Ill. C. C. Docket 14-0097
ICEA/RESA Exhibit 1.0

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

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

DIRECT TESTIMONY OF
TERESA RINGENBACH ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION
AND THE ILLINOIS COMPETITIVE ENERGY ASSOCIATION

I. BACKGROUND

Q. Please state your name and business address.

A. My name is Teresa Ringenbach. My business address is 21 East State Street, 19th Floor, Columbus, Ohio 43215.

Q. By whom are you employed and in what capacity?

A. I am the Senior Manager of Government and Regulatory Affairs for the Midwest for Direct Energy, LLC, which includes Illinois.

Q. How long have you been employed in your current position?

A. I have been employed in my current position with Direct since 2009.

Q. Please explain the job responsibilities and duties in your current position.

A. I am the government and regulatory affairs lead for the Midwest and responsible for directing the monitoring, advocacy and regulatory and legislative activities which affect Direct Energy's ability to serve customers in Ohio, Illinois, and

Michigan. My responsibilities cover electric, natural gas, and home services issues for all levels of customers from residential to large industrial.

Q. Please describe your educational background and relevant work experience prior to joining Direct Energy.

A. I hold a Bachelor of Business Administration with a concentration in International Business from the University of Toledo. I started in the energy industry in 2001 with Integrys Energy Services, Inc., formerly WPS Energy Services, Inc., as a Customer Service and Marketing Specialist promoting and managing the recently opened Ohio residential and small commercial electric offers. In 2002, I accepted the position of Account Manager – Inside Sales where I sold and managed the Government Aggregation Programs for both gas and electric. In 2005, I accepted the position of Regulatory Specialist. In this position I was responsible for regulatory compliance and state registrations throughout the United States and Canada. In 2006, I accepted the position of Regulatory Affairs Analyst – East covering New England, New York, New Jersey, Ohio and Pennsylvania gas and electric issues. In the spring of 2008, I accepted the Regulatory Affairs Analyst position for the Midwest region covering Ohio, Michigan, Illinois, Indiana, Kentucky, and all of Canada. In this position I directed the regulatory and legislative efforts affecting Integrys Energy's gas and electric business. In August 2009, I joined Direct Energy as the Manager of Government and Regulatory Affairs for the Midwest. As stated above, this position advocates, protects and monitors regulatory and legislative activities affecting the gas, electric and home services business interests of Direct.

Q. Have you ever testified before a regulatory agency?

A. Yes. I have testified before the Connecticut Department of Public Utility Control, the Pennsylvania Public Utility Commission, the Illinois Commerce Commission, the Kentucky Public Service Commission and the Public Utilities Commission of Ohio.

Q. On whose behalf are you testifying today?

A. I am testifying on behalf of the Retail Energy Supply Association ("RESA") and the Illinois Competitive Energy Association ("ICEA").

Q. Please describe briefly the operations of RESA.

A. RESA is a non-profit trade association of independent corporations that are involved in the competitive supply of electricity and natural gas.[1] RESA and its members are actively involved in the development of retail and wholesale competition in electricity and natural gas markets throughout the United States. Some of the members of RESA have certificates from the Illinois Commerce Commission (the "Commission") under Section 19-110 of the Public Utilities Act to operate as Alternative Gas Suppliers ("AGS") in the State of Illinois. Currently, these Alternative Gas Suppliers provide gas supply service to tens of thousands of customers in Illinois.

Q. Please describe briefly the operations of ICEA.

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[1] RESA's members include AEP Energy, Inc.; Champion Energy Services, LLC; ConEdison *Solutions*; Constellation NewEnergy, Inc.; Direct Energy Services, LLC; GDF SUEZ Energy Resources NA, Inc.; Homefield Energy; IDT Energy, Inc., Integrys Energy Services, Inc.; Interstate Gas Supply, Inc. d/b/a IGS Energy; Just Energy; Liberty Power; MC Squared Energy Services, LLC; Mint Energy, LLC; NextEra Energy Services; Noble Americas Energy Solutions LLC; NRG, Inc.; PPL EnergyPlus, LLC; Stream Energy; TransCanada Power Marketing Ltd.; and TriEagle Energy, L.P.. The comments expressed in this filing represent the position of RESA as an organization but may not represent the views of any particular member of RESA.

A. ICEA is a not-for-profit corporation established as an Illinois-based trade association to represent the interests of competitive energy suppliers and others interested in preserving and enhancing opportunities for customer choice and competition in the electric and natural gas industries in Illinois. ICEA members include some of the most active competitive energy suppliers in Illinois such as, Constellation NewEnergy, Inc.; Direct Energy Services, LLC; FirstEnergy Solutions Corp.; Illinois Power Marketing Company, d/b/a Homefield Energy; Integrys Energy Services, Inc; MC Squared Energy Services, LLC; NextEra Energy Services, Illinois, LLC; Nordic Energy Services, LLC; and Verde Energy USA. These companies serve residential, commercial, industrial, and public sector customers such as those involved in the manufacturing industry; retail businesses; local units of government; cultural, sporting, and educational institutions; hospitals; hotels; and restaurants.

Q. Please summarize your testimony.

A. Ameren Illinois Company ("Ameren") has put together a good Choice or Small Volume Transportation ("SVT") Program. I have reviewed the SVT program proposed tariffs, sponsored by Ms. Vonda Seckler in this proceeding, and in my opinion it is generally a very well designed structure for an SVT program. It addresses all the major issues involved in implementing such a significant change to how customers purchase natural gas. However there are a couple specific areas that if not changed will have negative and unfair impacts on SVT customers versus Ameren PGA customers, its sales customers. To ensure a balanced program these necessary changes must occur. These recommendations should not be interpreted as criticisms of the current program design but rather as enhancements based on my more than 10 years of experience with natural gas customer choice programs. In addition, Ameren filed some proposed changes to its existing transportation program and I have some recommended changes there, as well. I also have some comments on certain of Ameren's practices concerning transportation service.

<u>**RESCISSION PERIOD**</u>

Q. In her direct testimony, Ms. Seckler states that Ameren proposes to use the same rescission period--ten days after notice--for all gas transportation customers in both the SVT and Rider T Programs for ease of understanding and systems programming. (Ameren Ex. 1.0, p. 10, lines 193-195) Do you agree with Ameren's proposal?

A. No. ICEA and RESA believe the ten day rescission period should be limited to residential and small commercial customers (those with annual usage of 5,000 therms or less) as contemplated by Section 19-115 of the Public Utilities Act. While Ameren's concern may be that its systems may not recognize a threshold cutoff based on usage, there is a very simple solution to this problem that would require no additional programming. Instead, Ameren can simply add language to the letter they send to customers informing them of their enrollment and rescission rights indicating the rescission period only applies to a customer with annual usage of 5,000 therms or less. In fact, Commonwealth Edison Company ("ComEd") had a similar issue on the electric side before it developed the capability to identify small commercial customers (annual usage of below or equal to 15,000 kWh) and worded the language of its rescission letter accordingly. I have attached the previously used ComEd rescission letter, as ICEA/RESA Ex. 1.1, as an example of the very simple solution if Ameren's concern is related to a system constraint.

Q. Ms. Seckler notes that rescission language identical to this proposal was approved for Rider T customers by the Commission in October 2013 and that it does not make sense to have a small group of customers with different rescission rules depending on the program they choose. Please comment.

A. First, I would like to point out that the revision to Rider T resulted from the Commission not suspending a tariff filing by Ameren. There was no proceeding and the Commission did not enter any order addressing the merits of that change. For AGS, this is not just a matter of administrative convenience. There are serious consequences with Ameren's allowing larger commercial customers to have the same rescission period as that statutorily mandated for residential and small commercial customers.

Q. Would you please explain the problems that a ten-day rescission period for larger transportation customers creates?

A. When a customer enters into a contract with a supplier that triggers a supply purchase of gas. Typically larger customers have a trigger clause if they lock in their price. This allows the supplier and customer to work together to purchase gas at a given point in the market. Because the 10 day rescission period does not begin running until an enrollment has been sent a supplier must procure supply to be ready to serve and cannot wait for the 10 days to end before incurring costs for large amounts of gas. If the customer rescinds the supplier will have incurred costs for the gas purchased. In the case of large-volume transport customers, a single rescission could cost a supplier millions of dollars.

Q. Besides the problems a ten-day rescission period for large transportation customers would create for suppliers, are there any other reasons why the 10-day rescission period should not apply to large customers?

A. There is no reason a commercial customer larger than 5,000 therms would need a rescission period. These customers actively negotiate their supply contracts and are very market savvy. The purpose of the rescission period is to provide smaller customers with less experience in the commodities markets with an opportunity to contemplate the contract and possibly change their mind. The purpose of the rescission period should not be to provide a rescission opportunity for large businesses with teams of lawyers negotiating supply contracts.

Q. What is your proposal with respect to rescission periods?

A. I disagree with Ms. Seckler that there should not be separate rescission periods for Rider T and Rider SVT. Rider T and proposed Rider SVT should be revised to limit the ten-day rescission period to residential and small commercial customers per the statutory requirements. Ameren should adjust the language in its rescission letter to make the threshold clear but can still allow their existing programming to issue the letter to both Rider T and Rider SVT if Ameren feels all customers need this type of enrollment confirmation letter.

<u>NOMINATION SCHEDULE</u>

Q. In her direct testimony, Ms. Seckler refers to the following as a "clean-up item": the nomination schedule under the current tariff's Supplier Terms and Conditions has been revised to match the SVT nomination schedule. (*Id.*, p. 8, lines 151-153). Do you agree with that revision?

A. No, and by no means is this a mere "clean-up item". Ameren's proposed revision to the existing nomination schedule for Rider T eliminates the ability of suppliers to propose same day nomination changes, which creates serious problems for suppliers. First, let me point out that same day nominations were created by FERC to allow the pipeline system to function properly. If one area of the pipeline is cut there is an opportunity to allow suppliers and schedulers to adjust in order to avoid any interruption of service or reliability. Ameren's proposal appears to have more to do with staffing than reliability. In fact, to create a truly fair and reliable program which benefits customers using the FERC intra-day nomination standards, which I will describe later, should be required.

Q. In support of the revision to the nomination schedule under Supplier Terms and Conditions for Rider T, Ms. Seckler states the nomination schedule was changed to match the SVT nomination schedule due to the relationship in the programs and the fact that the same suppliers may serve customers in both programs. (*Id.*) Do you agree the nomination schedule should be the same for both Rider T and Rider SVT?

A. Yes, however ICEA and RESA believe the standard should be that used by all suppliers using the pipelines coming into Ameren. Ameren's proposal will in fact create a different requirement for the utility program than that used by the pipelines feeding into the utility. Ameren is in fact actually creating a difference and not a similarity. ICEA and RESA propose that Ameren follow the NAESB standards for intraday nominations, which I have attached as ICEA/RESA Ex. 1.2. These are industry wide and FERC accepted standards.

200% PENALTY

Q. The SVT Supplier Terms and Conditions contain the following provision: By 8 a.m. Central prevailing time the day of gas flow, the Company shall match the Delivery Requirement to the Pipelines final DCN. If the Pipelines final DCN is less than the Delivery Requirement, the Supplier shall be charged 200% of the Chicago Citygate Price for the Nomination shortfall. (Ameren Ex.1.3, page 14) Do you agree that the 200% is an appropriate charge?

A. No. The proposed penalty could subject suppliers to a penalty that Ameren completely avoids. There are many things that happen in the pipelines that could impact a supplier and Ameren in the exact same manner. It is extremely common for shippers (and this includes the utility as we are all the same upstream customers of the pipelines) to be cut in evening cycle. A supplier under normal circumstances could use the Intraday Day schedule opportunity to shift load from one contract to another in order to ensure gas flows in the same amount. However, under Ameren's tariff that supplier would be charged a 200% penalty even though there was absolutely no impact to reliability and the supplier was never short.

Q. Could Ameren experience the same issue but have no penalty?

A. Yes. It is possible a problem on the pipeline would impact all shippers, including Ameren. However, despite experiencing the same problem and likely using an intraday nomination to fix the problem, Ameren would not be assessed a penalty under its proposal. The implication of this unequal treatment is an imbalance in the market; gas suppliers will be forced to account for a 200% penalty risk when pricing where Ameren will not. Ultimately, gas suppliers' customers will be forced to shoulder the risk and the actual penalty, creating an unfair marketplace.

Q. Is this penalty necessary?

A. Not in its current form. Intraday periods exist for a reason, to allow shippers to flow gas in the event of unforeseen circumstances. A penalty should apply if a supplier does not meet its gas flow requirement. However, Ameren's proposed 200% penalty occurs before the supplier has any ability to cure. The proposed penalty would create a large risk and cost for suppliers on the program which is both unnecessary and unfairly applied.

Q. **Are you aware of any other utilities with small volume transport programs which have similar penalties?**

A. I am not aware of any utility with a penalty of this type that occurs before intraday. Most other utilities allow for an intraday nomination before a penalty would be applied or if there are limits it is only that intraday cannot be used to increase amounts but only to ensure the nominated amount is matched. The purpose of this seems to be that due to the number of suppliers anticipated Ameren would prefer not to have to deal with intraday in order to simplify processes for their own employees. Intraday exists for a reason and imposing a penalty when it can be fixed and would have absolutely no impact on the system simply places excessive costs on customers who choose to shop. If the Commission does not want to match the full NAESB intraday standards, at a minimum the Commission should require that this penalty may only be applied if the nominations do not match after Intraday 1 cycle with a 10 a.m. deadline, as set forth in ICEA/RESA Ex. 1.2.

Q. **Do you have an example of the impact that the 200% penalty would have on a supplier?**

A. Yes. ICEA/RESA Ex. 1.3 sets forth an example based on a January Chicago index assuming a fairly small number of customers. I expect a supplier would have a much higher load but chose this as an example to demonstrate that even a small amount of load is excessively impacted.

Q. **If there is a cut upstream as proposed how does Ameren intend to fix the shortfall?**

A. It is unclear how Ameren intends to handle the cut. If it uses its own assets to fill rather than allowing a supplier to fix using its own contracts that raises the question of why Ameren would rather hold extra assets at a cost to its customers than allow suppliers to use intraday cycles to cure the issue. If however, Ameren intends to have suppliers fix but still institute a 200% penalty then this penalty is doubly punitive as a supplier will be paying for the contracts used to fill the gap in addition to a penalty meaning supplier's customers will in turn be double dinged. If Ameren is only going to use the 200% penalty to pay for replacement in the market, which is likely being purchased from the same supply source as a supplier would use, then again this creates an unnecessary distortion in the market. Regardless this penalty is unnecessary, excessively punitive and is intended to cover a problem that has a simple fix with no reliability issue if intraday is allowed for this exclusive purpose.

<u>COMBINED BILLING AND OWNERSHIP CHANGES</u>

Q. Are there any other issues that should be addressed in this proceeding?

A. Yes, the Commission should make a determination regarding one of Ameren's current practices with respect to transportation customers and one practice that I understand that Ameren is changing with respect to transportation customers. The current practice concerns the manner in which Ameren handles accounts when there is a change in ownership. The practice that Ameren is changing is the manner in which it sends bills to suppliers when a customer is receiving gas supply from a supplier and electric supply from an Alternative Retail Electric Supplier ("ARES"). This proceeding presents a good opportunity to address these issues because the SVT Program should result in a large increase in the number of customers buying gas from suppliers. Also, both practices would apply to SVT Program suppliers and customers.

Q. Please describe ICEA's and RESA's concern regarding the manner in which Ameren handles accounts when there is a change in ownership.

A. Often when a business changes ownership, the purchaser of the business also buys the fixed priced gas contract the seller of the business has with a supplier. However, Ameren's practice is to require the purchaser of the business to go on system supply with Ameren. This can have adverse consequences for both the supplier and the new customer. The new customer is likely reviewing utility costs that include the supplier's rates, not Ameren's. Forcing a customer to go back to the utility and *then* switch not only impacts the financials for the customer but also means a supplier is holding gas for 1-2 months where it cannot serve the customer.

Q. Do ICEA and RESA have a proposed solution?

A. Yes. On the electric side, for larger customers, ComEd still serves the customer for one month on utility flow, but then rebills and resettles the customer back to its supplier contract. So, from a PJM perspective there is resettlement for the supplier and from the customer perspective they have a cancel rebill to the supplier rate. For these transport customers, Ameren could implement a similar approach by using the supplier's gas and cancel/rebill the customer. This approach would ensure the customer receives uninterrupted service under its existing commodity contract and the supplier remains whole.

Q. Please describe ICEA's and RESA's concern regarding Ameren's proposed change in the manner in which it will send bills to suppliers.

A. Currently, if an Ameren customer is buying gas supply from a supplier and electric supply from an ARES and those suppliers are billing the customer, Ameren sends the bill for gas supply to the gas supplier and the bill for electric supply to the ARES. My understanding is that Ameren is planning to change this practice and send only one combined bill to one of the suppliers. This would result in a customer only being able to choose its gas supplier or ARES for a bill but not two separate bills. This has serious market repercussions. First, many gas suppliers are also ARES and vice versa. This change means competing ARES and gas suppliers doing billing behind Ameren will have visibility into their competitors' prices. In addition, the reason gas suppliers and ARES offer billing services to their customers is to allow for different payment terms which are more flexible in order to win a customer's business and to design products that are not typically billable on a utility system. This change will limit the ability for suppliers to offer additional product offers to customers.

Q. Doesn't this still keep customers on the utility payment terms?

A. No. When a supplier chooses to take on the billing they agree to pay the utility regardless of whether the customer pays so this should have nothing to do with how quickly a customer pays the utility.

Q. Can you provide an example of how this could impact suppliers and a customer?

A. Yes. Both Direct Energy and Constellation sell gas and electricity behind Ameren. Both Constellation and Direct Energy bid for Customer A's natural gas contract. Assume Customer A chooses Direct Energy for electricity and Constellation for gas. Also, assume the customer's terms with Direct Energy require it to use Direct Energy as agent for billing because the product chosen can only be broken out on a Direct Energy bill system. The customer must now also agree that Direct Energy will bill for Constellation's gas charges. This will now offer Direct Energy a glimpse into its competitor's contract prices with the customer, often confidential information.

Assume that to receive the preferred offer from Constellation for gas that Constellation requires they be the agent for billing, under Ameren's proposal the customer must now choose between their preferred gas offer or risk losing their preferred electricity offer.

The ultimate result of Ameren's change is to reduce the options of transportation customers in the market and to disclose competitive and proprietary information among competitive suppliers.

CONCLUSION

Q. Does this conclude your direct testimony?

A. Yes, it does.

NOTICE OF FILING

Please take note that on April 11, 2014, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Direct Testimony of Teresa Ringenbach on behalf of the Illinois Competitive Energy Association and the Retail Energy Supply Association in this proceeding.

Dated: April 11, 2014

/s/GERARD T. FOX
Gerard T. Fox

CERTIFICATE OF SERVICE

I, Gerard T. Fox, certify that I caused to be served copies of the foregoing Direct Testimony of Teresa Ringenbach on behalf of the Illinois Competitive Energy Association and the Retail Energy Supply Association upon the parties on the service list maintained on the Illinois Commerce Commission's eDocket system for Ill. C. C. Docket 14-0097 via electronic delivery on April 11, 2014.

/s/ GERARD T. FOX
Gerard T. Fox

Ill. C. C. Docket 14-0097

ICEA/RESA Exhibit 1.1

ComEd

An Exelon Company

0168

January 17, 2013

46286 1 FP 0.424 46286/046286/046286 092 01 GXEPNC 01182013

Account Number: [redacted]
Service Address:
City, State, Zip:

Current Electric Supplier: Commonwealth Edison
New Electric Supplier: [redacted]
New Electric Supplier Telephone #: [redacted]
Effective Date: February 13, 2013

Electric Supplier Choice Confirmation

Dear Customer:

We have received notice that your electric supplier of choice is being switched to [redacted]. This switch will take place within two business days of February 13, 2013. Please consult your new electric supplier, [redacted] with any questions you may have about your supply agreement, potential early termination fees, or if you have any questions about your electric supply.

Please note that your electric supplier may have been switched in accordance with a governmental aggregation program, such as your municipality, county or township. Please contact the governmental authority or check its website if you have any questions about this program. To learn more about governmental aggregation programs in general, please visit our web page at ComEd.com\muniag.

If you are a ***residential*** customer and wish to cancel this enrollment, please contact [redacted] or ComEd. To avoid the potential application of an early termination fee from [redacted] cancellation must occur within (10) calendar days of the date of this letter. If the 10th calendar day falls on a non-business day, you have until the next business day.

If you are a ***small commercial*** customer with annual usage below or equal to 15,000 kWh per year and wish to cancel this enrollment, you must contact [redacted] To avoid the potential application of an early termination fee from [redacted] cancellation must occur within (10) calendar days of the date of this letter. If the 10th calendar day falls on a non-business day, you have until the next business day.

You will still be a ComEd customer for electric ***delivery*** services. ComEd will continue to maintain the electric system and restore service after storms or power outages. If you have any questions about your delivery services, such as power outages, metering, moving to a new address or service requests, please visit us on the web at **ComEd.com** or contact a ComEd customer service representative at 1-800-Edison-1 (1-800-334-7661) for residential customers and 1-877-4-ComEd-1 (1-877-426-6331) for business customers. For detailed information on electric choice, please visit **PlugInIllinois.org.**

Sincerely,

Val Jensen
Senior Vice President, Customer Operations

Timely / Intraday Nomination Timeline

NAESB WGQ Standard/Tariff Reference
NAESB WGQ Standard 1.3.2

Nomination Cycle	Nomination Deadline	Confirmation Deadline	Scheduled Quantity Available By
Timely Cycle **9:00 a.m.**	**11:30 a.m.** (EDI 11:45 a.m.) the day before the gas flows	**3:30 p.m.** the day before the gas flows	**4:30 p.m.** the day before the gas flows
Evening Cycle **9:00 a.m.**	**6:00 p.m** (EDI 6:15 p.m.) the day before the gas flows	**9:00 p.m.** the day before the gas flows	**10:00 p.m.** the day before the gas flows
Intraday 1 Cycle **ID1 17:00 p.m.**	**10:00 a.m.** (EDI 10:15 a.m.) the day the gas flows	**1:00 p.m.** the day the gas flows	**2:00 p.m.** the day the gas flows
Intraday 2 Cycle **ID2 21:00 p.m.**	**5:00 p.m.** (EDI 5:15 p.m.) the day the gas flows	**8:00 p.m.** the day the gas flows	**9:00 p.m.** the day the gas flows
Intraday 4 West Cycle **ID4W 1:00 a.m.**	**23:00 p.m.** the day the gas flows. (EDI is not available for this cycle)	**23:30 p.m.** the day the gas flows.	**23:45 p.m.** the day the gas flows.
Intraday 4 East Cycle **ID4E 6:00 a.m.**	**5:00 a.m.** the day the gas flows. (EDI is not available for this cycle)	**5:30 a.m.** the day the gas flows.	**5:45 a.m.** the day the gas flows.
Hourly* Cycle **22:00 p.m. — 8:00 a.m.**	One hour before the effective time for the gas to flow.	All nominations must be submitted before the deadline.	As soon as the scheduling job is completed.
* Non–NAESB Requirement			

Ill. C. C. Docket 14-0097

ICEA/RESA Exhibit 1.3

Utility	2012 ThermsRes	small/comm	Avg January 2013 Therms per residential customer	Avg January 2013 therms per small com
Ameren	485213809	168726988	215	505
			21.5	50.5
5,000 customers load on average usage for January	107500	252500		
Jan 2014 Average of the Chicago Citygate midpoints from the Gas Daily daily price survey	0.7926	0.7926		
200%	1.5852	1.5852		
Estimated cost in penalty for January 2013	$170,409.00	$400,263.00		
Passed through to a customer for only January:	$34.08	$ 80.05		