questions asked about its proposal during the first workshop, in addition to emailed questions received by August 26, 2015. August 26, 2015 was also established as the date for stakeholders to identify amendments to the Ameren proposal. The workshop concluded with an open discussion during which a number of parties shared initial perspectives on the benefits of residential gas choice. On August 26, 2015, Nicor Advanced Energy ("NAE") and the Retail Energy Supply Association ("RESA") suggested amendments to Ameren's proposal and posed questions to Ameren regarding its proposal.

On September 9, 2015, the stakeholders met for the second workshop. As discussed at the first workshop, AIC provided responses to stakeholders' questions regarding the proposal from the first workshop. Additionally, AIC provided supplemental information about its proposal that included expected costs and timelines that would be required for implementation. RESA also made a presentation that included its suggested amendments and enhancements to the AIC proposal. NAE similarly presented and discussed its suggested amendments to the AIC proposal. AIC provided and discussed its initial responses and comments to the suggested amendments to its proposal. The stakeholders discussed the different proposals at some length, and continued to discuss how to assess the benefits of residential gas choice. Staff recommended the suppliers develop information that could be used to assess the quantifiable benefits of residential gas choice for the final workshop. The stakeholders again were given the opportunity to pose questions for Ameren Illinois to answer at the final workshop. Given RESA's and NAE's understanding that an objective of the workshop was to identify a lower-cost choice alternative to SVT, they agreed to submit a prioritized list of proposed modifications to Ameren's proposal. On September 11, 2015, RESA and NAE submitted their prioritized list of proposed modifications to workshop participants.

On September 21, 2015, the stakeholders met for the final workshop. The stakeholders were advised that if any wished to submit written comments, this should be done no later than October 8, 2015. AIC made a presentation providing the additional information requested by the stakeholders during and after the second workshop. Also, Ameren Illinois proposed certain amendments to its outlined residential gas choice program based on the previous workshops' dialogue with stakeholders. As requested by Staff, representatives from a supplier made a presentation regarding their analysis of the quantifiable benefits of gas choice to residential customers in the AIC service territory.

A. Ameren Illinois' proposal and responses to supplier suggestions

1. Background

At the first residential gas choice workshop on August 6, 2015, Ameren Illinois presented to the stakeholder participants a new proposal that was developed in response to the Commission's directive to provide a means for residential gas customers to have access to supply choice, with a focus on providing the most cost-beneficial program possible. In developing this program, the Company attempted to leverage already existing systems, tariffs, processes and program infrastructure wherever possible in an effort to significantly reduce the costs and implementation time needed to roll out a residential gas choice program. The result was a proposal to offer a limited extension of AIC's existing Rider T gas transportation service to residential customers with only the minimal modifications needed to tailor that service to the residential market while ensuring the continued efficient and reliable deliveries of gas needed for system operations.

2. Rider T Service Overview

The Company's proposal for making supply choice available to residential gas customers is premised on the existing Rider T gas transportation service. This service option is currently available to all non-residential gas customers and provides the framework for third party gas suppliers to enroll and serve customers and interact and transact with the AIC gas system. As of August 2015, approximately 9% of Ameren Illinois' non-residential customers took service under Rider T, as shown in Figure 1 below.

Figure 1: Active Non-Residential Service Points by Rate Class and Supply Option

Gas Delivery Rate Class	Active Service Points Rider S	Rider T	Total	% Served on Rider T
GDS2	66,395	5,382	71,777	7%
GDS3	1,770	990	2,760	36%
GDS4	379	324	703	46%
GDS5	236	190	426	45%
GDS7	-	1	1	100%
Total	68,780	6,887	75,667	9%

Customers served by third parties can be assigned by their suppliers to groups referred to as “balancing pool groups,” based on the customers’ assigned gas delivery point and settlement method. In practice, most suppliers opt to include almost all of the customers they serve into balancing pools. The Company has 17 delivery points that represent physical portions of the gas distribution system that are served from a common pipeline or pipelines. The delivery points by pipeline are shown below in Figure 2.

Figure 2: Ameren Illinois Gas Delivery Points

Delivery Point	Pipeline
1	PEPL
2A	NGPL (Amarillo)
2G	NGPL (Gulf Coast)
3	TXG
4	Trunkline
5	Midwestern
6	MRT
7	TETCO
8	ANR
9A	PEPL/NGPL (Amarillo)
9G	PEPL/NGPL (Gulf Coast)
10	Trunkline/NGPL (Gulf Coast)
11	ANR/NGPL (Amarillo)
12	PEPL/ANR/NGPL (Amarillo)/NBPC
13	PEPL/Midwestern
14	MRT/NGPL (Gulf Coast)
15	PEPL/Trunk/NGPL (Gulf Coast)/REX

Suppliers deliver gas daily based on their expectations for the usage of the customers in each of their pool groups. The deliveries for each pool group are reconciled with actual usage of the pool customers using either a daily or monthly settlement process. Any imbalances (over- or under-deliveries) for each pool group are cashed out with the supplier based on the terms of Rider T. Currently, large customers served on Rates GDS 4 and GDS 7 have daily meter reads available and are therefore settled based on a comparison of daily deliveries to daily usage. Smaller customers (non-residential) served under Rates GDS 2, GDS 3, and GDS 5 are settled based on a monthly reconciliation. In order to make meter read data available for a calendar month reconciliation of gas usage vs. deliveries, monthly settled gas transportation customers are assigned to special meter reading routes that are always read on or shortly after the first day of the month. This ensures that the meter read reflects usage that is consistent with the deliveries for the calendar month being settled.

Rider T customers have access to a banking service under the terms of a transportation banking service rider, Rider TBS. This service allows suppliers and customers to access Company gas storage assets to manage over- and under-deliveries before being subjected to the cash-out terms of Rider T. A customer's bank capacity is the product of the number of days of its bank election and the maximum volume of gas that Ameren Illinois is required to provide to the customer on any one day of operation (the Maximum Daily Contract Quantity or MDCQ). Daily balanced customers are able to elect the amount of banking service they subscribe to up to a pre-specified number of days limit. Monthly balanced groups are required to have a minimum bank election equal to 5 days. Additional banking service for monthly balanced customers can also be further subscribed up to a pre-specified number of days limit. Any over-deliveries of gas relative to actual transportation customer usage can be deposited into the customer's bank up to the subscription level and can be used to offset future under-deliveries. Only imbalances that occur after bank capacity is exhausted are subjected to the cash-out terms of Rider T.

Individual customers are charged for the banking service based on the level of subscription they elect. Customers served under Rider T have different delivery service rates from customers served under utility supply to reflect the fact that separate compensation is received for banking service under Rider TBS. Customers served with the utility supply option pay for their share of the storage assets used to balance supplies and deliveries on their behalf as an embedded part of their base delivery service rates.

There are two billing options for customers that take service from third-party supply under Rider T. The first option is referred to as dual billing. Under dual billing, Ameren Illinois bills customers for any charges incurred under delivery service rates and applicable riders, while the supplier issues a separate bill for all gas supply charges. The other option may be referred to as agent billing or the single bill option. Under this option, a supplier may opt to include AIC's delivery service charges on its bill. Ameren Illinois would then send the customer's bill, which incorporates all of the delivery service and applicable rider charges, to the agent/supplier. The agent/supplier may then add its own charges, including gas supply charges, and render a single bill to the customer it serves. Under either billing option, the customer has responsibility for ensuring that payments are directed to AIC for the amounts due and any credits on the customer account are applied to any outstanding balance based on a predefined posting priority between any applicable electric and gas charges incurred by that customer.

It is important to note that, while third-party suppliers deliver gas to the AIC system to serve Rider T customers, the Company stills bears the responsibility of ensuring reliable supply is delivered, and that deliveries are balanced against customer usage on a continual and ongoing operational basis. To that end, Ameren Illinois must contract for sufficient interstate pipeline capacity and maintain storage assets to enable it to meet its delivery service customers' load under all conditions, regardless of the gas deliveries scheduled and actually fulfilled by third party suppliers. As discussed above, suppliers have access to a banking service provided by utility storage assets, but beyond that, the utility provides resources to manage any imbalances in deliveries relative to the demand of the supplier's customers. In contrast, in electric choice markets in Illinois, the Midcontinent Independent System Operator, Inc. (MISO) is responsible for resource adequacy, ancillary services such as real-time balancing of supply and demand, and managing imbalances between day-ahead energy purchases with real-time consumption. The vital operational role AIC plays in ensuring reliable gas flows on the system and the planning required to achieve it, influence the levels and types of switching that can be accommodated without the system enhancements and tariff revisions that accompanied the original SVT program, previously reviewed by the Commission.

3. Residential Rider T Program Details

The option developed by Ameren Illinois to deliver a gas supply choice program to its residential customer base is premised on the Rider T service as summarized above. Unique characteristics of the residential market require certain modifications and enhancements to that existing service as described below.

Supplier Registration - In addition to the normal supplier registration process to become an eligible gas supplier under Rider T, suppliers must be certified by the ICC to serve GDS 1 (residential) customers. Additionally in an effort to limit the costs and time involved in implementation, AIC has proposed requiring suppliers to utilize EDI (Electronic Data Interchange) vendors that are already approved by the Company. Adding new EDI vendors requires a significant effort to complete testing and this can result in additional time and costs associated with program implementation. The Company has expressed a willingness to work with new vendors if that is of great importance to any suppliers, but using the existing set of approved vendors will help expedite any program start up that may occur.

Enrollment – AIC will initially limit enrollment to 10% of the residential customer base. Enrollment, subject to the 10% initial cap, can occur at any time throughout the year and will be effective contemporaneously with the first scheduled meter reading for the switching customer after the enrollment notification is received. At the first workshop, the Company originally proposed a 5% enrollment cap and a single annual enrollment period. In response to feedback from participating suppliers during the workshops as well as research into the level of enrollment in existing residential choice programs at other Illinois gas utilities, these parameters were relaxed to the greatest extent AIC felt was tenable to allow for a cost-effective program that would not negatively impact system reliability. That is, further relaxation would require additional expenses to implement IT and system changes.

The enrollment restriction of 10% of the residential customer base is essential to begin implementation of a cost-effective residential gas choice program. As discussed previously, the operational role AIC plays in balancing the system and ensuring reliable supply require an adequate amount of storage and interstate pipeline capacity assets to be under Company control. Unrestricted and rapid switching of large numbers of residential customers could leave the Company with either inadequate assets, or a surplus of assets that are no longer needed, the costs of which would need to be recovered from remaining utility gas supply customers.

Banking – Residential customers enrolling for service with a third party supplier will be assigned 33 days of banking service based on their RMDQ, or Residential Maximum Daily Quantity. The RMDQ is established by estimating the service point's share of the estimated peak system daily demand for the coldest winter day conditions contemplated in reliability and resource planning. The 33 days of bank is based on the amount of Company storage assets allocated to residential customers for purposes of establishing the base delivery service rates. Because this bank is essentially paid for in the delivery service bill, there will be no incremental charge to the customer or supplier for the banking service. Utilizing the bank that is reflected in base delivery service charges also allows for the residential gas choice program to be implemented between general delivery service rate cases with no need to establish a new and separate GDS 1 rate to be applicable to Rider T residential customers.

Pool Groups and Settlements –Third party suppliers will be required to place participating residential customers into balancing pool groups, and the residential pool groups must be separate from the balancing pool groups for non-residential customers. All residential customers in a common group must be served from the same physical pipelines, just like non-residential groups, as reflected on the "Cities by Pipeline" list on the Company's website. EDI residential enrollments submitted by suppliers must assign the customer to a valid residential group or they will be rejected. Gas deliveries scheduled by suppliers for residential pool groups will be settled against actual usage of the group members on a calendar month basis. The banking service available to each residential group will equal the sum of the

33 day banks allocated to each customer that is assigned to the group. Imbalances between deliveries and group usage will first be applied to the allowed available bank capacity, and then settled subject to the existing cash out terms of Rider T applicable to monthly settled groups.

Residential customers will not be switched to calendar month meter reads like existing Rider T monthly balanced customers. It is simply impractical and not cost effective to have special meter reads scheduled for the number of customers that may switch in the residential class. Instead, regular billing cycle reads will be converted to calendar month usage to be aggregated into balancing pool totals for the month. To the extent that the customer has daily metered usage available from an Automated Meter Infrastructure (AMI) or Automated Meter Reading (AMR) meter, the daily reads associated with the calendar days in the settlement month will be utilized for this purpose. If the customer has a single monthly meter read on a billing cycle that is not consistent with the days in the calendar month, AIC will use its Gas Settlement System (GSS) to profile the monthly usage into a daily usage pattern that can then be aggregated into a calendar month usage total.

The need to use the GSS system to perform settlement calculations is the driving factor behind the requirement to place residential customers in a common group that is not mixed with non-residential Rider T customers. Non-residential groups that have calendar month readings are currently settled and billed from the Company's Customer Service System (CSS). Moving these bills that are already being produced into a new system would require additional unnecessary programming and system testing. Because the residential group billing function is a new activity associated with the proposed program and the existing CSS process could not be utilized without scheduling an untenable number of off-cycle special calendar month meter reads, the GSS solution is the lowest cost option for performing it. Programming of the GSS system to perform the customer usage profiling has already been completed for other business reasons, so the incremental work needed on this system to support residential gas choice involves testing the functionality for this purpose and programming and testing the system to generate pool group settlement bills.

Pool group settlements and billing of any cash outs to suppliers will occur over three settlement cycles. The first settlement will occur immediately following the close of the month being settled (within 7 business days), the second settlement will occur in the second month following, and the third settlement will occur in the fourth month following. At each settlement, supplier deliveries for each pool group will be reconciled with actual usage based on the latest and best available usage data for the pool group customers, banking allowances will be applied, and the cash out terms will be assessed for any remaining imbalances.

Nominations - Supplier nominations of daily planned deliveries for residential pool groups will follow the nomination processes and schedules for Rider T. The maximum nomination for a pool group will be based on an aggregation of two times the RMDQ of each customer in the pool group to allow suppliers to fill customers' banks while simultaneously supporting their daily usage. Confirmations will be performed by AIC daily.

Capacity Release – The Company may choose to release additional interstate pipeline capacity (beyond the level of releases that may already occur) that is not needed due to residential customers switching to third party supply to the market. AIC, in order to maintain the flexibility required to meet the operational requirements of balancing its system under a variety of conditions will determine the timing and amount of capacity that it will release at its sole discretion. Capacity that is released will follow the normal FERC capacity release rules and will be posted to bulletin boards where any market participants may bid on it.

If an increasing number of customers switch to Rider T service, the amount of capacity released is expected to increase beyond the level the Company would release otherwise. But there will not necessarily be a one for one increase in the volume released relative to the volume that was originally held to serve these customers. This is because, as mentioned previously, AIC is ultimately responsible for ensuring reliable gas supplies are available to meet its customers demand. The Company's proposal provides significant banking resources along with the significant daily delivery flexibility that is inherent for a monthly balanced group of customers that have extremely variable and weather dependent usage patterns. This flexibility may allow suppliers to make up for under-deliveries one day with either bank capacity or an over-delivery on another day in the same settlement month. Until there is a significant operational history demonstrating that adequate volumes are scheduled for delivery by participating suppliers to meet the operational requirements of the system, some additional capacity cushion may need to be maintained so that AIC can get the volumes necessary to keep its customers' furnaces running on the coldest days of the winter.

Customer Billing – Residential customers taking transportation service will have the same billing options that existing Rider T customers currently have. Namely, dual billing, where AIC bills the delivery charges and the third party supplier separately bills the gas supply charges, or the single bill option, where, at the direction of the supplier, AIC sends the customer's bill to the supplier (or other designated billing agent) and they combine the delivery and gas supply charges into a single bill for the customer.

4. Program Implementation

The program outlined above is the result of AIC's attempt to address the directive given in the 14-0097 Order; specifically, to deliver the most cost-effective residential gas choice program for program participants and all AIC ratepayers. To that end, AIC has attempted to leverage existing systems, tariffs, processes and program infrastructure wherever possible. Despite this utilization of existing Rider T infrastructure, the specific changes detailed above that are needed to tailor the program to the residential market will require significant incremental investment in system development and testing. The Commission ordered AIC to stop work on development of the predecessor SVT program due to its concerns with the cost of the program. The cost of the work required to implement the Rider T extension to residential customers is materially lower than the original SVT cost, but is still far from inconsequential. Given this fact, careful consideration will need to be given to the overall cost effectiveness of the program by also considering the benefits of supply choice before AIC proceeds with implementation. That said, the Company has provided a high-level estimate of the implementation timeline and costs in order to support a decision on whether and how to proceed. The cost estimate is not based on a fully developed set of detailed system requirements, as development of such is the first step of the scope of work associated with an approved program; so it should not be considered final. However, sufficient contingency was built into the estimates of the various implementation phases that AIC is confident that this represents an accurate picture of implementation costs to support the program it has outlined.

In order to ensure that the estimated costs and timeline reflected all of the changes that would take place within the scope of program implementation, AIC analyzed the impact of 14 functional areas on the 4 critical IT systems that would be impacted by the implementation of a residential gas choice program. The systems analyzed included the Company's CSS system (the Company's primary customer information and billing system), the Supplier Choice Portal (the system developed to facilitate information exchanges between the Company and gas suppliers), the Gas Settlement System (referred to as GSS, this is the system that will perform all settlement and billing for residential pool groups among other functionality), and the eCommerce system (the system that manages EDI transactions with suppliers to exchange account, billing and usage information). As shown in Figure 3 below, the high-level analysis of the interactions of the 14 functional areas and 4 systems described above resulted in the identification of 31 unique changes that would have to be programmed and/or tested.

Figure 3: Products Affected by Functional Area

Functional Area / Products	CSS	Supplier Choice Portal	GSS	eCom	Count
Registration	✓	✓	✓		3
Enrollment by Supplier	✓		✓	✓	3
Enrollment by Customer	✓				1
Create Pool Group	✓	✓	✓		3
Customer Monthly Billing	✓				1
Supplier Billing			✓		1
Billing Options (Dual)					0
Supplier Drops	✓		✓	✓	3
Liheap/PIPP	✓				1
Nominations	✓	✓	✓	✓	4
Pool Group Balancing	✓	✓	✓		3
System Integrity	✓	✓			2
Reports	✓	✓	✓		3
Account Maintenance	✓	✓	✓		3
Count	**12**	**7**	**9**	**3**	**31**

The analysis above resulted in a high-level estimation of the activities that would need to be conducted to implement the specific changes associated with each parameter discussed in the program description above (again, full requirements specification was not performed). The effort involved estimation of hours of work for each project phase, identification of specific internal and external resources to be utilized, and costing of the resources for the needed hours. Stepping through the development, testing, and go live activities in this manner, the Company was able to estimate that the entire effort would take approximately 14-17 months from the time of a directive to proceed and have an associated cost of approximately $6-7 million. The allocation of those costs to the various IT systems is shown below in Figure 4, and the allocation of costs across project phases is shown in Figure 5 below.

Figure 4: Cost by System Impacted

System	% of Total Project Cost
GSS	17%
CSS	32%
Supplier Choice Portal	8%
eCom	1%
Other*	42%
Total	100%

*Includes items such as business line support, project management, IT supervision, overheads, and contingency

Figure 5: Cost by Project Phase

Development	Planning	2%	
	Design	4%	
	Build & Unit Test	18%	24%
Testing	System Test	20%	
	Integration Test	6%	
	User Acceptance/Regression Test	27%	53%
Production	Production Readiness	7%	
	Go Live and Post Project Support	16%	23%
	Total	100%	100%

As is evident in Figure 5, much of the cost associated with the program centers on testing. This testing, while seemingly disproportionate to the other project phases at first look, is of paramount importance. The systems that would require modification are highly complex and interactive applications that provide the backbone of ongoing operations and billing for two utility companies, providing two basic services (electric and gas) across numerous rate and commodity supply offerings. Inserting new code, no matter how limited in scope the new functionality is, into a production system that, for example, bills over 100,000 customers a day, requires thorough testing to ensure that new functionality will not disrupt ongoing operations. The process involves unit testing to verify the functionality works as intended, system testing to verify that information following from one system to the next is accurate, user acceptance testing to focus on a “day in the life” and make sure that those who operate the system can successfully integrate the changes into their existing processes, and regression testing to ensure that existing critical functionality (i.e. electric choice) is not adversely impacted due to new functionality added to support the residential gas choice program. It is simply not sound IT project management to shortcut this process, and while the costs are material, they are also critical to project success.

It is also important to put the project costs into various contexts to understand the impacts this will have on customers. The $6-7 million in program costs will support implementation of the rollout of the program which, as described above, will be initially available to 10% of the Company's residential gas customer base. As of August 2015, that population included approximately 740,000 customers. If the program were fully subscribed, it would therefore have about 74,000 participants. At the high end of the development cost range, that translates to a one-time cost of approximately $95 per participant to implement. This cost constitutes a capital investment that would be recovered in delivery service rates by being added to rate base in the test year. From that perspective, all delivery service customers would contribute to the recovery of development costs. Expanding the cost per customer perspective to the entire residential customer base, it would represent approximately $9.50 per customer.

Because the costs are capital in nature, they would not be recovered in rates in a single year, but would impact rates through an annual revenue requirement comprised of the return on and return of the capital deployed. By applying the pre-tax weighted average return on rate base from AIC Docket No.13-0192 of 10.928% and a 5 year depreciable life, the first year revenue requirement impact can be estimated to be approximately $2.2 million. This, again expressed per participant and per residential customer results in a customer impact of $29.26 and $2.93 per year respectively. To the extent the Commission orders the program to be implemented and program costs are in fact added to rate base in a future rate case, those costs would likely be shared beyond the residential class based on the cost allocation factors established for this nature of IT system enhancements. To that end, the impacts to the residential gas customers would be something less than the amounts reported above, but there would be additional impacts to non-residential gas customer bills.

Another activity necessary for program implementation would be the revision of the Company's gas service tariffs to set out the changes needed to support this program as described in the section above. In preparation for the second workshop, held on September 9th, 2015, AIC did a comprehensive review of its tariffs and mocked up a set of revised tariff sheets that it believes would effectuate the changes necessary to provide residential gas choice as outlined in this report. Redlined tariffs incorporating those changes were provided to workshop participants and discussed at the September 9th workshop. The changes impacted a number of tariffs, including:

- Customer Terms and Conditions
- Supplier Terms and Conditions
- Rate GDS-1 – Residential Gas Delivery Service
- Rider T – Transportation Service
- Rider G – Group Balancing Transportation Service
- Rider S – System Gas Service
- Rider TBS – Transportation Banking Service

The revised tariffs were based on the initial proposal made by AIC at the August 6 workshop, and therefore do not currently reflect the changes the Company agreed to make to its program at the third workshop regarding the program enrollment cap (increase from 5% to 10%) and enrollment period (one annual enrollment period vs. continuous year round enrollment). The changes needed to reflect those program modifications notwithstanding, the Company represents that the tariffs needed for implementation of the program it has outlined could be ready for filing shortly after a Commission order implementing the program.

The Commission in its 14-0097 Order directed stakeholders to focus the development of residential gas choice on delivering the most cost beneficial program possible. SVT Phase II, with its estimated $22 million incremental price tag for full implementation, did not meet that criterion. During the workshop process, AIC presented a lower cost program that would offer gas choice to its residential customer base. It is a path to gas supply choice with the least development and testing impact on existing systems that the Company could devise. Whether the benefits that choice will bring to customers exceed this level of cost is at best a controversial point of discussion, but this provides a clear benchmark for the costs that need to be weighed in that cost/benefit equation. Additional program features beyond those described above which became the topic of later workshops would add cost and time to the program development effort, and therefore warrant separate evaluation based on the incremental costs they may impose and benefits they may deliver. At a minimum, AIC's program gives the Commission a path forward if it believes residential gas choice to be in the public interest based on the benefits discussed in the remainder of this report.

5. Program Enhancements

Throughout the workshop process, AIC and the participating suppliers discussed other features that could potentially be added to the residential gas choice program. After the first workshop, where the Company had outlined its program, interested parties were invited to email a list of priority items for the Company to further study. In addition to that opportunity to provide feedback, supplier groups made their own presentation at the second workshop regarding program enhancements that they would propose. At the second and third workshops, AIC provided analysis of and comments on the top items identified by participating suppliers as desirable program enhancements. The categories of items requested, and a summary of the additional information provided by AIC will be discussed below.

Increase the Enrollment Initial Limit Beyond 5%

Suppliers indicated that the enrollment limit set at 5%, as initially proposed by the Company, would potentially limit the amount of investment and effort that they would be able to justify making to provide services in the AIC service territory. They also indicated that customer frustration could result from the cap being reached after they had received marketing outreach from a supplier but before they could enroll. They requested the enrollment limit be lifted, or in the alternative, raised.

NAE suggested that the first year enrollment limit be 15%, with continuous enrollment as long as customer participation is below that limit. Staff contends that 10% is a reasonable limit, since customer numbers are unlikely to exceed 10% in the first year or two of the program. RESA initially proposed that rather than limit the number of customers in total, Ameren should restrict participation by geographic area defined by interstate pipeline connections, thus avoiding customer confusion regarding eligibility for enrollment. However, RESA, as part of its modified proposal, discussed later in this report, withdrew its proposed geographic limitation.

AIC Feedback

Upon review of the suppliers request and additional analysis, the Company ultimately agreed that the enrollment cap could be initially increased to 10% without a material increase in program costs and without adverse operational impacts on the gas system. Beyond that level, however, additional tariffs and systems development would be necessary to manage the reliability of the gas system in the face of potentially rapid and large scale movement of customers between system supply and alternate retail supply. This is the case whether the removal of the cap was system-wide, or based on a geographic subset of the entire system. Because different areas of the Company's system are not accessible from all of the pipelines that the Company uses to deliver gas, isolating one region for uncapped switching would result in the same operational concerns as system-wide switching, but on a more localized level. Since it is imperative that the reliability of the system be maintained for all customers, it is not a feasible approach to just limit the open enrollment concept to a particular city or region.

An additional concern with uncapped switching stems from customer equity with respect to recovery of the costs of operating the system. As discussed at more length already in this report, AIC has a requirement of performing the balancing and reliability functions associated with gas supply, in addition to being responsible for the procurement and delivery of system gas. These functions require AIC to hold certain transportation and storage assets regardless of the number of customers taking system supply vs. third party supply. So these assets in reality provide benefit to all delivery service customers. However, the cost recovery for such assets occurs in Rider S, system gas supply. To the extent that costs that benefit all customers are collected from only Rider S customers, there is an inherent inequity. If residential load switched in significant volume, the costs of the balancing assets would be increasingly borne by a smaller number of customers. Due to this concern, AIC has indicated that before switching is allowed to reach substantially higher levels, it would be appropriate to institute a Gas System Integrity Charge (Rider GSIC) to ensure equitable and adequate recovery of balancing asset costs that benefit all customers.

NAE Response

NAE indicated that AIC's agreement to increase the enrollment cap to 10% can work to address its concerns provided it is an initial cap that will be reviewed when actual enrollment levels approach that cap.

Allow Continuous Enrollment

The suppliers indicated that the initially proposed program restriction on enrollment to one period annually would make customer acquisition by suppliers more difficult and costly, and potentially result in customer frustration if enrollment was sought outside the enrollment period. RESA prefers year-round enrollment, but it can accept a system in which enrollments are accepted each month during some limited period. However, it wants to eventually change the structure so that there is a year-round enrollment period.

AIC Feedback

In response to this concern, AIC did additional analysis on the system programming changes that would be necessary to implement residential enrollment and found that, while there would be additional costs to program continuous enrollment functionality, they would be relatively immaterial in the context of the total program costs. Given this finding, the Company ultimately agreed to amend its proposal to include continuous enrollment for residential customers only, subject to the caveat that the enrollment cap be at 10%. Without a firm enrollment cap, the Company would have operational and planning concerns allowing year round switching, as large numbers of customers switching right as the winter heating season began could cause significant mismatches between gas procured and gas required to serve system supply customers. Also, the Company found that it would not be able to move its existing Rider T service for non-residential customers to continuous enrollment because this would require significant additional programming costs and there is no cap on non-residential switching, so the same operational and planning concerns previously identified could come into play.

NAE Response

AIC's agreement to amend its proposal was acceptable to NAE provided the cap is an initial limitation subject to review when reached.

Provide Daily Load Forecast to Participating Suppliers

Suppliers requested that AIC provide forecasts of each supplier's customer loads to facilitate their nominations process. They suggested that the Company already has to perform daily load forecasting, and providing this information could ensure that the volumes of gas delivered by suppliers would be adequate.

RESA originally proposed that the Ameren provide a Daily Delivery Requirement. However, RESA's modified proposal phases this requirement in as part of its proposed framework.

AIC Feedback

While AIC indeed does perform daily load forecasting as a part of system operational responsibilities, the Company forecasts the entire system load and does not forecast load by supplier and pool group, as would be necessary to provide the forecasting service requested. There would be substantial system programming that would need to be developed in order to provide this service. While the Company was not able to provide an estimate of the cost of the programming within the timeline of the workshop process, it is certain that it would result in a material cost increase to the program beyond the $6-7 million estimate provided to bring gas choice to residential customers.

Additionally, providing a forecast to suppliers does not necessarily address the operational concerns of the Company, since suppliers would be under no obligation to deliver gas based on the Company forecast. Providing a forecast is not the same thing as a mandatory daily delivery requirement being placed on suppliers. While mandatory daily delivery requirements would go a long way toward addressing operational concerns associated with large scale (uncapped) residential switching, it would also require an overhaul of the tariffs governing imbalance cash outs and major IT development work within the Gas Settlement System. Such a change would be a material additional cost for the program, however Ameren has not offered a firm estimate for that cost. AIC notes that suppliers who currently place their monthly-balanced customers into pool groups, including GDS-2 customers whose usage profile generally resembles that of residential customers, are able to implement their nominations without requiring load forecasts from Ameren Illinois.

Supplier Feedback

Suppliers note that they do not expect Ameren to develop new capability, but rather to share information it already generates. NAE pointed out that receiving information on how Ameren calculates load requirements will be valuable in suppliers' efforts to calculate their customer's load requirements.

Utility Consolidate Billing/Purchase of Receivables (UCB/POR)

Suppliers expressed the view that receiving a single bill for all service is important to customers. While the Company's proposal allows for a single bill through agent billing described above, suppliers expressed a preference for utility consolidated billing ("UCB") with purchase of receivables ("POR"). Part of the concern stems from the fact that the Company does not segregate gas and electric charges of its dual fuel customers when providing a single bill option, so the supplier will be responsible for including both services on their bill. Under the UCB/POR approach, the utility places the charges of the supplier on its consolidated bill for all electric and gas service and supply, purchases the accounts receivable of the suppliers by providing payment to the suppliers on the due date, and then collects all payments from customers. This option is currently offered in AIC's electric service territory. Suppliers indicated that there is clear preference from customers for this approach, and it would enhance residential gas choice in AIC's territory.

RESA argues that UCB is what most customers prefer. And most retail choice markets for residential and small commercial customers also have UCB. In RESA's opinion, POR increases customer participation everywhere. For this reason, RESA also includes a POR/UCB component in its modified proposal.

Staff points out that no other residential gas choice program in the state of Illinois has POR. Though suppliers often argue total costs are lower than if suppliers and the utility recover their charges separately, it is not clear to Staff that the benefits from this feature exceed their cost.

AIC Feedback

AIC's concern with UCB/POR is strictly related to cost. Based on design work performed for the original SVT program, this functionality would cost an additional $4-6 million to include in the residential gas choice program. If all other things were equal, customers may prefer a single bill from the utility, but it is unclear what customers are willing to pay for that option.

Monthly or Seasonal Asset Allocations

Suppliers requested that AIC consider instituting a practice of allocating pipeline and storage capacity to suppliers when customers switch. Suppliers suggest this as a way to ensure that capacity is available to serve retail customers that they enroll at a predictable price.

RESA originally proposed Ameren should assign its transportation capacity to suppliers, "[i]n order to minimize Ameren's operational concerns." However, RESA subsequently withdrew this proposal as part of the original implementation of the residential gas choice program. Instead, in RESA's proposed framework, transportation assignment would be phased in if the residential gas choice program expands in the future.

NAE offers a compromise that it suggests will lower the costs of implementing asset allocations. NAE asserts that it wastes resources when Ameren and suppliers both incur costs to serve the same customer. NAE does not dispute that Ameren needs to hold onto some assets for system reliability. However, it may release assets it no longer needs to serve residential gas choice customers. During the initial phase of Ameren's residential gas choice, NAE supports a program where Ameren can release or not release system assets, as long as the capacity and storage assets it releases are subject to FERC guidelines for a state approved Choice program. As NAE states, "Releasing capacity to RGS as part of a retail Choice program provides the RGS cost certainty for that capacity as FERC allows capacity release to be effectuated without the bidding requirement inherent in traditional capacity release." NAE argues that customers benefit from the cost certainty and the assurance that the released assets will benefit them. NAE argues that the only difference between what Ameren proposes and it proposes is how the assets Ameren decides to release are made available to suppliers and/or released to the market. Staff notes that releasing transportation capacity to suppliers represents a significant program expansion. Further, other Illinois gas choice programs do not release capacity to suppliers. Thus, it seems prudent to Staff to gain experience with the program before making more extensive changes.

AIC Feedback

The request for asset allocation raises both cost and operational concerns from the perspective of the Company. From an operational perspective, AIC has been clear throughout the workshop process that it needs flexibility to maintain the capacity necessary to ensure reliable gas deliveries to its system. Recall that AIC's residential gas choice plan has already allocated a storage bank equal to 33 days of RMDQ to suppliers and also gives considerable tolerance by only measuring and cashing out imbalances beyond the 33 day bank on a monthly basis. Daily deliveries of suppliers are in fact not subject to any restrictions that would ensure that a supplier will always deliver the quantity of gas that its customers will use that day. This is why AIC has been clear that it will only release the full amount of capacity that was acquired to serve the switched load when it has experienced residential switching on an ongoing operating basis and has reasonable assurance that the delivery patterns of suppliers are consistent and adequate. To that end, some capacity may be held rather than released to provide a cushion until such consistency of deliveries is proven. Also, as previously noted, AIC already releases capacity through the standard FERC process that offers assets to any interested party using a pre-defined bidding structure.

The only real path around this operational concern would be to add further program enhancements that would be complex and costly to implement. If AIC released 100% of the capacity associated with residential choice customers at the time of switching, AIC would need to impose mandatory daily delivery requirements on suppliers to ensure adequate gas was available to reliably supply the system even on the coldest days of winter. As described previously, mandatory daily delivery requirements would involve a host of tariff changes and system enhancements. AIC would have to perform the programming to forecast load by supplier and by delivery point, provide that forecast to suppliers through a daily process to communicate the delivery requirement, and change the settlement process such that imbalances were measured against that daily delivery requirement rather than actual customer usage. This would involve extensive work on the Gas Settlement System. While the cost of that work was not directly estimated for the workshops, the development of the functionality contemplated approaches the level of work planned for the original SVT program, so the full SVT incremental cost of $22 million can be viewed as an upper bound for a program including these enhancements (along with UCB/POR).

Service for Small Commercial Customers

RESA advocates that Ameren's program include small commercial customers. RESA originally suggested a portion of small commercial customers start in the program. However, the framework set forth in RESA's modified proposal phases in small commercial customer participation.

AIC Feedback

Because AIC's proposal is to simply extend essentially the same service already available to all non-residential customers, including small (GDS-2) commercial customers, this group already has access to gas choice and consideration of its inclusion in any residential gas choice program is moot. AIC also clearly indicated that any modification to the Rider T service available to small commercial customers, such as enabling year round enrollment as AIC has agreed to do for residential customers, is not included in the scope of its proposal and would be very likely to materially increase both the cost and time necessary to implement a program.

Parameters for Future Program Expansion

Because AIC characterized the program it was proposing in the first workshop as a limited program that could be expanded in the future based on experiences gained from the initial operations, stakeholders requested at the 3rd workshop that the Company define the criteria that it would use to identify the opportunities for such expansion.

AIC Feedback

AIC provided by email to all participants following the 3rd workshop its assessment of the conditions that would allow for future program expansions. The criteria identified by AIC are shown below.

To increase from 10% to 15% enrollment cap, the following criteria must be met:

1. Residential Choice is in operation for two years
2. Active enrollment is within 2% of the 10% cap (8% of active residential customers are taking service under Rider T)
3. A minimum of five suppliers are participating (serving enrolled customers)
4. Suppliers have demonstrated customer savings to ICC (evidence may be confidential and not shared with other stakeholders) over the two years of operation
5. Suppliers have solid history of performance
    a. Demonstrated daily deliver pattern consistent with usage for their customers
    b. Complied with all system integrity events

Changes to the program if the cap is increase to 15%

1. Implement Rider GSIC
2. Implement capacity release RFP for residential choice suppliers only (Pre-arranged, biddable)

To increase from 15% to 25% enrollment cap, the following additional criteria must be met:

1. Continued supplier performance history as described above since any increase to 15% enrollment cap
2. AIC provides estimate of programming cost necessary to implement daily delivery requirements and associated settlement calculation logic
3. ICC reviews AIC costs and supplier provided benefits and orders program expansion based on sufficient benefits

Changes to the program if the enrollment cap was increased to 25%

1. Implement daily delivery requirements and associated changes to cash out provisions to settle supplier deliveries against delivery requirements rather than actual usage

RESA's Modified Proposal

In its October 8, 2015, Comments, RESA offered its Modified Proposal for an Ameren residential gas choice program. In those Comments, RESA stated that it appreciated Ameren's modifications regarding eligibility and continuous enrollment as a step in the right direction. However, RESA argued that some additional modifications are necessary. Specifically, RESA states that it is important that a framework for opening up the residential gas choice program to all residential and small commercial customers be established as part of the Report to the Commission.

RESA contends that Ameren's proposed framework contains a number of unnecessary "milestones" and stops short of a complete SVT Program available to all customers. Accordingly, RESA proposed a modified version of Ameren's proposed framework, as follows.

- **Attributes for Initial Launch**
  - Ameren implements POR/UCB—this billing option is absolutely necessary for a successful residential gas choice program and

Ameren's cost estimate of $4 to $6 million to incorporate this billing feature is reasonable and should be recovered from all customers, as originally proposed by Ameren in Docket 14-0097.
    - Continuous Enrollment, as already agreed-to by Ameren.

- **Leading up to the 10% milestone**
    - A working group is established to discuss how to implement capacity release when program participation reaches 10%.
    - Seek Ameren agreement to work with suppliers to provide data from daily read meters when installed.
    - Seek Ameren agreement to post a generic daily delivery quantity for residential customers.
- **Transition to a complete SVT Program available to all eligible customers**
    - The residential gas choice program has been in operation for at least two years or 10% of residential customers are taking service under the residential gas choice program, and
    - A minimum of four suppliers are participating in the residential gas choice program.
    - Residential gas choice program participation is limited to 15% of residential customers until the fully operational SVT Program is in place, with such transition to a fully operational program not exceeding 12 months from the date 10% participation is achieved.

- At 10% enrollment, Suppliers commission an independent third party to conduct a customer survey to determine whether Ameren's participating customers have benefitted from the program. The survey to include qualitative and quantitative factors; if 10% enrollment is not reached within two years, the stakeholders meet to discuss impediments to participation in the residential gas choice program
- Suppliers have a solid history of performance.
  - Suppliers have demonstrated a daily delivery pattern consistent with usage for their customers.
  - Suppliers have complied with all system integrity requirements.
- Program open to small commercial customers.
- Implement Rider GSIC (at 20% participation, there must be a review to determine whether there is a continued need for Rider GSIC and if a continued need is determined at that time, a similar such review will be conducted every two years until it is determined that Rider GSIC is no longer necessary)
- Implement a capacity release RFP for SVT Suppliers (pre-arranged, biddable, in accordance with the rules established by FERC Order 712)

- Ameren implements daily delivery requirements and associated changes to cash-out provisions to settle supplier deliveries against delivery requirements rather than actual usage

AIC Feedback on Supplier Proposal

AIC contends that its proposal still represents the most cost effective means to provide residential gas choice to its customers. The supplier proposal adds costs for which commensurate benefits have not been identified and expands the scope of the program to levels that the Commission has previously expressed concern with approving.

Additionally, if the Commission should have a preference for the supplier's proposal, it should be noted that the timeline suggested for implementation of a full SVT program may not be feasible to achieve. Also, adding UCB/POR to the initial launch would potentially impact the 14-17 month timeline AIC identified in its proposal.

With respect to the supplier proposal to periodically review any future SVT program for the continued necessity of a Rider GSIC, AIC asserts that this is not a transitional mechanism. To the extent that uncapped switching is available to the mass market, the potential issues with equitable cost sharing of required balancing assets will exist and warrant the utilization of Rider GSIC.

Finally, AIC suggests that the suppliers' proposal for a supplier engaged third party survey to demonstrate benefits is not likely to be sufficient to identify and demonstrate benefits in a manner agreeable to the various Stakeholders to the process.

Consumer protections

CUB opposed implementing the original SVT program in Ameren territory. However it proposed three consumer protections in Docket 13-0192, and the Commission approved them in its Final Order. They are:

> 1. A customer shall be absolved from paying any termination fees if, prior to the due date of their first bill, they notify the supplier that they are terminating the contract.
>
> 2. When a customer has accepted service from a supplier after solicitation by a door-to-door salesperson, there shall be no termination fees assessed if the customer terminates during the first 6 billing cycles.
>
> 3. If a supplier's marketing materials include a price comparison of the supplier rate and the gas utility rate, the depiction of such comparison shall display at least three years of data in no greater than quarterly increments and shall also display the supplier's offered price for the same or equivalent product(s) or service(s) for each of the same increments.

In Docket No. 13-0192, CUB also requested that Ameren report to the Office of Retail Market Development if there is a "pattern of customer complaints" about an individual supplier for a given complaint.

CUB recommends that if the Commission should order Ameren Illinois to implement a residential gas choice program, the same consumer protections it has previously advocated should be adopted for the new program.

AIC Feedback

AIC observes that applying some level of consumer protections will likely aid switching since they help reduce customer uncertainty. The Company is neutral with regard to the specific proposals offered by CUB.

IV. Net benefits

A. CUB

CUB provides a short overview of the cases that lead to this set of workshops. CUB's commentary focuses on the Commission's request to establish that there are benefits from residential gas choice greater than the cost to implement it. CUB concludes its overview section by stating:

> [B]efore a discussion of the parameters of a transportation program under Rider T can be fully explored, however, the threshold question of whether the benefits are sufficient to justify moving forward with an alternative program must be answered.

CUB's comments include a section entitled "Quantification of Benefits." In this section, CUB argues that the Commission's order in Docket No. 14-0097 means that a "detailed examination of the actual experience of residential gas choice in Illinois is required." CUB expresses skepticism that AGSs can show that existing retail markets have lowered consumers' gas bills. CUB notes that there is a philosophical difference between it and AGSs, since, for CUB, only gas cost savings relative to the PGA is a benefit. CUB calls this an economic benefit.

CUB states that the suppliers did not produce an analysis that quantified how fixed prices provide "peace of mind." In CUB's view, fixed rates that are significantly higher than the utility PGA do not provide "peace of mind," because they have not been shown to protect utility customers from price spikes. CUB further notes that utilities have budget billing plans that provide what CUB considers to be a similar service, for Ameren's gas customers.[2] AGSs also offer inducements such as programmable thermostats, but, according to CUB, the benefits from these inducements are mitigated, since the AGS requires that the customer remain with the AGS for “a period of time.”

According to CUB, retail suppliers believe that it is not appropriate to compare PGA gas costs with suppliers’ rates, even arguing that marketers believe “that price is not a determining factor in evaluating the benefits of energy choice.” CUB characterizes this as “absurd”. CUB asserts that, in its experience, marketers attempt to persuade customers to enroll with an AGS by claiming that prices will rise, so a fixed rate will save the customer money.

CUB comments on Constellation’s presentation that examined the margin between a wholesale price and the price for retail gas. It found the analysis lacking, notwithstanding the fact that the analysis showed that Ameren customers would have paid less for gas. CUB offered several criticisms of Constellation’s model. First, CUB asserts that the analysis was hypothetical and theoretical, and so not based upon past experience in Illinois. Second, CUB observed that Constellation had an interest in designing an analysis showing economic savings, rather than providing actual results from the Northern Illinois gas market. Third, CUB asserts that because Ameren changed its hedging practices in 2012 upon consolidating its three territories into one, the comparison the study makes is no longer serviceable.

[2] Ameren offers a budget billing plan pursuant to which a customer’s estimated bills are averaged over a 12 month period. Ameren performs a review every 4 months for customers, so the budget billing amount can potentially change up to 3 times a year. During the 12th month, a settlement or roll over process will run to calculate the difference between the billed amount and actual usage and determine the new budget billing amount going forward.

CUB offers the results of its own tool, the Gas Market Monitor (GMM), which CUB contends is designed to analyze the efficacy of retail competition. CUB claims that GMM results demonstrate that 90% or more of offers in the residential gas choice programs of Nicor Gas, Peoples Gas and North Shore Gas lead to higher commodity gas costs. CUB asserts that the Commission should rely on the results from the GMM rather than the 'theoretical, hypothetical' analysis put forth by Constellation.

CUB enters into a detailed explanation of the methods of and results from the GMM. In general, the model "provides a historical comparison, and does not attempt to predict future plan performance. As such, it does not contain any forward-looking information regarding the utilities' expected PGA."

Thus, according to CUB, the GMM's purpose is to enable customers to compare how plans have fared historically compared to the PGA price of northern Illinois gas utilities.

The GMM is, according to CUB, a way to estimate how much a customer would spend on gas upon accepting an AGS offer. PGA prices are known, so the cost of the AGS offer can be compared to what the customer would have paid if he/she remained on sales service. Since July 2014, according to CUB, the GMM evaluates plans in the market during the third week of each month.

CUB describes the manner in which it enters data about offers from marketers every week. CUB states that it confirms the terms and conditions of offers with those marketers. It examines the ICC website to monitor the data available there. Although CUB attempts to update the data monthly, it may occasionally fall behind. CUB models the expiration date for fixed price plans as specified in the plan, while it assumes variable price plans expire after 12 months or as specified.

After a plan is entered into the GMM, CUB tracks the cost a typical consumer would incur for commodity gas each month; the model does not track actual usage. CUB used the gas consumption profile found on the ICC's website as a guide to determine the average customer usage amounts by month. CUB describes how it evaluates offers by noting that each month an offer is available is considered a different plan. It evaluates performance over the plan's life.

In order to accurately model a plan's cost, the GMM also accounts for additional charges to transportation customers that sales customers (who buy gas from the utility at the PGA rate) do not pay. CUB specifies and explains those charges.

Not all offers are evaluated in the GMM. One set of offers not modeled have a mix of fixed price and variable prices. Another set is plans that fix the total bill.

CUB states that the purpose of the tool is to allow customers to estimate whether he or she will save money by switching to an AGS. To that end, CUB sought to make the model as realistic as possible and the data as accurate as possible.

CUB presents its results in a table that shows a calculation of the percentage of plans that save money with respect to the PGA, the average (positive) difference between the PGA and AGS plans for those plans that save customers money and the average (negative) difference between the PGA and AGS plans for those plans that customers pay more for. According to the table, as noted above, the vast majority of plans cost more than remaining on the PGA would cost. And, according to the table, average losses are relatively large, while gains are relatively small.

B. RESA

RESA first argues that focusing on nothing more that quantitative benefits, as reflected by customer savings, is “short-sighted and incorrect.” According to RESA the value from having choice was to give customers a wider array of ways to buy gas. RESA refers to the ABACCUS Report (attached) in support of its claims. RESA states that, according to the ABACCUS Report, while some customers were only concerned with paying the lowest price, others also valued price or bill certainty or a smaller environmental footprint very highly.

RESA asserts that competition can result in “more diverse product and service innovation… [and] may include multiple price options.” In RESA’s opinion, AGSs can save customers money, but they can also provide fixed-price products or more innovative services. Because marketers have to compete with each other, they have to provide services that customers want or risk losing their customers.

RESA observes that AGSs can offer various services that utilities cannot. One is a fixed price product, which might be offered for a year or more. Fixed bill products establish a constant bill for some period, such as a year. An AGS might also offer a variable rate plan which guarantees savings compared to the utility rate, or a plan which provides for a seasonal fixed price, with a variable rate for the remainder of the year. AGSs can also bundle energy efficiency or environmentally friendly products with gas supply.

RESA offers its views upon two quantitative analyses proffered by marketers, one developed by Constellation, and the other by Direct Energy.

RESA observes that Constellation analyzed the Ameren market by calculating offers that marketers could have theoretically made in Ameren's territory over the 204 months from August 1997 through August 2014. Constellation compared Ameren’s PGA versus hypothetical one-year fixed price products, first assuming no profit margin for the seller, and next assuming profit margins for the seller ranging from 1 to 14 cents per therm.

RESA further observes that, in the Constellation study, the theoretical zero-profit-margin fixed price offer was lower than the Ameren PGA price in 153 of the 204 months of the months studied. RESA further notes that, in the Constellation study, theoretical fixed price offers were lower in price than the Ameren PGA price in more than half the months, until the margin reached 8-10 cents, while theoretical variable price offers were lower in price in over half the months until the margin reached 10-12 cents.

RESA observed that Direct Energy developed an analysis which it did not present to the workshop so as to protect the confidentiality of competitively sensitive information, but it was provided to Staff. RESA states that the Direct Energy analysis compared actual AGS offers in the Nicor and Peoples Gas territories with PGA rates which Nicor and Peoples Gas customers would have paid, beginning in January 2014.

RESA observes that the Direct Energy study compared four fixed price products, which RESA describes as the “best supplier offers”, to the Nicor and Peoples Gas PGA prices, beginning in January 2014. Two of the supplier offers are one-year products, and the two others are two-year products. In the cases of the two-year products, 21 months of data were used.

RESA states that, in each case, the one-year supplier-offered products save customers money relative to the PGA, while the two-year products resulted in a higher cost relative to the Nicor PGA, but a lower cost than the Peoples Gas PGA.

RESA observes that Direct Energy also examined products that include a bundled NEST thermostat[3] and the ostensible benefits accruing through a partnership with Plenti.[4] RESA reports that some products for some periods have lower costs, while others result in higher costs.

RESA also offered a critique of CUB's GMM, and the manner in which, according to RESA, CUB uses it to attempt to dissuade the Commission from ordering initiation of a residential gas choice program in the Ameren territory. RESA first asserts that savings on gas costs is not the only indicator of whether customers are better off under a gas choice plan, because, according to RESA, customers care about factors other than price. RESA next argues that the Constellation study demonstrates that Ameren customers can save money by taking service from AGSs, and the Direct Energy study demonstrates that

[3] Without going into great detail, a NEST thermostat is a thermostat programmable through a smart phone application. The manufacturers assert that use of a NEST thermostat will save its user 10-12% on heating and 15% on cooling. Its online retail price is $249, exclusive of any applicable taxes, shipping and installation costs, although the NEST website suggests that at least some customers self-install the thermostat.

[4] Plenti is a consumer rewards program. Through purchases of goods and services, customers accumulate so-called Plenti Points, which are redeemable when making purchases from a number of merchants and businesses.

northern Illinois customers have in fact saved money by taking service from AGSs. Third, RESA contends that the GMM has significant flaws.

RESA asserts that these flaws are as follows: first, CUB has no knowledge of how many customers take each plan, or of those customers' usage. Second, the GMM does not take into account the value that a fixed price product provides to customers that are willing to pay a premium for price stability. Third, and similarly, the GMM does not assign any value to bundled products, such as a free NEST thermostat or environmentally-friendly products. Finally, GMM results appear incapable of replication in certain cases where RESA has had cause to test them; specifically, GMM results indicate that some plans result in a higher cost to customers when, RESA contends, based upon its own comparison, they should result in cost savings.

C. NAE

NAE notes that "[t]he expedited workshop schedule directed by the Commission allowed parties to develop only a limited amount of information regarding costs and benefits." It advances arguments similar to RESA's concerning qualitative versus quantitative benefits. It also noted in the course of the workshops that many customers have substantiated the qualitative benefits by selecting competitive supply when choice is available. Ameren's small volume gas customers would be the last retail customer group in Illinois, including both gas and electric service customers, to receive the ability to choose their supplier. NAE also observes that "a supplier presentation was made during the workshops showing that a competitive program would have provided an opportunity for competitive suppliers to beat Ameren's cost of gas as offered through its

PGA clause." NAE further observes that, in previous dockets, the Commission has recognized the benefits of choice programs. Further, NAE argues that, while the expedited schedule of the workshop process prevented the preparation of any detailed cost-benefit analysis, the Commission has previously recognized in another competitive context the propriety of a "cost-benefit rationalization," in which the Commission determines whether the anticipated benefits of a Commission action bear a "reasonable relationship" to the costs likely to be incurred in realizing those benefits.

NAE concludes that "apples-to-apples" comparisons are difficult, inasmuch as utilities recover some of the costs of gas supply procurement through base rates, and not the PGA. Thus, PGA prices, according to this logic, are lower than their true cost.

D. Ameren Illinois

Ameren Illinois states that, because the Company passes on the wholesale cost of natural gas with no markup to its customers, Ameren Illinois believes any potential savings generated by competitive suppliers would generally be transitory effects associated with market timing and would be unlikely to provide sustained bill savings to customers over time. As such, Ameren Illinois has not been able to identify or quantify any expected savings that would accrue to customers as a result of implementation of residential gas choice. Also, Ameren Illinois cannot verify the calculations of savings propounded by suppliers.

E. Staff

Staff observes that, in its view, the Commission wants to ensure that the benefits of a residential gas choice program justify the expenditures necessary to develop the program. The issue of whether the program is likely to be cost beneficial is salient, especially after Ameren asserted, in in Docket No. 14-0097, that its costs of implementing an SVT program would be nearly three times greater than its original estimate.

Staff observes that one difficulty in assessing benefits is that many residential gas choice plans charge a fixed price. The “qualitative” benefit from fixed price plans is that they insulate customers from a price spike. Staff suggests that this is comparable to an insurance policy; the fixed-price plan, like an auto insurance policy, offers value to a customer even if the price of gas remains low. Assuming that to be true, the issue becomes whether the premium above market prices which the customer pays for certainty is too high. The Staff lacks the data necessary to assess whether the premium is at an appropriate level.

In Staff’s view, whether residential gas choice is cost-beneficial is an empirical question. It does not appear to Staff that there is sufficient data available to resolve this issue. For example, CUB developed its GMM to collect supplier offers in the Nicor Gas, North Shore Gas and Peoples Gas service territories. Based on its database, CUB asserts that a high percentage of offers result in higher gas prices than if the customers had remained on utility service at PGA prices. As Staff and other parties noted in their workshop comments, there is an ongoing controversy about the reliability of GMM results. Staff also noted that the effectiveness or accuracy of the GMM has not been litigated in any formal docket before the Commission.

Staff observes that Constellation developed a theoretical retail fixed price at which suppliers might have offered gas in Ameren's territory, using no markup, as well as varying retail markups. The model used forward prices and other, proprietary, data. Constellation estimated the difference between the PGA gas cost and its estimated retail gas prices for a range of retail markups. Staff asserted that the model's results did not identify what the margins it or other suppliers actually earn, which are apparently highly proprietary. Further, a key data point is the margin that induces suppliers into the market. Staff was not provided with the underlying data to estimate this value.

Staff further observes that Direct Energy also calculated the difference between the PGA and various AGS offers actually made in the Nicor and Peoples Gas service territories. Staff was unable to verify either the data or the methodology used to calculate the hypothetical costs. Direct Energy did not present the model during the workshops.

In Staff's opinion, the best way to evaluate market results is by using actual price and quantity data. That data might clarify which offers to customers generate expected savings relative to the PGA, and conversely, those situations in which customers can be expected to pay a premium over the PGA. Staff asserts that the most direct and verifiable way to assess a residential gas choice program's effects on customers is by examining individual customer price and quantity data, either for all customers or for a sample of customers. This data is not currently available to the Commission or its Staff.

V. Conclusion

A primary focus of the workshops was the Company's proposal to implement choice by expanding its existing Rider T gas transportation service to include residential customers. While some issues remain on limited details or components of this proposal, it appears that some participants agree that the Rider T proposal as modified during the workshops could be a viable option to bring choice to Ameren's residential gas customers.

In addition, the estimated implementation costs appear to be substantially less than those estimated for the previously proposed Rider SVT program. They are estimated by Ameren to be approximately one-third what Ameren estimated it would have cost to implement its proposed Rider SVT.

However, it does not appear that there is consensus on whether the Commission should implement a residential gas choice program in Ameren's territory, or, if the Commission elects to implement one, whether certain features should be included in such a program. Likewise, there does not appear to be a consensus regarding the likely net benefits of residential gas choice for customers.

While it is apparent that marketers/suppliers would prefer implementation of a program with certain additional features, it also appears that these additional functionalities would result in higher implementation costs. The Commission will have to decide on the relative balance between features that may enhance market performance, and the increased costs that those features impose on transportation and sales customers.[5] As NAE noted when commenting on the draft report after the workshops had concluded, it may also be possible to offset such additional costs with a monthly billing surcharge assessed to suppliers until such time as AIC recovers its development costs. NAE asserts that this has been done with similar programs with other unspecified utilities.

The Commission will likely also be called upon to determine the extent to which it sees value in collecting data to verify whether residential gas choice provides net benefits.

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[5] Residential gas choice program costs are socialized; that is, they are not recovered from transportation customers alone, but rather recovered in base rates from both sales and transportation customers.

Since empirical data about whether customers are saving money is not available, the Commission may, if it wishes to order Ameren to provide residential gas choice, consider it advisable to order parties to explore whether a framework may be able to be developed for the collection of such data to calculate the effect that residential gas choice has on the rates that customers pay for commodity gas and whether the customers are realizing any net benefits.

The AG notes that the Commission collects AGS price data and posts it on the ICC website. The data includes per-therm prices for many companies. While it is important that consumers have access to this information, it cannot, by itself, indicate whether customers are generally better off when accepting AGS offers. That is, the Commission does not have access to individual customer usage, nor does it know how many customers accept each offer. The surest way to compare total costs is to have access to actual bills.

In addition, as part of its modified proposal, RESA recommended that a customer survey be taken because an analysis simply comparing cost savings to costs is short-sighted and inappropriate.

The workshops offered stakeholders the opportunity to freely exchange competing views, and as is evidenced above, this resulted in some movement toward a common understanding regarding the characteristics of a cost-effective residential gas choice offering in the AIC service territory. That said, stakeholders are not in agreement regarding whether the program should be implemented at all, and if it is, what features and functions is should include.

Following a review of parties' comments during the workshop process, Staff and AIC offer the following paths for the Commission's consideration.

1. The Commission declines to require Rider T modifications at this time, but states that it will reconsider the question in eighteen months. During that period, Staff is directed to work with stakeholders to develop refined cost and benefit estimates for submission to the Commission. The Commission could then reconsider the issue based upon the best available information.
2. The Commission agrees with CUB and the AG that net benefits are not adequately demonstrated and unlikely to occur, the Commission could decline to order Ameren to file its modifications to Rider T with no further directions to Staff and parties.
3. The Commission agrees with RESA and NAE that net benefits are likely and directs AIC to file a tariff amendments to implement the Rider T modifications for the Commission to approve or move to a docketed case.
4. The Commission initiates a new docket to generally investigate and determine in a formal proceeding "how and when residential gas customers in [Ameren's] service territory will have access to a gas supplier choice program." As a part of this docket the Commission also may consider making use of the experience with residential gas choice in the Northern Illinois markets to enhance its understanding of customer benefits from choice.