BEFORE THE
ILLINOIS COMMERCE COMMISSION

PUBLIC UTILITY REGULAR OPEN SESSION

Chicago, Illinois
October 26, 2010

Met, pursuant to notice, at 10:30 a.m.

BEFORE:

MR. MANUEL FLORES, Acting Chairman

MS. LULA M. FORD, Commissioner

MS. ERIN M. O'CONNELL-DIAZ, Commissioner

MR. SHERMAN J. ELLIOTT, Commissioner

MR. JOHN T. COLGAN, Acting Commissioner

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ACTING CHAIRMAN FLORES: Good morning. Is everything ready in Springfield?

MR. WALLACE: Yes, it is, Mr. Chairman.

ACTING CHAIRMAN FLORES: Pursuant to the provisions of the Illinois Open Meetings Act, I now convene a regular open meeting of the Illinois Commerce Commission. With me in Chicago are Commissioners Ford, O'Connell-Diaz, Elliot and Colgan. I am Acting Chairman Flores.

We have a quorum.

Before moving into the agenda according to Part 1700.10 of the Illinois Administrative Code, this is the time that we allow for members of the public to address the Commission. Members of the public wishing to address the Commission must notify the Chief Clerk's Office at least 24 hours prior to the Commission meeting. According to the Chief Clerk's Office, we have no requests to speak at today's Regular Open Meeting.

Moving into today's agenda, Item 1 is Docket No. 09-0306 through 09-0311. This is the rate case for the Ameren Illinois Utilities. This case
has been on Rehearing since June, and before us today
is an Order on Rehearing. The deadline for
Commission action is November 11. We are planning to
hold this until our Bench session on November 4th, so
there will be no vote on the Order of Rehearing
today. But the ALJs are available should the
Commissioners have any questions.

Are there any questions for Judge
Albers and Judge Yoder?

(No response.)

Very well.

Item 2 on today's agenda is Docket
No. 09-0592. This item concerns revisions to
Parts 412 and 453 of Title 83 of the Illinois
Administrative Code. Before us today is a Motion to
Withdraw the current draft of the proposed rules and
ALJ Benn recommends entry of an Interim Order
granting this Motion to Withdraw.

I will make a motion to enter the
Interim Order.

Is there a second?

ACTING COMMISSIONER COLGAN: Second.
CHAIRMAN FLORES: Thank you.

It's been moved and seconded.

All in favor say "aye."

(Chorus of ayes.)

Any opposed?

(No response.)

The vote is 5-0, the Interim Order of Withdrawal is entered. We will use this 5-0 vote for the remainder of the Regular Open Meeting unless otherwise noted.

Item 3 is Docket No. 10-0164. This concerns Champion Energy's Petition to protect against disclosure of confidential and/or proprietary information in its ARES Compliance Report. ALJ Jones recommends entry of an Order granting the requested relief for three years with respect to letters of credit and for two years with respect to the company's income statement.

Is there any discussion?

(No response.)

Any objections?

Hearing none, the Order is entered.
Item 4 the Docket No. 10-0262. This item will be held for disposition at a future meeting.

Items 5 and 6 can be taken together. These items concern customer complaints filed by Michael Rokhkind and Jay Sanders against ComEd. In each case the ALJ recommends dismissing the Complaint without prejudice for want of prosecution.

Is there any discussion?
(No response.)

Any objections?
(No response.)

Hearing none, these dockets are dismissed.

Item 7 is Docket No. 10-0500. This concerns a complaint as to billing and/or charges brought by Linda Penaloza against ComEd. In this case the parties have apparently resolved their differences and brought a Joint Motion to Dismiss which ALJ Gilbert recommends we grant.

Is there any discussions?
(No response.)
Any objections?

(No response.)

Hearing none, the Joint Motion to Dismiss is granted.

Item 8 is Docket No 10-0540. This is a Petition by Constellation NewEnergy for the amendment of a Certificate of Service Authority to operate as an alternative retail electric supplier in Illinois. The amended Certificate would allow the Company to offer the sale of power and electricity to all eligible retail customers in ComEd's subservice territory. ALJ Yoder recommends the Commission enter an Order granting the requested certificate.

Is there any discussion?

(No response.)

Any objections?

(No response.)

Hearing none, the Order is entered and the Certificate is granted.

Item 9 is Docket No. 10-0428. This concerns a Petition for Confidential Treatment filed by Just Energy. The Company now moves for withdrawal
and ALJ Gilbert recommends entry of an Order approving the withdrawal of the Company's Petition.

Is there any discussion?

(No response.)

Any objections?

(No response.)

Hearing none, the Order is entered and the Petition is withdrawn.

Item 10 is Docket No. 10-0110. This is the Whispering Hills Water Company's rate case. ALJ Riley recommends the entry of an Order approving a rate case that would grant $352,515 in additional revenues for the Company with that number coming after acceptance in the Order of a number of adjustments proposed by Staff.

Is there any discussion?

(No response.)

Any objections?

(No response.)

Hearing none, the Order is entered and the new rates are approved.

Item 11 is Docket Nos. 09-0548 and
09-0549. These dockets are rate cases for Apple Canyon Utility Company and Lake Wildwood Utilities Corporation. Before us today are Petitions for Rehearing filed by the Attorney General's Office, the Apple Canyon Lake Property Owner's Association, and the Lake Wildwood Association and the two companies. Judge Kimbrel recommends that the Commission enter an Order denying all party's request for rehearing.

Is there any discussion?

(No response.)

Any objections?

(No response.)

Hearing none, the Order is entered and the request for rehearings are denied.

Item 12 on our agenda today concerns a rate case filed by ComEd in 2007. It's Docket No. 07-0566 and its status on appeal. Because this matter concerns pending litigation, the Commission may consider this matter in closed session.

I make a motion to go into closed session.

Is there a second?
ACTING COMMISSIONER COLGAN: Second.

ACTING CHAIRMAN FLORES: Its been moved and seconded.

All in favor say "aye."

(Chorus of ayes.)

Any opposed?

(No response.)

The vote is 5-0 and the Commission will now go into closed session to discuss this pending litigation matter.

Springfield, would you please advise me when everyone has cleared the room, please.

(Whereupon, at this point the following pages 10 - 46 of the proceedings are contained in a separate closed transcript.)
MR WALLACE: We're ready.

ACTING CHAIRMAN FLORES: Very well. To recap in closed session the Commission discussed issues related to pending litigation over the appeal of the Commission's Order to Docket No. 07-0566, Com Ed's 2007 rate case.

We have one last item for consideration today, Item 13. This item concerns Illinois Statewide Smart Grid Collaborative Report. Enernex is here today to provide a briefing on the Report for the Commission.

Enernex -- who do we have from the Enernex team, please? If you could identify yourself for the record.

MR. RICK WORNAT: Rick Wornat with Enernex.

MR. ERIC GUNThER: Eric Gunther with Enernex.

MR. MARTIN COHEN: Martin Cohen with Enernex.
ACTING CHAIRMAN FLORES: You may proceed.

MR. RICK WORNAT: Do the Commissioners have hard copies?

COMMISSIONER FORD: Yes.

MR. ERIC GUNTHER: I guess we'll go ahead and start.

MR. WALLACE: We're not hearing anything in Springfield.

ACTING CHAIRMAN FLORES: Can you please make sure that the light is on.

MR. ERIC GUNTHER: The light needs to be on.

Okay.

ACTING CHAIRMAN FLORES: Thank you.

MR. ERIC GUNTHER: Thank you for having us here to provide you a briefing on the Collaborative.

We've delivered the Collaborative Report on October 1 of this year culminating a 21-month effort to provide the Commission with a broad range of recommendations on policies related to future smart grid investments.

We've been pleased and honored to have the opportunity to work on this effort for this 21-month period of time. It's been an interesting adventure
to stay the least. We've learned a lot and I think everyone in the Collaborative has learned a lot, which, of course, has been the point.

The recommendations in the Report are focused on four key areas, consumer policy, overall technical requirements, the cost benefit framework, and in filing requirements. So that's how the overall report is laid out.

The Report reflects substantial areas of consensus among the stakeholders for which there was a significant amount of consensus was achieved. However, it wasn't achieved in several important areas. So the Report goes into some detail on both of those areas where we had consensus and we where did not. So what I'd like to do now is have my colleague Rick Wornat go into some detail on the areas of consensus and give you that overview.

MR. RICK WORNAT: So we're going to spend a little time with the key areas of consensus and then we'll probably try to and spend most of our time on those areas where we were not able to achieve consensus on the outstanding issues.
But first, where we did have consensus and -- first of all in identifying for the catalog of Smart Grid applications. What are all the things that Smart Grid can do, and what are the potential costs and benefits associated with those investments. Also on the technical side of things, we identified a very broad set of both applications specific technical requirements and some general design requirements that should apply to all Smart Grid investments.

Those technical requirements are there to help insure that any investments that are made in Smart Grid would help achieve interoperability, security from cyber attack, longevity and scalability of the investment, compatibility with national standards, and to provided support for various consumer protections, things like data privacy as well as supporting other customer benefits, interconnectivity now with the Smart Grid and the overall interactivity and responsiveness to Smart Grid applications.

Another big area of consensus was
around a cost benefit framework for Smart Grid investments. And what we were able to develop here was a methodology for dealing with cost benefit analysis of Smart Grid investments. The focus here was really on trying to provide or to create a framework that would provide the Commission with multiple views or perspectives on investments. Now, one of the unique things about the Smart Grid is that there are potentially many beneficiaries, not just necessarily the electric customer and ratepayers. So it's important to look at adjustments from multiple viewpoints. So we identify several tests that can be applied to give the Commission the advantage of those different views and perspectives.

Now, with the cost benefit framework that was outlined in the Report specifies that the cost benefit analysis should be very inclusive of all costs benefits as long as those costs benefits are significant, quantifiable -- and quantifiable in a transparent way -- and would be relevant to the analysis. So that the cost benefit framework calls for looking at impacts on reliability, impacts on the
environment, our changes in load shape and attempting
to quantify and monetize this.

The cost benefit framework also
specifies that the sensitivity analysis should be
performed on these investments. There are changes in
estimates of values could impact the overall results
of the cost benefit analysis. So as part of helping
the Commission understand how that test results might
vary and would change some of those variables that
were indicated in the recommendation.

Also requiring comparative analyses of
Smart Grid investments. Potentially there may be
other investment that the utility could undertake
that would achieve similar benefits to Smart Grid
investments. So where those opportunities might
exist, there would be a requirement to present those.

COMMISSIONER ELLIOTT: Quick question with
regard to this. I know you suggest this is a key
area of consensus. Was there a discussion of the
upstream value associated with ancillary services in
the RTO markets? Was this part of this and is it
anticipated that it's going to be part of this
structure you're talking about load shape and impacts on reliability requirement? You didn't specifically look at just the LSE's control area, but encompassing further up stream in terms of reasonable benefits?

MR. RICK WORNAT: That's absolutely within the purview. I guess one thing to mention there related to changes in load shape, there are potential impacts to Illinois ratepayers and there are potential impacts to ratepayers outside of Illinois. So the cost benefit framework is careful to insure that any benefits that would accrue outside of the Illinois ratepayer population could be identified, but they would be identified only as a societal benefit and that would be captured in a societal test rather than in the other test.

COMMISSIONER ELLIOTT: Thanks.

MR. RICK WORNAT. And then also on the cost benefit framework, the stakeholders felt it was important to have this cost benefit framework. It would be an important tool for the Commission to inform its decision-making, but it should not necessarily be a determinative standard. Now, there
are other considerations besides just cost benefit that obviously the Commission needs to consider. Finally cost benefit framework includes some recommendations for the ongoing monitoring and verification of investments after the fact, so we can monitor what's estimated versus the actual cost.

In the area of consumer policy there were a number of areas to cover here that we were able to achieve consensus on recommendations on data privacy and data access. First, the customers must have ready access to energy usage and cost data, whether that be in a realtime basis or on a historical basis for something like that.

Also there was an emphasis on the need for informed customer authorizations for the release of data to third parties and that there needed to be full disclosure to customers on the scope, duration, and purposes for the updated release to third parties. And then protections against the unauthorized release of customer new data.

On the subject of consumer education, there was a clear consensus around the importance on
that and the importance on customers understanding
the goals, the costs, the benefits, and the
availability of tools and resources that could help
them manage their energy consumption. I guess I
should add that there was no consensus -- there are
no specific planned outlined reports about who should
do that communication, but everyone acknowledged that
it was important.

On the subject of --

ACTING COMMISSIONER COLGAN: Was it discussed
who should do it or was there a discussion about that
or is that an area of nonagreement?

MR. RICK WORNAT: Yes, there was. And I think
it was the feeling of most stakeholders that there
needed to be a multi-party effort. It would not be
sufficient, for example, for the utilities to be the
only source of information about Smart Grid
investments. So there's probably a role for many
players in that, including the Commission.

COMMISSIONER O'CONNELL-DIAZ: Was there a
discussion with regard to cost for this education
because this to me is the $64,000 question.
Everybody talks about it, we all sit and look at each other, who's going to do it, it's this and that, and to just say everybody should do it, well that's great, fine, well, and good. But there are costs associated with actually doing -- for lack of a better word -- marketing program or educational program. Did you get into the details compared to that?

MR. RICK WORNAT: Only that the cost of the education needed to be part of the overall cost benefit analysis. That needed -- the cost of educating customers needed to be understood to be an integral part of the overall investment. That the investments wouldn't necessarily work without having an informed new customer base. But we didn't get into trying to estimate what the cost of that might be, only that it was of critical importance and it need to be captured in the overall cost benefit analysis.

COMMISSIONER O'CONNELL-DIAZ: And when you say "consensus," was this a wide consensus on this issue or do you have people sitting in the back of the room
not saying anything that are important players in
this?

MR. RICK WORNAT: That's a very good question.
What does consensus mean because we refer to it both
here today and in the Report. We define it in the
Report the best that we can. If the consensus sort
of represented the absence amongst stakeholders of a
stated contrary point of view. I think it's also
important to understand that every stakeholder
couldn't participate in every court session. So, you
know, therefore perhaps not all views were heard.

But to a degree possible that was part
of our overall task as facilitators to make sure that
those voices were heard and discussed and, again, to
represent a consensus where it existed or consensus
actively and where that was not possible to make sure
the opposing views that couldn't be resolved were
expressed in the Report.

MR. ERIC GUNThER: We also made it important to
find out that we didn't take votes. We didn't
attempt to establish whether there was an
overwhelming group on one side versus the minority
group on the other side. You won't find that in the Report to try to characterize that because there's no way to effectively do it. And when there are contrary views expressed upon any issues, they are given equal weight in the Report and not characterized otherwise.

COMMISSIONER O'CONNELL-DIAZ: We've been down this road before on other issues. To have all this work on this important subject matter to move our state forward on so many fronts, to not have that really bound-up group of folks that are going to move the ball forward to me is -- I don't know how we insure that we do that, but it's really critical because we can't be doing what we did before when we had workshops in the post 2006 thing. I mean, I don't know how much work went into that and people sat on their hands and didn't have anything to offer and then, you know, threw a wrench into all of this work.

And now -- that was very serious, but this is really serious because it has so many fronts on it that are important for our state. And I think
we all need to be on the same train. That's all I'm saying. So for us to sit around and talk about this and to try to move ourselves forward and then to have it hijacked by a certain interest groups, to me, we need to be really careful. We need to band together and make sure that that doesn't happen.

MR. RICK WORNAT: That's a fair point. And, again, I think where we have represented consensus, it was the best that we can determine. Parties are certainly always able to change their minds.

Consensus today may not necessarily mean consensus tomorrow. But in my sense from working through the process over the last 21 months is that when we got to a consensus position, it truly was consensus for those that were participating.

COMMISSIONER O'CONNELL-DIAZ: I guess I would have taken attendance and counted heads on each one for a trust factor. That's all.

MR. ERIC GUNther: I'm sorry?

COMMISSIONER O'CONNELL-DIAZ: I would have counted hands and taken names. This is where we're going to be going in our future and we all need to
move together. We have a message to take to our consumers. We all need to be part of the message.

MR. ERIC GUNTHER: Frankly, in these kind of scenarios, folks doing that and knowing they were going to be on the record, we wouldn't have gotten them in the room.

COMMISSIONER O'CONNELL-DIAZ: That's called being honest brokers; right?

MR. ERIC GUNTHER: We had 290 participants in the Collaborative representing not quite that many, but certainly over a hundred different organizations and interest groups with different perspectives. Then we had different work groups who did the primary work. So it became -- determining, you know, the extent of support for a particular position and then quantifying it some way. First of all, the collaborators didn't want to do that and it was also too much of an impossible task to try to gauge the levels of support from the position. So we tried to describe the different positions, and at some point it may be up to you.

COMMISSIONER O'CONNELL-DIAZ: We always have --
COMMISSIONER ELLIOTT: A quick question on the areas of both consensus and nonconsensus. This has been a two-year process and obviously we're considering policies on it moving forward. On one of the issues I think there will be a concern in there is what's the time and layout on the policy docket. Given that this has been a two-year process and open -- I'm assuming that no one is coming into this without extensive knowledge of what the issues are on both technical and policy perspective. And it seems to me -- I would look to you as -- we don't need to plow a whole lot of new ground here. It's just a matter of getting people off their hands and onto the paper. And I would just ask if that is a fair assessment of where we are at this particular stay.

MR. RICK WORNAT: I think that's a fair characterization. We'll admit we're going to talk about what would seem to be the value of the Collaborative and one of those is sort of educating that group of stakeholders, getting everybody to sort of the same level of understanding, not only with the technology, but of the issues. There's also been
narrowing of those issues. Where do we agree? Where can we agree? And where are the real points of contention and what are the arguments on the two different sides?

ACTING COMMISSIONER COLGAN: I was kind of assuming that some of the stakeholders came to the table without much of a good technical understanding of what was on the table. And I would hope that through the process there was a lot of learning that took place. Was it your observation? And, I mean on the national level it seems -- my observation anyway has been that the position of the so-called consumer advocates has evolved over time to the point where they seem to have a better understanding of proposals and start to understand where to take positions whereas when the process started some were just saying no because they didn't have their positions develop. Did you observe that happening in this process?

MR. RICK WORNAT: I would agree with your characterization that everyone learned through this process. I think from a technical standpoint, I
think we sort of raised that level of understanding; but also on some of the consumer policy issues. I think there is a greater appreciation on all sides now for what those concerns are; the ones that seem to be able to be resolved amicably and also a clarification on those issues that seem to be more attractable.

MR. ERIC GUNTER: The overall level of knowledge on all these areas, technical, policy issues definitely Illinois is now unique, I think among most states rare of any exception having that overall level being much higher than it ever has before. There are other states that focused a lot on just tech. So there's a lot of people who just understand the technology, vendor-driven business sides, so just elements there. And what we've been able to accomplish here is the merging of policy, business aspects, and technical aspects. I think Illinois is now in a unique position. That ground has been plowed. You've got a good foundation for moving forward. There is still a lot of work to do to get people off their hands and moving forward.
COMMISSIONER O'CONNELL-DIAZ: I think your point is really excellent. Thank you very much. Because as I go out and talk about this to folks, I suggest that we're building a house and we're really doing the excavation and we didn't know what we were going it hit. Because I can remember sitting in the kickoff meetings and there were people there, myself included, I didn't know this and it's foundation. And without that foundation, I don't know how you could get to the second level. This is just the basement.

MR. RICK WORNAT: Just to give you an example, Texas, for example, has been moving full speed ahead mainly focused on the technology. Right now they're in the process of trying to get some additional assistance in thinking on the larger picture. And I know they've been looking with great interest -- as a few other states that I'll mention in my closing -- on this report and what's been done here. So other states are interested in what's been going on.

MR. ERIC GUNTER: And we'll talk more about this when he talk about the value of the Report which
we intend to talk about at the end. But this process involved a whole range of stakeholder groups who normally don't participate in Commission proceedings that we don't see around here, and they participated fully and learned a lot. All of the stakeholders, we certainly have a lot of gratitude for the seriousness for which they took this and for the amount of time they put in. People who don't participate usually in any litigation -- but, you know, those who do put in as much time or more time than they would on any rate case or other type of proceeding. So we were pleased by the seriousness and purpose and the way that people really dug in and stayed in and stayed with it and I think that everybody learned a lot.

MR. RICK WORNAT: Okay. Just a couple more points of consensus and then we'll move on to the more divisive issues. In terms of utility rates in Smart Grid environment, and perhaps it's a stretch to say that there was consensus here, but there was agreement here that there should be customer choice. You'll see here in another slide or two that it was not necessarily consensus about what those choices
should be or what the defaults of the positions should be, but I think there was agreement on mostly all parties that customer should have a choice about what kind of rate structure they are operating on.

And then finally just to mention customer prepayment for electric service. This application there were a lot of stakeholder concerns around it, but I think we can say that there was agreement amongst the stakeholders on the need for careful scrutiny of any proposed programs to ensure that should we go down this path in Illinois that there are adequate consumer protections in place for customer prepayment. And then with that I will turn it over to Marty Cohen who's going to talk about some of the unresolved issues.

MR. MARTIN COHEN: I'll spend a few minutes going through issues that we spent many, many, many hours on which were thoroughly discussed in the Report itself. But I want to just point you to the areas that we did not reach consensus and describe a little bit about what those disagreements were.

These are in no particular order, but
the first one that we should point out has to do with
the remote disconnection and connection opportunities
for AMI Smart Grid. We're talking about now the
disagreement about remote disconnection for
nonpayment. There was broad agreement that were
benefits from remote service switch for customers
getting new service, for people were moving, people
who were leaving, that they would be able to
disconnect and connect remotely has certain
advantages. But when it comes to a disconnection for
nonpayment, then there was significant disagreement
as to whether that should be allowed to occur under
any environment. People were just basically able
because of remote service institute to be
accomplished.

So you see the arguments here for and
again as to whether there ought to be remote
disconnection for nonpayment. There was disagreement
about -- I should say as reflected in the Report --
about what the current practices are and how the
current rules would apply even today with AMI in
place as to how disconnections are accomplished. But
the arguments are in favor that obviously the cost
saving from remote disconnection as well as the
opportunity for applying the rules, whatever they may
be, consistently so that people are disconnected in
sort of the same time frame for example --

COMMISSIONER ELLIOTT: Is there any kind of
discussion of transitional mechanisms, you know, sort
of belts, suspenders approaches for certain periods
or until such time? Was there any discussion of that
at all.

MR. MARTIN COHEN: There may have been
discussion. I don't think there's anything reflected
in the Report about transition mechanisms. Now,
there was certainly a long discussion --

COMMISSIONER ELLIOTT: And this is just not
limited to this particular issue, but rate design and
a number of different other things. Was there any
discussion of sort of a hand-holding approach for
some period of time, customer education combined with
transitional mechanisms, that type of thing? Was it
discussed at all?

MR. RICK WORNAT: I think there was some
discussion around transition in terms of rate
structure. I don't believe that ever got formalized
and documented in the Report per say. There were
discussions that -- I guess I would point out -- I
believe the State of California on this issue said
that for a period of 12 months after Smart Grid or I
guess in this case, AMI was implemented, that there
would not be a remote disconnect without a site
visit. After that, I think, they would require site
visit 48 hours prior to the actual disconnect; but
otherwise I think their previous rules and procedures
related to disconnect for nonpayment would largely
stay as they were prior to the introduction of the
new technology.

MR. MARTIN COHEN: So there was general
disagreement on a whole range of issues regarding
remote disconnection for nonpayment including certain
factual issues of whether it would be more prone to
error, for example. Some people in the Collaborative
thought that remote disconnection would more likely
to be in error; others said, no, it's more likely to
be more accurate. We don't really have a way to
gauge that on a factual basis nor present any
evidence to try to measure that. But there are just
different viewpoints as to what is likely to happen
in this sort of new world of remote disconnect for
nonpayment.

COMMISSIONER ELLIOTT: It seems like a
transitional mechanisms to oversee the accuracy into
that for some period of time.

MR. RICK WORNAT: Certainly. That just makes a
lot of sense for a number of these things.
Transitional mechanisms for -- I've even heard other
states talk about transitional mechanisms for rate.
Opting to go under a rate, calculating both, and
seeing how you do transitional mechanisms for the
disconnect process. A lot of folks are talking about
it, but like I said, I think more than anything else
there was an assumption that it would probably be
necessary for steps moving forward; but no more
discussion than that.

MR. MARTIN COHEN: Others would argue that a
site visit is necessary to see the premises, to see
if there's a condition on the premises that might
affect safety or health to the point the customer should not be disconnected. The utility doesn't know that there's a medical condition that would warrant keeping the service on, that sort of thing. That's why we need to have a site visit and also for social reasons. But, of course, others argue well then lost are all these benefits of cost savings by requiring a site visit prior to disconnection. We no longer need to physically.

And as I said, disagreement of what today's rules mean -- is there are a knock on the door or not under today's rules, that sort of thing. Those are unresolved by the group as to what it all means. And I think that would finish on the arguments against remote disconnection policy. Some people think it will be a greater number of people disconnected and that is objectionable under any circumstance by some stakeholders.

ACTING CHAIRMAN FLORES: Let me ask this question, you've raised this already so, there is -- are you suggesting that there's already a question or confusion as to what the current rules are before the
MR. MARTIN COHEN: I think that's fair to state.

ACTING CHAIRMAN FLORES: It seems to me that that is an issue that frankly is outside the scope of what you're doing, but one that is obviously extremely important and one that we should probably have to evaluate ourselves to bring about some clarity so that there is no confusion on what those rules are.

COMMISSIONER O'CONNELL-DIAZ: There's a rulemaking going on Part 280 for the last two years.

MR. MARTIN COHEN: There is a Part 280 rulemaking that's been underway.

ACTING CHAIRMAN FLORES: My point is that we have to underscore that because I don't want to hear that there is confusion among the parties about what the rules of engagement are for disconnection of service. So I would -- you know, I think it's something that obviously all of us should take a really hard look at and see how it is and if that issue can be resolved if it appears that we are in
the process of doing that now. But I want to
underscore how important that is so that there is no
confusion.

MR. MARTIN COHEN: Right. And there may not be
confusion, but there is a lack of common
understanding as to what today's rules require.

ACTING CHAIRMAN FLORES: Sounds like that's
confusion to me. I don't mean to be, you know -- it
sounds like to me -- I don't want to, you know --
that concerns obviously all of us here.

MR. MARTIN COHEN: That lack of an agreement is
addressed in the Report and will be addressed.

ACTING CHAIRMAN FLORES: Let me ask this, I
just haven't had a chance to read the entire report
yet, it's very long report. We will get to it, but
do you provide specifics in terms of where some of
the things that are -- the specifics in terms of
points of disagreement in the Report with regards to
this policy, the disconnection policy?

MR. MARTIN COHEN: Yes, we do quote the current
rule and discuss briefly the fact that there is a
disagreement about what that means.
ACTING CHAIRMAN FLORES: About what the parties think it means to the extent that they've raised these issues in the Collaborative?

MR. MARTIN COHEN: Yes, there was a long discussion. It does go into great detail about the current status of the rule and how it's interpreted in today's technology. It's mentioned.

ACTING CHAIRMAN FLORES: Right. I'd be more curious to know what the parties think what it means. Did you include that in the Report?

MR. MARTIN COHEN: We don't have specific different views on what the rule means today. It simply quotes the rule and discusses the fact that there is a lack of agreement as to what is required.

ACTING CHAIRMAN FLORES: Very well. Fair enough.

MR. MARTIN COHEN: Moving on to the next unresolved issue which would be the rate issue. If we have Smart Grid -- basically if we have AMI in place, what would be the appropriate default rate? There is no agreement about that. Keeping in mind that we are talking about the default rate, that is
the rate that a customer would pay under if they
don't make a choice. There was agreement that
customers should have choices and a variety of
choices and it goes into some detail of the sorts of
choices that customers should have and there was
general agreement that choice should include a flat
rate option. But there was not agreement as to what
is the default. What do you have if you don't
choose? What do you start with for a rate structure?
Would it be time variant or would it be the flat rate
that we have today?

COMMISSIONER ELLIOTT: Given these
discussions -- was there a discussion about the IPA
and the implication of any of this with regard to the
three-year forward procurement process and what that
implies and how -- whether, again transitional
mechanisms discussed about how to tie this particular
perspective into that process?

MR. ERIC GUNTER: There was discussion about
how this would effect the IPA, that is the
procurement that we have to accommodate new choices
and the load shape, but transition mechanisms are not
included in the Report. What the group of folks have done is the idea of choices for customers choices from the utility company of different rates where -- some people call different programs that they could participate in. But the default rate, that is what you begin with before you make your choice is crucial. They've agreed on that, but there are those that thought that it should be a time variant rate and there are those that thought it should be a flat rate. We had long discussions on the differences in those opinions and why. They are briefly discussed in this sheet, but I think we all understand those issues and back and forth on the appropriate default rate whether it be a time variant or flat but there was a significant disagreement about that issue. That's one of those tough ones the Commission will have to resolve.

I do think it's important to note that there was a consensus that there be choice and that nobody would be required to take a particular rate. There was discussion in the group -- we had a long discussion about this and initially there were
parties who said, you know, we should have mandatory realtime. Those views however, after a long discussion back and forth really were not consensus views. The consensus that developed was the customer should have a choice and that choice should include traditional flat rate at a minimum. There are those who say it should be flat rate as a default and there are those who say it should not. But there was more consensus on this issue that one might think. Some of the options given did not have a lot of support.

COMMISSIONER ELLIOTT: Considering that -- at least my reading of the legislation and statute before us is that there must be a flat rate option. Did anybody talk about potential legislative changes necessary to implement any of these changes or did they believe that there was sufficient latitude in the current statutes that would allow for a wide range of rates?

MR. MARTIN COHEN: We didn't do a legal analysis of what may or may not be available under current law. At the outset it sort of broadly focuses -- we call it blue sky where we would think
of what might be optimal of those ideas and whether
or not they would require legislative or rule changes
and there are different places in the Report where
these sorts of potential changes are discussed or
eluded to. But I don't think under the rates policy
section there is anything there about statutory
changes.

Moving on from there I guess the next
issue unresolved and we're all familiar with this one
has to do with cost recovery. We don't need to spend
a lot of time on this today. I think you may have
already been talking about this today one way or
another. But it's a significant issue obviously and
there is a good long section discussing it in the
Report. Obviously we're talking about the --
generally speaking would you recover cost are Smart
Grid and some alternative way through a Rider or some
other mechanism or whether you do it through
traditional based-pay cost of service mechanisms.

And I think that the discussion in the
Report on this issue is thorough and deep and gives
great description of both sides -- or there's more
than two -- multiple sides. It also goes into options that might be available. What we ended up with because there was so little disagreement about what should be done, I think what we have is a series of questions about the -- were raised for your consideration and for everyone's consideration about -- what you have to think about is what are the key issues and how do you determine what's appropriate. And we didn't concern ourselves in the Collaborative with the law -- with trying to interpret the law or fight about what we think is correct with the law. We simply looked at it from the regulatory perspective and what would be ideal in the long run for consumers for moving forward and for showing that this is the right cost recovery and the right time frame and how do we to that.

So there's a whole series of questions on cost recovery that are in the Report. And there's also a discussion -- a very informative discussion of the different sides of that issue. Issues that we've already been addressing for many years and continue to, so those won't go away. I think it was important
that stakeholders on all sides of issue wanted to see
it addressed in the Report.

MR. RICK WORNAT: I just want to point out that
cost recovery was not one the foundational policies
that the owner asked the Collaborative to address.
This is really one that the stakeholders put on the
table and was important for them to discuss. And so
therefore we didn't spend quite a bit of time
discussing it. Unfortunately we can't deliver you
the perfect answer today, but I think there is some
valuable discussion in the Report around what the
issues are, the kinds of questions that you will need
to wrestle with and hopefully it will be fun.

COMMISSIONER O'CONNELL-DIAZ: Wouldn't you say
that the issue is prudency, whether it's a Rider,
whether it's in a cost recovery mechanism in a rate
case, so it's a timing issue. It's a prudency issue
as to whether the Commission finds that those
investments that are before them have been prudently
made either in hindsight or if it's a rate case. It
could be a future test year. So you're kind of
guesstimating what those costs are. It's not a
question of, you know, just say no to all of it.

It's a question of timing and when that recovery is made. Would that be a fair assessment of the discussions that you've had?

MR. MARTIN COHEN: Yes, very much so. And that is deeply discussed in the Report. And really what this issue comes down to, it's legal, it's regulatory, it's also philosophical and it's very broad. The question is, are Smart Grid investments different somehow from other investments a utility company makes, and, if so, how are they? And then, if so, does that mean that they should be treated differently for regulatory purposes? We approached this very broadly starting with those sorts of questions. I think there's a good discussion on those, the ways in which Smart Grid investments are seen by some stakeholders to be fundamentally different than other investments, the ways in which they are seen to be fundamentally the same as other investments by some other stakeholders. These are issues we're quite familiar with. They're not easy issues. One way or another they'll get resolved and
they're going to have to be resolved in order to move forward. We haven't resolved them. I think it's a very valuable section for anybody interested in the issue to study up on.

The final set of unresolved issues, the final requirements -- we did put together a list of what the utility should be filing if they are seeking nontraditional recovery, so it's tied into cost recovery issues. If the utility is not seeking additional recovery, it's part of the rate case, then you file everything in the rate case as you do for any other investment. But in the case of some different treatment, some alternative treatment, then we worked on a list that what was agreed to on all sorts of information that ought to be -- the company filed for Smart Grid cost recovery. But this agreement became how would those requirements -- are they really requirements, really? That's the agreement. Are these guidelines or are they, in fact, legal requirements?

If they were legal requirements, then the utility would seek a waiver from certain of them
if they believe they were not appropriate for this filing. But it also -- would some lack of complete compliance with every requirement mean a case could be dismissed based on not filing everything on the list? That was a question that we didn't resolve, but was a concern to some stakeholders.

So the question of how you treat or whether you have a specific voluminous or detailed list of the prior requirements or would it be guidelines that don't quite carry the same legal weight as requirements? That's the area of disagreement. But the specifics of the information which should be made available was not subject of great dispute. Subject to great discussion in assembling the list, but there was general consensus about the items on the list.

MR. ERIC GUNther: Okay. So just to wrap it all up, overall in general in authorizing this Collaborative, the Commission has chosen what we certainly think will be thoughtful and considered approach to Smart Grid planning. And really no other -- as I mentioned earlier, no other state has
really attempted a Collaborative at this scope and scale. But there are some now that are very much looking at what's been done here. I'm getting lots of inquiries on some insights behind the Report. I can't tell you how many e-mails I've received asking for the URLs from the Report from a number of states, specifically most recently Missouri, Colorado and Texas, but others are looking at us.

So I think we've set a good example on the need for getting this baseline, this framework in place and, again, mixing in one discussion the regulatory policy aspects, the technical aspects, and the business aspects. That's been very important. So the result of this, I think is quite a bit more value than I think any of us all realized would come out of it. We certainly increased this calm and understanding across all the stakeholders. There's a lot of information that has been learned directly and indirectly and documented in the Report. These key issues have been identified and identified some the issues that different stakeholder groups have gravitated towards. Some of which we certainly knew.
different stakeholders would gravitate to, some we were surprised about and the Report covers a lot of those.

We've got the consensus recommendations on many issues that we've summarized here as well as those that no so much consensus. We think that especially we've been able to with this work narrow the defined issues much, much better than we were before. And that's really come along with the common language that's been established here. We at the very beginning of this terminology and how we talked about certain things was a real problem. The technical folks and understanding the technology, the vendor community, we had to learn a lot about some of the policy and business sides of things and the other way around. So I think it's been very useful from that point of view.

We think that successful Smart Grid implementation in Illinois is going to require continued mutual understanding and cooperation by all the stakeholders for quite some time to come. And, of course, that's not unique. I think everywhere in
the country has that same kind of issue. Since this -- before we put this report to bed, one of our -- sort of the national effort going on with Smart Grid, the Smart Grid interoperability panel activity has recently shifted gears dramatically. Certainly my activity as the administrator for the ISSGC is to focus on regulatory issues.

We're planning, for example, in that activity to have a significant presence at the NARUC meeting coming up in November. A special session on Sunday, for example, to discuss some of the elements that are in this report. So all of a sudden shifting into high gear on a national scale, other states are going to be looking at this very visibly. So the national conversation, if you will, in that entity is shifting towards a state policy approach. So I encourage everyone in this community to take a look at what's going on there on the national scene. It's going to become more relevant for all the states.

COMMISSIONER ELLIOTT: Speaking of that, I know that with the SEC's statement about developing policy for Smart Grid that there's been significant interest
in the public versus private network, but I didn't see any discussion of that in your report. I'm assuming that there's was no consensus reached on that issue. I would also assume there was some discussion of it. Was it -- is it also laid out in the Report to some degree?

MR. RICK WORNAT: In the technical characteristics and requirement session of the Report, there is some discussion of that issue private versus public networks. And as I recall, the consensus recommendation in the Report is that that decision needs to be transparent and discussed as part of the informational filing requirements that will accompany filing. There is no sort of predefined this is the way to go, that's the way to go. It's just that is an important decision and whatever the utilities design choice is or procurement choice needs to be clear and transparent and supported in what they --

COMMISSIONER ELLIOTT: But is it a fundamental policy issue as to whether one approach --

MR. ERIC GUNThER: Well, one of the things we
definitely find the national conversation I think came out in this discussion -- that one size doesn't fit all, certainly in this area. And in general we're discovering in the national side through the various part of the action plans we have going on is that that is very much a local issue. Even within one utility entity that you may have. The requirements, technical requirements, the business requirements, the policy requirements all have to come together to make those decisions. So that's certainly what we've been discovering.

ACTING CHAIRMAN FLORES: Thank you for your work. I know this was a very exhaustive thing and very thorough and complete. In terms of your -- and we were aware of what's going to be taking place in NARUC. And I think, again, just as a testament of the good work that has been done, we've actually been invited to participate. But we obviously have to be very careful given that we are about to engage in a docketed proceeding regarding this matter.

That being said, I would also encourage though that you speak to the other members
of the Collaborative to keep them engaged on what is
taking place in other jurisdictions and what is also
the ongoing national conversation, in particular as
it speaks to issues of interoperability. The various
issues that we've been working on because I think
everyone is trying to develop at least some broader
consensus on Smart Grid. And as we all know, Smart
Grid is also not just the Advanced Meter
Infrastructure. There are many aspects of Smart
Grid. And frankly one concern I have is that people
perceive Smart Grid to be only the AMI, and we know
that it's much or complex than that.

COMMISSIONER ELLIOTT: And that it's only
limited to electricity.

ACTING CHAIRMAN FLORES: Yes. So I think that
it's important that we continue to urge these various
stakeholders to continue their level of participation
and to remain informed because obviously this is not
going away and there's going to be an ongoing policy.
So, again, thank you. I don't know if there are any
last comments from the other commissioners.

COMMISSIONER O'CONNELL-DIAZ: Thank you very
much. This is much talked about across the country.
It's something that Illinois is very proud of despite
what any appellate court may have said about it. But
we really didn't know what we were -- we knew what we
didn't know and you've really set the table for us to
move forward. And while we don't have really a lot
of the answers that we need, we do have a
foundational piece here from this.

Thank you very much for your hard
work. It's obvious that this has been a successful
endeavor that the Commission launched everybody on.
And we look forward to the fruition of this
foundational piece as years goes on because this is
going to be a multiyear process. So thank you very
much.

COMMISSIONER ELLIOTT: We have more work to do,
but this is certainly laid the ground work and
refined the landscape for us going forward. I
appreciate it.

ACTING COMMISSIONER COLGAN: I thank you and I
thank the Commission. I think there was good
foresight on the part of the Commission to set this
Collaborative in place. Whenever you move from one paradigm to another, there's always any certain number of steps that have to be taken and as has been witnessed by some states who have tried to rush to the forefront to do things and all of a sudden it's like, Wait a minute. We've left out a couple of steps. We probably will leave out some steps here as well, but I think there's been great consideration given. And I thank you guys for your, I guess maybe call it, refereeing this discussion. I'm sure there were some pretty heated moments that you all went through. It's big stuff. It's certainly important stuff. I think that the whole national discussion is evolving. I think that there are -- there's a real need for every involved stakeholder to be able to weigh in and put their issues on the table, and I think that that has happened here. And so, again, thank you and kudos to you.

COMMISSIONER FORD: I certainly thank you because I'm coming from the education field and when
trying to do consensus, it's always very difficult.
And when you said 290 people I said, My God, did you
ever reach a conclusion? But I see it did take
21 months and it is an ongoing process. So I really
appreciate this and we are hearing a lot of dialogue
about the Smart Grid collaborative and I'm mindful of
the fact that it is more than electricity. We had a
presentation from a telephone company and I think
that there is a lot of interoperability that would be
available to all of us. I'm not a gadgetry kind of
person, but I certainly look forward to us finding
some further consensus with the Appellate Court on
this.

ACTING CHAIRMAN FLORES: Again, thank you very
much.

Judge Wallace?

MR. WALLACE: Yes, Mr. Chairman.

ACTING CHAIRMAN FLORES: Are there any other
matters to come before the Commission today?

MR. WALLACE: I believe that's it, sir.

ACTING CHAIRMAN FLORES: Thank you very much.

Hearing none, the meeting stands
adjourned. We will be back with the Gas Policy Committee meeting later today at 1:30 p.m. chaired by Commissioner Ford. Thank you.

(And those were all the proceedings had.)