

ILLINOIS POWER COMPANY

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01- 0432

SURREBUTTAL EXHIBITS SPONSORED BY JACQUELINE K. VOILES

NOVEMBER 14, 2001

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ILLINOIS POWER COMPANY**DOCKET NO. 01- 0432****PREPARED SURREBUTTAL TESTIMONY OF JACQUELINE K. VOILES****NOVEMBER 14, 2001****I. Introduction and Purpose of Testimony**

1
2 1. Q. Please state your name, business address and present position.

3 A. Jacqueline K. Voiles, 500 South 27th Street, Decatur, Illinois 62521. I am currently the
4 Director of State Regulatory Relations in the Legal and Regulatory Services Department of
5 Illinois Power Company (“Illinois Power”, “IP” or “Company”).

6 2. Q. Have you previously submitted testimony and exhibits in this proceeding?

7 A. Yes, I previously submitted IP Exhibits 5.1 through 5.11.

8 3. Q. What is the purpose of your surrebuttal testimony in this proceeding?

9 A. I will respond to certain issues in the rebuttal testimonies of Staff witnesses Harden, Schlaf and
10 Borden; IIEC witness Stephens; and MidAmerican Energy Company (“MEC”) witness Phillips.

II. Response to Staff Witness Harden

11
12 4. Q. Have you reviewed Staff witness Harden’s rebuttal testimony concerning her proposed
13 treatment of residential customers on Rider ISS?

14 A. Yes. Ms. Harden continues to recommend that residential customers that end up on Rider ISS
15 should be limited to paying the residential bundled rate plus 10%. She states that her
16 recommendation removes the impact of price volatility as well as potentially extremely high
17 electricity prices and reduces a barrier to participation in the competitive market for residential
18 customers. She also states that if the Company finds that her approach causes an

19 underrecovery, the Company can recover the underrecovered costs through residential delivery
20 rates in a future proceeding.

21 5. Q. Is Ms. Harden's recommendation that IP seek to recover in future rate cases
22 over/underrecoveries that would arise from serving ISS load at a bundled plus 10% rate
23 acceptable to IP?

24 A. No, and it should not be acceptable to the Commission or the customers of Illinois Power. To
25 suggest that IP should seek to charge all customers a cost that clearly arises from the actions or
26 inactions of a specific, known group of customers at a specific and known time is not
27 appropriate. Illinois Power was not obligated to offer this service and has only done so to
28 mitigate the risk that the customers would face should they suddenly find themselves without
29 supply. To now ask IP to bear a significant portion of the cost of voluntarily providing this
30 service, and then to only allow the Company to seek recovery upon the filing of a future rate
31 case – and further to then ask that this cost be recovered, not from the customer who caused
32 the cost to be incurred, but rather from every customer taking delivery services in the future – is
33 not a good solution. Charging all DST customers for accumulated prior costs specifically
34 incurred on behalf of other specific customers in and of itself would present a future barrier to
35 entry. Additionally, it should be noted that given the highly volatile nature of electric prices and
36 the uncertainty related to when, for what length and in what volumes customers will utilize the
37 service, it is unreasonable to presume that the total costs of providing this service in any given
38 test year will be comparable to the cost of providing this service in any future year.

39 Further, I am unaware of any mechanism that could be used to allow IP to recover
40 several years of accumulated Rider ISS under-recoveries in a future year's rate case. This

41 sounds like a proposal to recover deferred expenses incurred prior to the test year, which has
42 been rejected in the past. This approach also would likely be objected to as retroactive
43 ratemaking. Finally, as I have mentioned, there would seem to be no basis to require all
44 customers to pay higher rates to recover costs that may have been incurred because some
45 residential customers may have dealt with unreliable RESs, or failed to arrange new supply
46 options by the time their RES contracts expired, and thus wound up on Rider ISS.

47 6. Q. Ms. Harden raises the possibility of residential customers facing potentially high market prices if
48 they wind up on Rider ISS is a barrier to participation in the competitive market. What is your
49 response?

50 A. Customers can minimize their exposure to charges related to Rider ISS by adequately
51 researching and selecting their supplier and keeping track of their obligations – including
52 knowing the date that their contract with their supplier terminates and properly arranging for
53 subsequent supply. Furthermore, I expect that any customer considering going into the
54 competitive market should understand there are risks involved. Nonetheless, to further mitigate
55 customer concerns, we proposed spreading any extremely high ISS prices over 3 months, as
56 explained in my direct testimony.

57 **III. Response to Staff Witness Schlaf**

58 7. Q. What issues raised by Staff witness Dr. Schlaf will you address?

59 A. Dr. Schlaf raised the following issues in his rebuttal testimony which I will address: 1) use of
60 electronic signatures; 2) allowing delivery service customers to rescind their 30-day notice to
61 return to bundled service; 3) “third party billers”; and 4) splitting gas and electric bills.

62 8. Q. If the Commission ultimately decides that the use of electronic signatures satisfies the verifiable
63 authorization requirements for Letters of Agency, would the Company agree to reference, in
64 both its tariff and Implementation Plan, that electronic signatures can be used?

65 A. Yes, as I indicated in my rebuttal testimony, if the Commission decides that the use of electronic
66 signatures is acceptable, the Company would certainly be willing to include a reference to this
67 fact in its tariffs and Implementation Plan. The Company also believes that such provisions
68 should be adopted at the same time by all the utilities. I would also note that Dr. Schlaf and I
69 agree that the specific details surrounding the use of electronic signatures would be best worked
70 out in a workshop setting.

71 9. Q. Dr. Schlaf provides additional comments supporting his position that a customer should be
72 allowed to rescind its 30-day notice to return to bundled service during the 30-day period.
73 Does this change your opposition to his proposal?

74 A. No, it does not. As Dr. Schlaf points out on lines 38-42 of his rebuttal testimony, he can
75 envision a situation where the Company could resell the power after a customer rescinds its
76 notice and be potentially better off. I certainly agree that there is potential, both positive and
77 negative. However, I continue to believe there is more potential for a negative outcome given
78 the economics. If a customer has given its notice to return to bundled service, it has done so
79 either because bundled service appears to be its best option or because the customer is still
80 weighing the options. If the customer ultimately decides to rescind its notice, then either market
81 prices have dropped enough to make alternatives more attractive or the customer finally made a
82 decision. If the decision was made due to changes in market prices, then the value of any
83 power that the Company had purchased to serve the customer would be less than what the

84 Company paid for it. I would tend to agree with Dr. Schlaf that this is not likely to be an every
85 day occurrence, but the potential seems to be a negative for the Company. And, the odds are
86 not even – they are stacked against the utility.

87 10. Q. Dr. Schlaf states that if the Company is concerned about being stuck with uneconomic power
88 due to customers' rescinding their notice, that IP could reduce the 30-day notice to fewer days.
89 What is your response?

90 A. I disagree. If a customer can rescind its return to bundled notice at anytime, the notice and the
91 minimum notice period become meaningless regardless when it is received.

92 11. Q. Where did the 30-day notice period to return to bundled service initially come from?

93 A. Actually, Dr. Schlaf proposed it in IP's first DST rate case (ICC Docket Nos. 99-0120 and
94 99-0134 (Consol.)) as an alternative to requiring all customers to return to bundled service for
95 24 months. IP accepted his compromise proposal in that case. Dr. Schlaf has not given
96 sufficient reason as to why a provision which the Company agreed to as part of a compromise
97 in the last case should now be changed.

98 12. Q. Regarding IP's requirement in Section 6(u) of its proposed Standard Terms and Conditions, Dr.
99 Schlaf states that he does not object to it in principle since the Commission's Transitional
100 Funding Order ("TFO") in Docket No. 98-0488 clearly envisions that some entities should be
101 considered to be third party collectors, but requests greater clarification as to who these
102 provisions are intended to cover. Does the Company have any response?

103 A. Yes, Mr. Mortland explains the purpose and background of the "third party collection"
104 provision of the order in Docket No. 98-0488. He suggests a revision to Section 6(u), which if
105 adopted we would include in our final tariff.

106 13. Q. Will IP be able to ensure that it will accurately enforce the requirements of Section 6(u) in a
107 uniform manner?

108 A. IP is training its Customer Service Representatives to screen for entities that may be subject to
109 Section 6(u), and has set up a new screen in its customer billing system to help track such
110 entities. However, IP can not guarantee that the Company will never miss one. On the other
111 hand, making no attempt at all to require entities to sign the agreements contemplated by
112 Section 6(u) would be in violation of IP's obligations under the TFO.

113 14. Q. Dr. Schlaf states that Staff generally favors splitting bills for gas accounts from bills for electric
114 accounts, even though it is probable that splitting gas and electric accounts could create
115 administrative problems for Illinois Power, as well as additional costs. He also requests that IP
116 identify the costs that it would charge if it were to split gas and electric accounts (1) for
117 individual customers, upon request and (2) for each delivery services customer. What is your
118 response?

119 A. The issue of splitting bills has previously been raised in other dockets, workshops and meetings
120 with the Staff and other parties. I agree with Dr. Schlaf that there are numerous administrative
121 problems with splitting customers bills beyond what is already being done for a RES performing
122 SBO. IP recommends further exploration of these issues in a workshop process. In addition, if
123 the Commission chooses to require bills to be split, it should require it of all combination utilities.

124 15. Q. Has the Company developed potential charges for performing this function?

125 A. First, I would also like to note that while Dr. Schlaf has inquired about the potential cost of
126 providing this service, MEC witness Phillips who initially raised this issue, has not only not
127 inquired about the costs, but has stated that cost shouldn't be an issue. He also has not agreed

128 that the requestor should pay for this service. All that said, the Company has not yet developed
129 specific charges, and was unable to develop a comprehensive cost analysis in the short-time
130 available to prepare surrebuttal testimony. However, it is clear that in order to be able to split
131 electric and gas bills and accounts when requested, substantial re-programming of IP's
132 Customer Information System would be required, for such functions as bill preparation, posting
133 and tracking of payments, credit scoring, and initiating collection actions, including
134 disconnection. We have made a very rough estimate that splitting bills or physically splitting
135 accounts could take between 2000-4000 hours of programming just to allow the billing system
136 to handle the flexibility of customers choosing one bill or split bills. Thus, the programming alone
137 could cost more than \$250,000. This does not take into account all of the other administrative
138 and operational issues and concerns that splitting bills would create, such as disconnection
139 actions, call center efficiency and customer histories. For example, today when a combination
140 customer has unpaid amounts, to the point at which disconnection is warranted, IP always
141 disconnects the customer's electric service, because it is cheaper and safer to disconnect and
142 reconnect the electric service than the gas service. If bills and accounts were split, then IP may
143 have to disconnect the service on which the customer was in arrears.

144 16. Q. Do you have any other comments on Dr. Schlaf's testimony concerning splitting accounts?

145 A. Yes. Dr. Schlaf states on lines 227-230 of his rebuttal testimony that "splitting gas accounts
146 from electric accounts would enable a Retail Electric Supplier who does not sell natural gas to
147 its electric customer to obtain customer account information that pertains only to the customer's
148 electric account." Clearly, a RES that is performing SBO will only receive electric information
149 through EDI, and thus does not have to look at gas information. If Dr. Schlaf is referring to

150 other account information, a RES or agent may simply obtain this information from the
151 Company's website.

152 **IV. Response to ICC Witness Borden**

153 17. Q. Staff witness Borden recommends that language be deleted from S.C. 110 that "requires retail
154 customers to pay IP for transmission costs incurred, but not paid by the customer's Retail
155 Electric Supplier (RES)". What is your response?

156 A. Mr. Borden goes to great lengths to discuss his opinion as to whether a Letter of Agency, S.C.
157 110 or the OATT creates an agency relationship that would allow IP to collect unpaid
158 transmission revenues from the retail customers. Since I believe that the determination of rights
159 and responsibilities created by agency law is a legal question that can be better addressed in
160 briefs, I will not respond to his rebuttal testimony in detail here. However, as stated in my
161 rebuttal testimony, the Company believes that the OATT does establish an agency relationship
162 and will implement the OATT accordingly regardless whether there is explicit language included
163 in S.C. 110. The Company believes its current language, as well as the revision proposed in
164 rebuttal and agreed to by Mr. Borden, serve to help inform customers of their obligation.

165 18. Q. Do you have any other comments regarding Mr. Borden's testimony?

166 A. On page 2 of his rebuttal testimony, Mr. Borden states that there are three transmission
167 customers taking transmission service from IP as a Transmission Service Agent (TSA) to serve
168 retail customers. He states that his source is the Company's response to Staff data request DB-
169 2. However, the response to DB-2 actually lists five TSAs serving retail customers in 2001.

170 **V. Response to IIEC Witness Stephens**

171 19. Q. What issues raised by IIEC witness Stephens will you address?

172 A. I will address the following issues raised by Mr. Stephens: 1) the cancellation provisions of S.C
173 24; 2) the availability of frozen bundled rates for customers returning from delivery service; and
174 3) RESs being liable for transmission charges.

175 20. Q. Mr. Stephens states that the ICC should not be swayed by the fact that the increase in DST
176 rates will have little impact on delivery services customers' total IP bills due to transition charges
177 (TCs), since this situation could change if market prices move up again. He states that for
178 delivery services customers with a zero TC, the impact of increased DST rates would go
179 "straight to the bottom line". What is your response?

180 A. While Mr. Stephens sounds the alarm about this potential impact on customers' bottom line, he
181 has provided no analysis as to what this really means. For the customers above 1 MW that Mr.
182 Stephens generally represents, the current average DST rate per kWh is approximately 0.11
183 cents per kWh. Under IP's proposed rates, this average increases to just under 0.16 cents per
184 kWh. Thus, IP's total proposed increase is less than 0.05 cents per kWh (less than ½ a mil).
185 Transmission rates are also a small portion of the customer's total cost as compared to the price
186 of power and energy. As Mr. Stephens mentions, market prices have dropped by 25% (i.e.,
187 from approximately 4 cents to 3 cents per kWh) but may some time in the future increase again.
188 If market prices swing upward enough to cause many customers to have zero TCs, I would
189 expect that customers would be more concerned with the increased bills due to changes in
190 market prices, and could possibly return to bundled tariffs. This is particularly so given that a
191 zero TC, by definition, suggests that the bundled tariff rate is near or below market prices.

192 21. Q. Mr. Stephens states that provisions in some of IP's bundled rates should be changed to
193 encourage customers to move to DST, even if only to PPO. Do you agree?

194 A. No. I have already stated in my rebuttal reasons why the provisions in S.C. 24 and Rider S
195 should remain in place. As for encouraging customers to move to Rider PPO, Mr. Stephens
196 states that “PPO service represents a very significant step toward competitive supply, in that the
197 customer leaves bundled service and begins delivery service, with a generation rate that is based
198 on wholesale market prices, rather than cost of service.” I agree that if a customer looked at its
199 detailed bill, it may see a market price. However, PPO is designed, along with Rider TC, to
200 essentially provide the customer with a savings or a discount from its bundled service bill equal
201 to the statutory “mitigation factor.” While there may be monthly or seasonal fluctuations, a
202 customer that continues the same usage characteristics as in the past should see mitigation factor
203 savings on an annual basis. As such, PPO represents a very low risk option for the customer.
204 Given that the customer’s obligations under PPO are not defined through a bilateral negotiation
205 process, but rather have been established through the statute and the regulatory process, and
206 that such obligations are very similar to those which exist under their bundled rates, Mr.
207 Stephens’ characterization of a customer’s movement to PPO as a “very significant step toward
208 competitive supply” is an exaggeration.

209 22. Q. Does Mr. Stephens appear to understand your rebuttal position on allowing an S.C. 24
210 customer outside its primary term to rescind its 12-month cancellation notice any time during the
211 ensuing 10 months.

212 A. He doesn’t seem to understand since he states “that IP is willing” and refers to this as IP’s
213 proposal. I believe my rebuttal testimony was quite clear that this is already IP’s current policy,
214 not a new proposal. As I previously mentioned, the Company agreed to adopt this policy

215 following discussions with the IIEC. Thus, the Company thought this issue was already
216 resolved.

217 23. Q. Mr. Stephens argues that IP's willingness to allow an S.C. 24 customer to rescind its
218 cancellation notice within 60 days tacitly admits that 60 days is sufficient time to make supply
219 arrangements for S.C. 24 customers. Therefore, the argument goes, IP should be willing to
220 permit S.C. 24 customers to leave on even lesser notice once outside their primary term. Do
221 you agree?

222 A. No, for several reasons. First, Mr. Stephens seems to forget that this is a delivery service rate
223 case and not a bundled tariff case. Second, S.C. 24 is an optional rate that has, by its terms,
224 special conditions attached to a service that has a discounted price. Third, while this is not a
225 supply issue, I note that we did not agree to let S.C. 24 customers have a rolling 60-day
226 window. Rather, if the customer chose to rescind its notice, that customer was subject to
227 another full 12-month cancellation period. Fourth, we chose to alter our policy as a customer-
228 friendly approach for those customers who had benefitted from this optional rate but
229 nonetheless were interested in choice. The IIEC has chosen to attempt to take advantage of
230 our approach and push for more. Our approach, however, also preserved a distinction
231 between S.C. 24 and S.C. 21. Under these circumstances, if Mr. Stephens would prefer, IP
232 will alter its current position and return to requiring a full, twelve-month notice with no rescission
233 for S.C. 24 customers.

234 24. Q. Mr. Stephens proposes that once a customer has fulfilled a primary term on S.C. 24 but
235 subsequently has left the rate for S.C. 110, it should be able to return again to S.C. 24 without
236 being subject to the primary term provision. Do you agree?

237 A. No. First, S.C. 24 is an optional rate. As I stated in my rebuttal, the primary term and the
238 guaranteed energy are directly tied to the energy discount customers receive on this tariff. Mr.
239 Stephens seems to want to advantage customers based on their past circumstances rather than
240 their current situation. For example, consider two customers with similar load characteristics
241 that both began service from IP in 1995. One chose S.C. 24 while the other was unsure of the
242 risk/return tradeoff of S.C. 24 and therefore selected S.C. 21. Assume that both customers
243 had similar usage characteristics with a high load factor from 1995 through 2000. During this
244 period, IP would have been assured that the customer on S.C. 24 would have to pay at least
245 the guaranteed energy. In return, the S.C. 24 customer was charged less than the S.C. 21
246 customer. Now assume that both customers took delivery services (switched to S.C. 110) in
247 2000. The S.C. 24 customer would have a lower TC, but otherwise we would expect the two
248 customers to pay similar market prices. Now in 2001, both customers want to return to IP's
249 bundled tariffs and take service on S.C. 24. Under Mr. Stephens' proposal, the customer
250 previously served under S.C. 24 would not be subject to the same primary term provisions as
251 the previous S.C. 21 customer even though the customers are similarly situated. This seems
252 discriminatory to me in that there is no cost basis for the difference in treatment of the two
253 customers. In fact, the S.C. 21 customer actually paid more money to IP since service began in
254 1995.

255 25. Q. Mr. Stephens restates his position that customers who are on or have previously been on tariffs
256 that are closed should be allowed to return to those tariffs. He also states that you did not
257 mention that he proposed to limit the duration of his proposal until such time as these rates are
258 declared competitive. Do you have a response?

259 A. I have already stated my position in my rebuttal testimony. However, I would add that his
260 suggestion to limit his proposal is not worth much since the Company would likely cancel any
261 closed tariffs as soon as possible after the service is declared competitive. Furthermore, many
262 customers that were once on Rider S, cancelled their Rider S service and returned to bundled
263 service either before or after the beginning of customer choice. These customers are
264 permanently prohibited from returning to Rider S. In fact, IP has been consistent with its policy
265 that Rider S is closed and does not believe it is fair to now make exceptions for the few
266 remaining customers when they switch to delivery services.

267 26. Q. Mr. Stephens suggests that IP's delivery tariffs should be revised to allow a RES to guarantee
268 payment, be liable for transmission service under the OATT and provide that the retail customer
269 would not be liable, even if the customer does not pay. Do you agree with his proposal?

270 A. No. A RES (or TSA) can "guarantee" payment if it wishes, but IP should retain the ability to
271 pursue the retail customer if the RES or TSA does not pay for transmission services. I should
272 point out that both current and proposed S.C. 110 state with respect to the recovery of
273 transmission charges from the retail customer, "Before billing the charges to customer, utility
274 shall first pursue all reasonable collection actions against Customer's RES, MSP or TSA,
275 including initially a claim against any bond or other security the RES, MSP or TSA has posted."
276 IP agreed to this language to resolve this issue in the 1999 DST case.

277 **VI. Response to MEC Witness Phillips**

278 27. Q. What issues raised by MEC witness Phillips will you address?

279 A. I will address the following issues raised by Mr. Phillips in his rebuttal testimony: 1) the
280 provisions of Section 6(u) of IP's Standard Terms and Conditions and 2) splitting customers'
281 bills between gas and electric service.

282 28. Q. Mr. Phillips, like Dr. Schlaf, expresses some confusion regarding what entities are covered by
283 the provisions of Section 6(u). Is the Company providing additional clarification?

284 A. Yes. As I have previously indicated, Mr. Mortland is addressing this topic in his surrebuttal
285 testimony.

286 29. Q. Mr. Phillips is concerned that requirements of Section 6(u) to sign an agreement with IP will be
287 a barrier to the development of innovative services. He also expresses concern that Section
288 6(u) will be applied selectively to certain entities, thus creating discrimination. Do you agree?

289 A. No. Clearly, reviewing and signing a short, five-page agreement once is not burdensome in
290 itself. With respect to Mr. Phillips' second point, in my response to Dr. Schlaf, I have already
291 stated that IP will not knowingly discriminate in requiring agreements under Section 6(u).

292 30. Q. Mr. Phillips continues to propose that IP split gas and electric bills upon request. Do you
293 agree?

294 A. I addressed this issue in response to Dr. Schlaf. However, I do have a couple of additional
295 points I would like to make in response to Mr. Phillips. As part of his argument, Mr. Phillips
296 states that "the electric customers in IP service territory were granted choice, entitling them to
297 make decisions regarding their electric service within the context of the law". I assume that the
298 reference to the law here means the deregulation law that forms the basis for customer choice. I
299 would like to note that the law did envision the development of competition surrounding the
300 billing function; that is why one subsection of the law was written (Section 16-118(b)). This

301 subsection of the law requires electric utilities to file tariffs allowing RESs to provide the single
302 bill option. It also includes very specific requirements concerning this option. In contrast,
303 nowhere in the law is there a requirement that a utility permit non-RES agents to perform billing
304 functions. I am not saying that non-RES billing agents should not be allowed, I am simply
305 stating that the law did not entitle agents and customers to any and all rights in this regard as Mr.
306 Phillips suggests.

307 More notable is a topic upon which Mr. Phillips is silent. The law specifies that utilities
308 should be able to recover their cost of providing delivery services. As I stated earlier, Mr.
309 Phillips has not stated that customers or agents should be required to pay the costs associated
310 with splitting bills. Mr. Phillips' silence on this point seems to imply that the cost and cost
311 recovery of requiring IP to split bills is not an issue. I believe it is.

312 31. Q. Mr. Phillips seems to imply that the existence of agents and particularly billing agents are a new
313 recent development. Do you agree?

314 A. No. Certainly, there is renewed emphasis on agents because of the opening up of customer
315 choice in the electric business. However, agents have been active since at least the mid-1980's
316 when gas deregulation began. Furthermore, this is not just an unbundled service issue. IP has
317 many bundled gas and electric customers who also have agents for their accounts. Some are
318 simply account agents while others are billing agents. My point is that the issue of agents and
319 the possible splitting of bills are not new and are not just a delivery service issue.

320 32. Q. Do you have any other comments concerning the splitting of bills?

321 A. Yes. If the Commission should ultimately decide that utilities should be required to split bills, all
322 combination utilities in Illinois should be required to comply. As with the use of electronic

323 signatures, the detailed procedures would probably best be developed in a generic docket or

324 workshop.

325 33. Q. Does this conclude your prepared surrebuttal testimony?

326 A. Yes, it does.