STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company		
d/b/a Ameren Illinois	)	
	)	
Petition for Approval of Tariffs	)	Docket 14-0097
Associated with the Small Volume	)	
Transportation Program	)	

REPLY OF
THE ILLINOIS COMPETITIVE ENERGY ASSOCIATION,
THE RETAIL ENERGY SUPPLY ASSOCIATION,
AND THE RETAIL GAS SUPPLIERS
TO BRIEFS ON EXCEPTIONS

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Pursuant to Section 200.830 of the Rules of Practice of the Illinois Commerce Commission ("Commission") and the Administrative Law Judge's ("ALJ") Ruling, the Illinois Competitive Energy Association ("ICEA"), the Retail Energy Supply Association ("RESA")[1], and the Retail Gas Suppliers ("RGS")[2] submit this Reply to Briefs on Exceptions in this proceeding. ICEA, RESA and RGS submitted a Brief on Exceptions to the ALJ's Proposed Order ("ALJPO") in this

[1] The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

[2] On September 17, 2014, Dominion Retail, Inc., a member of the RGS, filed its motion to withdraw from this proceeding.

proceeding on April 3, 2015. Briefs on Exceptions were also submitted by Ameren Illinois Company ("Ameren" or "AIC"), the Commission Staff, Prairie Point Energy LLC d/b/a Nicor Advanced Energy LLC ("NAE"), and the Citizens Utility Board and the Attorney General of Illinois ("CUB/AG").

I. INTRODUCTION

While ICEA, RESA, and RGS will reply to all of the Briefs on Exceptions filed in this proceeding, the majority of this Reply will respond to Ameren's continued noncompliance with the Commission's directive to implement the small-volume transportation ("SVT") Program, approved by the Commission in Ameren's last gas rate case, Docket 13-0192, and CUB/AG's continued support for Ameren's non-compliance. As demonstrated in ICEA/RESA/RGS' Initial and Reply Briefs and the ALJPO itself, the Commission should not reverse its approval of the SVT Program; the program will benefit customers and arguments against implementation are without merit. The fact that Ameren and CUB/AG make the same arguments an additional time does not give them any more merit than when they were made before and rejected in the ALJPO.

II. RESPONSE TO COMMISSION STAFF

Staff's Brief on Exceptions states that it generally supports the ALJPO's findings and conclusions and recommends that they be adopted by the Commission, subject to two exceptions. (Staff BOE, p. 1) First, Staff seeks clarification of the wording in Section III.A.2 of the ALJPO regarding the uncontested issue of the weighted average cost of gas. (*Id.*) ICEA, RESA, and RGS support Staff's proposed language revision.

Second, Staff excepts to the ALJPO's decision not to strike the 10-day rescission period from Rider T and limit that rescission period to Rider SVT customers who consume less than 5,000 therms of natural gas annually. (*Id*., p. 2) While ICEA, RESA and RGS did not except to the ALJPO's decision on this issue, taking note of the ALJPO's reasoning that this would be an issue to take up in Ameren's pending gas rate case, Docket 15-0142, they agree that Staff's recommendation is superior and support Staff's proposed revisions to the ALJPO on this issue.

III. RESPONSE TO NICOR ADVANCED ENERGY

In its Brief on Exceptions, NAE agrees with the rejection of Ameren's proposal to terminate or abandon its SVT Program, but recommends that the Commission set a time frame in which Ameren must implement the SVT Program. (NAE BOE, p. 2) Specifically, NAE proposes that Ameren be allowed 12 months from the date of the Commission's final order to implement the SVT Program. In addition, NAE recommends that Ameren be required to file quarterly progress reports in order to allow for any necessary corrective action. (*Id*., p. 3)

ICEA, RESA, and RGS generally agree with NAE. However, they propose a nine-month period for implementation because, depending upon the date of the Commission's final order, nine months would allow adequate time for suppliers to sign up customers for the SVT Program. Also, in addition to quarterly reporting, they recommended stakeholder workshops after the reports are filed with the Commission. (ICEA/RESA/RGS BOE, pp. 4-6)

IV. RESPONSE TO AMEREN

A. AMEREN'S FIRST EXCEPTION—THAT THE ALJPO'S CRITICISMS OF AMEREN ARE NOT WARRANTED—IS ABSOLUTELY WITHOUT MERIT.

Ameren claims that, contrary to the statements made in the ALJPO, it has, at all time, diligently worked to implement the Commission's directives on gas customer choice. (AIC BOE, p. 1) Its proposed exception to the ALJPO completely eliminates the ALJPO's statements setting forth a well-deserved criticism of Ameren's implementation efforts and actually proposes to substitute language that the Commission appreciates Ameren's unilateral decision to stop implementation of the SVT Program after years of litigation and workshops. (*Id*., p. 8)

A brief history of Ameren's efforts to implement (or not) the Commission's directives on gas customer choice shows that the ALJPO's criticisms of Ameren's implementation efforts were completely accurate and should not be stricken. Moreover, there should certainly be no "appreciation" of Ameren's efforts in this regard.

As the ALJPO points out, an SVT Program for Ameren has been under consideration since 2008. (ALJPO, p. 32) The first docket that dealt comprehensively with the development and launch of an SVT program for residential customers was the proceeding in Ill. C. C. Dockets 11-0279/11-0282. In that case, the initiation of a small volume transportation program for gas customers was proposed and acted upon favorably with the Commission directing its Staff to promptly convene workshops with the goal of developing consensus on SVT issues so that Ameren could file SVT tariffs. This step forward was taken and workshops were held under the oversight of the Commission Staff's Dr. Rearden. (RGS 3.0, p. 2) The workshop process was very extensive--eight workshops were held that were productive and had significant participation from various stakeholders. In his report at the conclusion of the workshops, Dr. Rearden included a letter from Ameren requesting to file SVT tariffs in its next gas rate case, planned for the first quarter of 2013. It appeared that two years after the SVT program concept was approved that it would finally come to life. (*Id*., p. 3)

In its gas rate case (Docket 13-0192), AIC filed the SVT tariff and the Commission again pushed the SVT program forward. The Order identified the threshold issue to be addressed--whether the Commission should approve an SVT program in that proceeding—noting that "AIC, Staff, ICEA/RESA and RGS either endorse approval of such a program in this proceeding, or they do not oppose such action." The Commission stated further that "the potential benefits of an SVT program in AIC's service territory, while not certain, are likely." The Commission concluded "that it is in the public interest to approve an SVT program at this time." While the Commission approved the SVT Program, it noted that not all operational, tariff design, and other related issues regarding the SVT tariffs had been fully addressed by the parties in Docket 13-0192. Therefore, the Commission ordered Ameren to "promptly hold a workshop, following the issuance of this Order to focus on the issues that are *not resolved* by this Order." It also directed Ameren to file a petition, tariffs and testimony *in support of* the SVT program within 45 days of the date of the Order. (Order in Docket 13-0192, dated December 28, 2013, p. 246; emphasis added)

As directed by the Commission, AIC held two workshops in January 2014, on the 16th and again on the 28th. There was no discussion during those workshops that there could be a delay from the fourth quarter 2014 SVT program launch, nor a substantial increase in costs. (RGS Ex. 3.0, p. 5)

AIC filed the SVT tariffs, along with supporting testimony, on January 31, 2014, in this Docket 14-0097. Ameren did not ask the Commission to reverse its approval of the SVT Program; rather, Ameren maintained its neutrality regarding the SVT Program. (AIC Ex. 1.0, p. 3) ICEA/RESA, RGS, the Commission Staff and the Citizens Utility Board ("CUB") filed direct testimony on April 11, 2014 and rebuttal testimony on April 25, 2014, all concerning SVT program and tariff issues. (RGS Ex. 3.0, p. 5) No party challenged the Commission's approval of the SVT Program in direct or rebuttal testimony.

A workshop was held on April 15, 2014, to focus on consumer protection issues. (AIC Ex. 1.0, p. 11) There was no discussion during that workshop that the fourth quarter 2014 SVT program launch could be delayed, nor was there any indication of a substantial increase in costs to implement the program. (RGS Ex. 3.0, p. 6)

AIC did not make the parties aware of the substantial proposed revisions to SVT program costs and schedule until three days after Staff and Intervenors submitted their rebuttal testimony. On April 28, 2014, Ameren filed its Motion to File Supplemental Direct Testimony. In that Motion, Ameren claimed that its estimate of SVT Program costs had increased from the $10.6 million, approved by the Commission in Docket 13-0192 (the amount being recovered through current rates) to $34 million and that the SVT program launch, which had been planned for the fourth quarter of this year would now be two years later, in late 2016, at the earliest. (*Id.*, p. 6)

Moreover, Ameren stopped implementation of its SVT Program, without Commission authorization in April 2014. (TR. 304)

Finally, Ameren did not announce its reversal of its neutral position until cross-examination in this proceeding in December 2014. In Mr. Glaeser's Supplemental Surrebuttal Testimony, he states, on page 2, that Ameren "remains neutral subject to the Commission allowing full recovery of costs associated with implementation, as well as the time necessary to design, create, and test the program prior to full rollout". However, in that same testimony, on page 16, he states his recommendation that the Commission issue an order making it clear that Ameren did not have to implement the SVT Program. During cross-examination, he finally stated that Ameren had abandoned its neutral position and was recommending that the Commission direct Ameren not to implement its SVT Program. (TR. 218-219)

In summary, the Commission should reject Ameren's revisionist history that Ameren's reversal of its neutral position regarding the SVT Program and its unilateral decision to stop implementing the SVT Program in late April 2014 were simply natural steps along the continuum of the development of the Program. They were not. They were abrupt and inexplicable departures from the years of cooperative efforts of the Commission Staff, Ameren and suppliers to put an SVT Program in place.

B. AMEREN'S SECOND EXCEPTION-THAT THE COMMISSION SHOULD REVERSE ITS APPROVAL OF THE SVT PROGRAM-IS WITHOUT MERIT AND SHOULD BE REJECTED.

1. Contrary to Ameren's implications, the ALJPO did revisit the question of whether the SVT Program should proceed.

Ameren's Brief on Exceptions suggests that the ALJPO found that the question of whether the SVT Program should proceed should not be revisited and foreclosed consideration of Ameren's arguments that the SVT Program should be terminated. (AIC BOE, pp. 9-10). This suggestion is far from the truth because, as demonstrated below, the ALJPO clearly considered and analyzed the arguments in support of continuing the program and those supporting terminating the SVT Program, and decided, after this analysis, that the SVT Program should be implemented.

- The ALJPO questions, as it should, Ameren's estimate of the incremental cost of the SVT Program. (ALJPO, p. 32)
- The ALJPO states a concern regarding the inexactitude which has prevailed regarding Ameren's estimates of the time and money required to implement the Commission's Order with regard to the SVT Program. (*Id.*)
- The ALJPO finds that Ameren's arguments that gas markets have significantly evolved and threaten the successful of the SVT Program have been refuted. (*Id.*)
- The ALJPO questions Ameren's arguments that gas municipal aggregation is necessary for a successful SVT Program. (*Id.*)

- The ALJPO questions Ameren's arguments that a general decrease in the price of natural gas is sufficient to undermine a successful SVT Program. (*Id.*)

- The ALJPO questions Ameren's arguments that a decrease in price volatility threatens the viability of a successful SVT Program. (*Id.*)

- The ALJPO finds, properly, that this compliance proceeding is not the proper forum to address Ameren's recovery of its SVT Program implementation costs. (*Id.*, p. 33)

In conclusion, the ALJPO did, in fact, revisit the issue of whether the SVT Program should continue. While Ameren is not happy that the ALJPO, in revisiting that issue, rejected Ameren's arguments does not mean that the issue was not revisited. Consequently, while ICEA, RESA, and RGS agree with Ameren that it is well-established that Commission orders are not *stare decisis*, that argument is meaningless here.

ICEA, RESA, and RGS feel compelled to address one statement that Ameren made during its incorrect argument that the ALJPO foreclosed reconsideration of the issue of whether the SVT Program should be implemented. Ameren complains that the "gas suppliers have used this docket to try and expand the SVT Program in a way that would drive up program costs simply to benefit their ability to sell to customers". (AIC BOE, p. 10) First, there is no citation for this statement and ICEA, RESA and RGS disagree that any of their suggested modifications to the SVT Program were intended simply to benefit their ability to sell to customers. Second, the record shows that Ameren never attempted to calculate the cost impact, if any, of the proposals of ICEA, RESA, and RGS. (TR. 100-101)

2. Contrary to Ameren's claims, Ameren's sunk costs are not necessary for implementation of the SVT Program and its estimate of remaining costs is suspect.

Ameren claims that the ALJPO's skepticism regarding the extent and accuracy of Ameren's incurred costs as well as its future costs estimates is unwarranted. (AIC BOE, p. 10)

Ameren further claims that Ameren offered clear and unrefuted testimony that its increased cost estimates were accurate and necessary for successful rollout of the SVT Program. (*Id*., pp. 11-12) Ameren's claims are totally without merit.

The record shows that Ameren's claims are disingenuous in the following respects. First, Ameren's "Phase 1" activities were not necessary for implementation of the SVT Program and should not be attributed to the SVT Program. Second, the estimate of $21 million in additional implementation costs is suspect.

The seven programs or functionalities which Ameren described as SVT Phase 1 are simply general system enhancements which provide benefits for all customers in absence of SVT. (RGS Ex. 3.0, p. 17) Moreover, these enhancements were demonstrated, by the rebuttal testimony of RGS' Witness Mr. Crist and by cross-examination, to be unnecessary for the successful operation of an SVT Program. In fact, Ameren witness Glaeser admitted, during cross-examination, that Ameren's revised SVT Program is more sophisticated than what Ameren proposed in Docket 13-0192 and the Commission ordered implemented. (TR. 212)

In Docket 13-0192, the Commission approved Ameren's recovery of $10.6 million in SVT Program implementation costs. Moreover, the $10.6 million represented an increase in Ameren's original estimate of $7 million. Ameren Witness Ms. Seckler explained that the "original projection has been upgraded to ensure the complex systems needed in the compressed timeframe are ready by November 2014. The most recent estimates also include a forecasting and aggregation solution which is a critical component to the system since the electric settlement system did not include these components." Ms. Seckler emphasized that the increased estimate to $10.6 million would cover additional systems (forecasting and aggregation solution) that would "ensure the complex systems needed in the compressed timeframe are ready by November

2014." (Docket 13-0192, Exhibit 26.0, pp. 28-29) Those costs were included in the rate base and O&M expenses used to determine the rates currently charged to Ameren customers. (RGS Ex. 3.0, pp. 11-12)

In the testimony filed in this proceeding Mr. Glaeser described the SVT work in two phases; however, there is no reference of this two phase approach made by Ameren in its previous base rate case. (RGS Ex. 3.0, p.13) In fact, it is clear that the Phase 1 functionalities are not necessary for the SVT Program:

- **Daily load forecasts:** any benefit provided by the daily load forecasts would accrue to the entire system and is not required for a SVT program. (*Id*., p. 14)
- **Backcasting:** Ameren does not do backcasting now to manage its system and therefore does not require it to manage its system after an SVT program has been initiated. (*Id*.)
- **Independent data source from CSS for Smart Meter applications:** this data is not necessary for the provision of an SVT program; most choice programs were initiated before smart meters were available and most are currently operating in environments that lack smart meters. (*Id*.)
- **Gas load research:** this is not critical for offering choice; the benefit of this functionality is better ascribed to Ameren's entire system. (RGS Ex. 3.0, p. 15)
- **Class load profiles:** this information is customarily used to determine revenue allocations by customer class and distribution rate design. However, it would not be necessary for SVT offerings, as admitted by Mr. Glaeser who stated that "it's not necessary for SVT, but it's a benefit for our regulatory function". (TR. 234).

- **Hourly gas day data:** this is not critical for offering choice. Further, if there is a new gas day implemented by FERC this upgrade will be required regardless of whether Ameren has an SVT program. (RGS Ex. 3.0, p. 15)
- **The Gas Utilization System:** this will benefit the entire Ameren system and is not necessary for the purpose of an SVT program. Further, this is a replacement for an existing system that would be required regardless of whether an SVT program was implemented. (*Id.*) In fact, Mr. Glaeser admitted this when he answered "Yes" to the following question on cross-examination: "Would you agree that you can have a choice program without the gas utilization system replacement?" (TR. 235)

The first five components discussed above are related to Ameren's ability to forecast load requirements. (Tr. 236; *see generally Id.* at 225-226) However, Ameren conceded during cross-examination that it is currently capable of forecasting the load requirements and maintaining reliability on Ameren's system and that these components merely improve that ability. (TR. At 231, see generally TR. 225-234; TR. 342-342) Ameren failed to provide credible testimony that the SVT Program would undermine its ability to maintain reliability. Indeed, Ameren conceded that it could implement Choice—albeit expensively—without any modifications to its systems whatsoever. (TR. 292-293; RGS Ex. 2.0, p. 3) And Ameren also admitted during cross-examination that the last three components are not necessary to support the SVT Program (TR. 232, 234, 235)

In summary, none of the seven components or functionalities that are referred to in the SVT Program as "sunk costs" is necessary for launching an SVT Program. They are all system improvements that Ameren chose to do, apparently to generally upgrade its IT capabilities by using the funds approved for SVT implementation rather than actually working on the functionality necessary for the SVT Program. Thus the $11.6 million in sunk costs that Ameren has spent on "Phase 1" was clearly not spent on the components necessary to launch a SVT Program and the costs to develop those "Phase 1" improvements are not part of SVT Program costs. Therefore, the $10.6 million approved by the Commission in Docket 13-0192 should still be available for SVT implementation. (RGS Ex. 3.0, pp. 16-17)

While the current estimate of $21 million that Ameren identifies as the remaining amount necessary to launch SVT is greater than the $10.6 million approved by the Commission in Docket 13-0192 and still available for SVT implementation, the $21 million estimate is suspect. The most suspicious aspect of the revised estimate is that the cost of Phase 2 testing ($14.5 million)[3] is greater than the entire, updated estimated SVT implementation cost in Docket 13-0192:

Phase 2 Testing Costs

Build/Test	$2.5 million
System Test	$2.0 million
Test Planning/Prep. Data Construction	$1.5 million
Integration Testing	$4.0 million
Regression Testing	$1.5 million
UAT Testing	$3.0 million
TOTAL	$14.5 million

[3] In its Brief on Exceptions, Ameren refers to $12 million in testing costs (AIC BOE, p. 12); however, it is not clear how much of the $2.5 million attributed to "Build/Test" in ICEA/RESA/IGS's $14.5 million figure is related to testing, as opposed to building.

In summary, Ameren's estimated costs for implementation of the SVT Program appear to be overstated in two ways. First, Ameren attributed costs to the SVT Program that were actually extended for general improvements to its existing transportation system. Second, Ameren's estimated costs appear overstated, especially its testing costs which, by themselves, far exceed the entire amount for which Ameren was granted recovery in Docket 13-0192.

3. **Ameren's arguments that the SVT Program will not be used by its customers are without merit.**

Ameren argues that if there are no substantial price differentials to prompt customers to switch, nor governmental aggregation, an SVT Program will go largely unused. (AIC BOE, p. 14) The record shows that Ameren's argument is erroneous.

Ameren's apparent belief that implementation of an SVT Program in Docket 13-0192 requires municipal aggregation legislation is absolutely without merit. There is no language in the Commission's Order in Docket 13-0192 that tied its approval of an SVT Program to the passage of gas municipal aggregation language. Moreover, AIC's belief that a Choice Program cannot survive without municipal aggregation is incorrect. The record shows that recent growth in the retail electric market in Illinois has not come from municipal aggregation, but from organic growth, *i.e.* one-on-one marketing. The 2014 ORMD report indicates that in May 2013 close to 78% of ARES customers were aggregation customers, but that in May 2014 73% of ARES customers are aggregation customers. Mr. Crist testified that if the residential aggregation percentage dropped from 78% to 73% and there has been growth in the market, all that growth came from organic growth. These are customers availing themselves of choice. Mr. Crist concluded that you can get substantial customer choice without municipal aggregation programs. (TR. 197) For example, Pennsylvania, New York and Maryland have vibrant retail electricity and gas markets without municipal aggregation.

The second part of Ameren's argument that its SVT Program would not unused is that low prices, combined with decreased volatility, make it difficult for suppliers to secure customers. (AIC BOE, pp. 16-19) The record evidence does not support this argument.

The basic fundamentals of the gas market have not changed from the time consideration of an SVT Program for Ameren began, through the Commission's Order approving the SVT Program in Docket 13-0192, and up to the date Ameren reversed its neutral position in this proceeding. The same processes employed by pipelines are still in place. The increase of shale supply is not a novel concept as the "boom" and its impact on gas markets started years ago – well before Ameren's first filing for approval of its SVT Program and certainly well before December 2013 when the Commission approved Ameren's SVT Program in Docket 13-0192. Natural gas remains a volatile commodity where customers benefit from the options of fixed prices. (ICEA/RESA Ex. 3.0, p. 5) For example, Ameren's claims of lack of volatility are not borne out by its own commodity gas charges. Ameren's commodity gas charge for December 2014, at the time of the hearings in this proceeding, for Rate GDS-1 was 51.257 cents per therm. Ameren's most recently filed commodity gas charge—for April 2015—is 31.609 cents per therm for Rate GDS-1, a difference of approximately 63%. Moreover, products such as a flat bill where a customer pays the same total amount regardless of usage, products designed to lower overall bill usage for savings, and dual fuel discounts are options to customers beyond relying on large market swings. (ICEA/RESA Ex. 3.0, pp. 6-7)

The simple fact is that other markets with gas choice programs have not seen a decline in switching despite any impact that shale gas has had on gas prices and volatility. Gas choice programs in Ohio and Pennsylvania have not declined since 2012. (ICEA/RESA Ex. 3.0, p. 7) In states with gas choice where POR has been included, the switching levels are much higher and have remained consistent. Here in Illinois, Nicor Gas' Customer Select program increased to the current customer count of over 260,000 from approximately 200,000 in 2007. (*Id*.)

Moreover, Ameren's assumption that there is decreased volatility is based on the Supplemental Direct Testimony of Mr. Glaeser. However, ICEA and RESA, RGS and the Commission Staff all found Mr. Glaeser's graph on page 13 of his Supplemental Direct Testimony to be without any value. Ms. Ringenbach, referring to that graph, testified that Mr. Glaeser's own graph does not support his position that there will be no volatility in the price of gas over the 2015-2025 timeframe. The only portion of the graph that shows stability is the portion of the red line which is based on Ameren's estimates. (ICEA/RESA Ex. 3.0, p. 8) Dr. Rearden noted the same problem with Mr. Glaeser's graph, stating that it could be misleading if not carefully interpreted for two reasons. First, the red line showing the NYMEX future prices beginning in the fall of 2013 appears to show price volatility that is much lower than observed prices. However, if one examines futures prices starting at almost any actual price on the chart, futures prices generally look much less variable than actual prices.[4] Second, Dr. Rearden noted that Mr. Glaeser's actual price graph ends prior to the price spike that occurred during the winter of 2014. (Staff Ex. 3.0, p. 3) Mr. Crist testified that NYMEX future prices are not an appropriate means of predicting gas volatility over the next six years. The simple fact is that if you go back in time and attach a futures curve to any chart showing historic pricing, you will almost always see reduced volatility when you transition from historic pricing to futures pricing. (*Id*.)

Ameren also continues to ignore the fact that it is a dual fuel utility with many customers who are now familiar with choice and will likely exercise the option on the gas side as they do

[4] If there is any doubt about this, the Commission could request Ameren to compare its NYMEX future prices to NYMEX settlement prices for the period of time that is now historical.

with electricity. Ameren has roughly three-quarters of a million customers on electric choice and there is a high probability that a large number of these customers who have already availed themselves of electric choice will be approached with offers from their current suppliers for gas choice products. Thus, Ameren has a huge built-in market of potential customers for its SVT Program. (TR. 198) In short, if Ameren truly implements a correctly run program which includes a Purchase of Receivables Program, it should expect significant customer participation as has been seen in other gas markets with POR.

4. The Commission should reject Ameren's proposal that instead of proceeding with the SVT Program, the Commission should order workshops to explore other alternatives.

Ameren proposes that the Commission should terminate implementation of the SVT Program and order workshops to explore viable, less costly alternatives. (AIC BOE, pp. 20-22) While Ameren is apparently not suggesting that the Commission adopt Ameren's so-called Gas Price Choice Program, which was rejected by ICEA, RESA, RGS and the Commission Staff, ICEA, RESA, and RGS oppose Ameren's proposal. First, for all the reasons set forth in the ALJPO and in this Reply to Briefs on Exceptions, the SVT Program approved by the Commission in Docket 13-0192 will benefit customers and should be implemented. Second, as demonstrated in the abbreviated version of the history of Ameren's implementation of an SVT Program, stakeholders have devoted years of efforts to litigation and workshops. The only workshops that the Commission should order are those following the quarterly reports recommended by ICEA, RESA, and RGS to monitor Ameren's implementation of the SVT Program.

ICEA, RESA and RGS would like to respond to one of Ameren's statements in support of its proposal for workshops to consider alternatives to the SVT Program approved by the

Commission in Docket 13-0192. Ameren states that assuming that 90,000 customers would participate in its SVT Program and assuming a cost of $21 million, each customer would pay $235. (AIC BOE, p. 21) First, there is no basis for Ameren's assumption of 90,000, although it has more support in logic than Mr. Glaeser's statement that it was possible that no customers would participate in the SVT Program. (Tr. 279-280) As demonstrated previously, Ameren has approximately 750,000 customers on electric choice, providing a huge built-in market of potential customers for gas suppliers. Second, the cost of $21 million is questionable for the reasons stated, *supra*, in Section IV.B.2. Third, in Docket 13-0192, the $10.6 million in costs approved for the SVT Program are currently being collected from all customers who would be eligible for the SVT Program. (TR. 221) There is no legitimate reason for a different treatment—charging only SVT participants--here. Even assuming that Ameren's inflated projection of SVT implementation costs is correct, this amounts to $1 to $2 per year. (*See, generally,* RGS Ex. JC6) When asked on cross-examination if he believed that $1 per year was significant, Mr. Glaeser responded that "I wouldn't consider it a meaningful or significant amount." (TR. 248)

C. AMEREN'S REQUEST FOR 25 MONTHS TO IMPLEMENT THE SVT PROGRAM SHOULD NOT BE APPROVED.

Ameren requests, that if the Commission decides that Ameren should go forward with the SVT Program approved by the Commission in Docket 13-0192, it should have 30 days to file the SVT tariff and additional 24 months to implement the SVT Program. (AIC BOE, pp. 23-24) ICEA, RESA and RGS object for three reasons. First, Ameren stopped implementation of the SVT Program approximately one year ago, in April 2014, without Commission approval. (TR. 304) Second, given the amount of time already expended in hearings and workshops, an additional 25 months is unreasonable. Third, customers of the other major gas utilities in Illinois have had the opportunity to choose suppliers for many years; they should not be subjected to such a lengthy delay. For the reasons stated in the Brief on Exceptions of ICEA, RESA and RGS, Ameren should be allowed nine months from the date of the Commission's final order in this proceeding to implement the SVT Program. (ICEA/RESA/RGS BOE, pp. 4-5)

D. AMEREN SHOULD BE REQUIRED TO IMPLEMENT A SUPPLIER SINGLE BILLING OPTION.

Ameren takes the incredible position that the requirement in the Public Utilities Act that gas suppliers be allowed to bill both for the commodity and the gas utility's charges on a single bill is satisfied by Ameren billing both for the supplier's charges and its own on its consolidated bill. (AIC BOE, pp. 24-28) The ALJPO considered this argument and correctly rejected it. (ALJPO, p. 76) Ameren's Brief on Exceptions contains nothing of merit to justify the Commission reversing the ALJPO on this issue.

V. RESPONSE TO CUB/AG

CUB/AG open their Brief on Exceptions with the inflammatory rhetoric that they take exception to the ALJPO's conclusion that the "Commission should ignore significantly rampant cost increases in the absence of any evidence of customer benefit to continue down the ill-advised path toward residential gas choice" in Ameren's service territory. (CUB/AG BOE, p. 2) Unfortunately, there are no facts to support their rhetoric. Similarly, there is no support for their claim that the ALJPO operated from the "incorrect premise" that the Commission's "hands are tied" with respect to reevaluating implementation of the SVT Program approved by the Commission in Docket 13-0192. (*Id*.)

A. THE ALJPO DID RE-EVALUAE WHETHER, IN LIGHT OF AMEREN'S SUPPLEMENTAL EVIDENCE, THE SVT PROGRAM SHOULD CONTINUE TO BE IMPLEMENTED.

CUB/AG make an argument, similar to an argument made by Ameren, that the ALJPO essentially found that the Commission's "hands were tied" by its Order in Docket 13-0192, in which it approved Ameren's SVT Program. Then CUB/AG rebuts their own straw man argument. However, there was no need to rebut the argument because the ALJPO, as demonstrated, *supra* in Section IV.A did evaluate Ameren's supplemental evidence. Unfortunately, that evidence only found CUB/AG to be a receptive audience. Ameren's supplemental evidence was rebutted by ICEA and RESA, RGS, and the Commission Staff; rejected by NAE; and, ultimately, rejected by the ALJPO.

B. CONTRARY TO THE CLAIMS OF CUB/AG, THE SVT PROGRAM WILL BENEFIT CUSTOMERS.

Contrary to CUB/AG's claim, customers will benefit from an SVT Program. One of the major benefits of an SVT Program is the ability of suppliers to offer a diverse range of products and services that Ameren cannot offer. Such products can better meet the needs and preferences of customers, and can also help customers consume energy more efficiently.

Probably the most common example of products offered by suppliers is fixed rate products. In contrast, Ameren's supply customers pay a gas charge, which varies monthly and has experienced significant swings. (TR. 258). Customers who buy fixed-price products understand that they have a fixed, guaranteed price for the term of their contracts and that's the value that they attribute to that purchase. (TR. 187) While fixed price products are important products offered by competitive suppliers, they certainly are not the only products. Mr. Crist provided a lengthy list of products offered by competitive suppliers including those that are bundled with gas commodity. (AIC Cross Ex. 11) One need only look at the telecommunications and cable industry to understand that there is great value added for customers by bundling related products.

Mr. Crist provided an excellent example of a bundled product offered by Direct Energy Services in the service territory of Nicor Gas. The customer receives a Nest Smart Thermostat, which has a value of $249, bundled with a two-year fixed price contract and a $50 VISA gift card. Studies have shown that smart thermostats can save consumers up to 20% of their energy consumption. Thus, through such a bundled product, the supplier is actually helping customers use less energy and lower their overall energy bill. (TR. 198-199) CUB/AG attempted to minimize the value of this bundled product offering with a hypothetical having no basis in reality. (CUB/AG BOE, pp. 14-15) Basically, CUB/AG assumes that while the gas utility's price is sixty cents a therm, the AGS would charge one dollar a therm, numbers apparently pulled out of thin air. There is no support for either the sixty cent nor the one dollar figures. One could just as well assume that the utility would charge one dollar and the AGS would charge sixty cents which would make the bundled product offering even more valuable.

As Mr. Crist stated, during cross-examination, there is a beauty in creating choice programs because, as has been demonstrated for the past two decades around the country in various markets, suppliers will come into the market, products will be developed, and customers will avail themselves of the choices. His experience is that suppliers must be making compellingly attractive offers to customers because in a variety of utility markets for both electricity and natural gas for the past two decades, choice programs have been launched and are healthy and growing. (TR. 192-193)

Mr. Crist also testified to wholesale benefits of an SVT Program. Those benefits include increased liquidity at the Ameren trading hubs because multiple suppliers are buying and selling at those hubs. Further, Choice programs bring greater reliability because suppliers have intrastate pipeline assets that can be utilized to deliver into the system that Ameren may not have access to, and downward price pressure on wholesale prices at the Ameren hubs due to multiple buyers and sellers utilizing those hubs. (RGS Ex. 3.0, at 27-28)

ICEA/RESA Witness Teresa Ringenbach demonstrated the opportunity of customers to save money at the retail level by purchasing their supply from AGS rather than utilities. In her rebuttal testimony to the supplemental direct testimony of Ameren, she testified that then current supplier offers in both Nicor Gas' and Peoples Gas' service territories were 10%-20% below those utilities' gas charges as of August 2014. (ICEA/RESA Ex. 3.0, pp. 9-10) Contrary to the baseless criticism of CUB/AG (CUB/AG BOE, p. 10), Ms. Ringenbach did not "cherry-pick" the month of August 2014—it was the most recent month for which information was available when her Supplemental Rebuttal Testimony was submitted. CUB/AG apparently wanted Ms. Ringenbach to analyze similar data for a period of "more than a decade" that Choice Programs have been in existence in the service territories of Nicor Gas and Peoples Gas. (*Id.*) However, CUB/AG are ignoring the fact that the Commission has already found, in approving the SVT Program, that the potential benefits of an SVT Program in Ameren's service territory are likely and that it is in the public interest to approve the SVT Program. (Order in Docket 13-0192, p. 246)

In conclusion, it cannot be legitimately questioned that customers will benefit from an SVT Program. Choice, in itself, is a benefit. There is no guarantee—indeed it is unlikely—that Ameren will manage its gas procurement more efficiently than all other suppliers in the market.

Choice insulates customers from being captive to Ameren's gas procurement decisions. Given the opportunity for Choice, customers will benefit from the opportunity to select the price and product structure that meets their needs.

C. CUB/AG'S CLAIM THAT THE ALJPO ERRONEOUSLY DISMISSED AMEREN'S COST-BENEFIT ANALYSIS IS WITHOUT MERIT—THAT ANALYSIS IS FLAWED AND SELF-SERVING.

CUB/AG claim that Ameren's purported cost-benefit analysis (AIC Ex. 4.1) was the only examination of the costs and benefits of the SVT Program in the record and implies that this analysis was effectively unrebutted. (CUB/AG BOE, pp. 7-11) On the contrary, after demonstrating the substantial flaws of Mr. Glaeser's AIC Exhibit 4.1, which basically demonstrated it to be worthless, Mr. Crist provided a corrected version of that exhibit. However, before addressing the flaws of AIC Exhibit 4.1, we note that, in Docket 13-0192, CUB took the position that a cost-benefit analysis was needed for the Commission to approve the SVT Program. The Commission disagreed with CUB and ordered Ameren to implement the SVT Program. (Order in Docket 13-0192, pp. 245-246)

Briefly, Mr. Glaeser's Exhibit 4.1 suffers from the following flaws:

- Mr. Glaser based his assumptions on a certain level of participation initially and ignores potential savings and benefits in later years once the program is fully paid for. Alternatively, Mr. Glaeser's numbers would change dramatically if an amortization period longer than five years, a time period chosen by Ameren that is not based on the expected life of the SVT Program, were used.
- Mr. Glaeser's analysis is based on his estimates of future gas prices, which have already been demonstrated (*supra*, Section IV.B.3) to be of little value.

- Mr. Glaser ignores that current offers in both Nicor Gas Company and The Peoples Gas Light and Coke Company's service territories are 10% - 20% below those utilities' gas charges as of August 2014. (ICEA/RESA Ex. 3.0, pp. 9-10)
- An appropriate analysis would divide the total cost of SVT implementation over all Ameren customers, as was done in Docket 13-0192.
- The costs of $21 million on the SVT Program reflected in AIC Ex. 4.1 are extraordinarily high compared to Ameren's original estimate of $7.0 million or its revised estimate of $10.6 million which was accepted by the Commission and currently being recovered by Ameren through rates.
- During cross-examination, Mr. Glaeser agreed that if Exhibit 4.1 were based on the annual consumption of small commercial customers instead of just residential customers, the annual revenue requirement would decrease. (TR. 220-221)
- During cross-examination, Mr. Glaeser admitted that his analysis does not reflect benefits from bundled products that do not directly affect the commodity price. (TR. 198-199)

Mr. Crist prepared RGS Ex. JC6 to correct the flaws of Mr. Glaeser's analysis. While RGS Ex. JC6 only assigned costs to SVT customers (in order to track Mr. Glaeser's Ex. 4.1), if those costs were spread over all eligible customers, recovering $10.6 million from the approximately 800,000 Ameren customers over 10 years would only add approximately $1.30 per year to each customer's bill, an amount Ameren's own witness found not to be meaningful or significant. (TR. 248). Thus, the investment necessary to provide customers the option of taking service from a retail supplier is quite reasonable. (RGS Ex. 3.0, p. 26)

D. CONTRARY TO THE IMPLICATIONS OF CUB/AG, THIS IS NOT A SECTION 9-201 PROCEEDING.

CUB/AG continues to have an ill-founded concern that the Commission will approve recovery of Ameren's cost overruns in this proceeding. (CUB/AG BOE, pp.6-7) For example, CUB/AG cites Section 9-201 of the Public Utilities Act for the principle that if the Commission initiates a hearing concerning the propriety of any tariff change, it can only approve those changes which it finds to be just and reasonable. (*Id*., p. 6) However, this is not a Section 9-201 proceeding. Ameren's last gas rate case, Docket 13-0192, was a Section 9-201 proceeding and, in fact, in that case, the Commission granted Ameren a rate increase, which included recovery of Ameren's costs of implementing the SVT Program. Indeed, the Commission allowed Ameren full recovery of its updated cost estimate for implementing the SVT Program--$10.6 million.

If Ameren incurs costs in excess of what was approved in the Docket 13-0192 proceeding, Ameren can seek recovery in its next base rate case. Ameren will need to show the prudence of its expenditures in its next rate case. (RGS Ex. 3.0, pp. 6-7) At that point, Ameren's investment will be reviewed and considered with other plant additions to its rate base. (*Id*., pp. 19-20)

E. THE ALJPO CORRECTLY REJECTED CUB/AG'S PROPOSAL TO DISPLAY THE PGA ON SVT CUSTOMER BILLS AS THE PRICE-TO-COMPARE ("PTC").

The ALJPO rejected CUB/AG's proposal that Ameren's "Customers Terms and Conditions" in its tariff, be revised to require Ameren to include the applicable Purchased Gas Adjustment ("PGA") on Ameren's consolidated bill as the PTC. (CUB/AG IB, pp. 19-22)

The CUB/AG proposal was fully refuted by ICEA, RESA, and RGS, Ameren, and the Commission Staff. The basic problem with the CUB/AG proposal is that Ameren's PGA changes monthly. Consequently, the PGA charge will change twice before a customer is able to switch to or from Rider SVT. The Commission Staff offers a much better alternative—the

Commission's natural gas choice web page posts AGS offers along with a history of the PGA rates of the utilities which offer SVT programs. The web page also provides plenty of information on how to proceed with purchasing gas from unregulated suppliers. The ALJPO should not be reversed on this issue.

F. THE ALJPO CORRECTLY REJECTED CUB/AG'S PROPOSAL REGARDING CUSTOMER COMPLAINT TRACKING AND REPORTING.

CUB/AG continues to support their proposal to add a requirement that Ameren advise the Commission if it observes "high levels of customer complaints about a particular supplier or if it observes a pattern of customer complaints from a particular supplier relating to a specific issue." (CUB/AG BOE., pp. 22-24) The ALJPO correctly rejected this proposal as "unnecessary" and not informative to customers. (ALJPO, p. 69) ICEA, RESA and RGS agree that the Commission should not reverse the ALJPO on this issue.

VI. THERE IS NO REQUIREMENT, NOR NEED, FOR AN ORAL ARGUMENT IN THIS PROCEEDING.

Both Ameren and CUB/AG request oral argument in this proceeding and Ameren filed a separate motion requesting oral argument. Contrary to the statement in Ameren's motion (Motion, p. 1), this proceeding is not a Section 9-201 proceeding and oral argument is not required. Clearly, the Commission has the discretion to grant the motion for oral argument; however, Ameren's rationale for an oral argument, as set forth in paragraph 3 of its motion, do not disclose any subject matters that have not been fully addressed in the record, the briefs, and the ALJPO itself. Given the length of time that an SVT Program has been considered for Ameren's residential and small commercial customers, ICEA, RESA and RGS see no value in further delay that would result from holding an oral argument.

VII. CONCLUSION

In conclusion, the Commission should direct Ameren to implement the SVT Program in no less than nine months from the date of the Commission's final order in this proceeding. None of the arguments raised by Ameren or CUB/AG in their Briefs on Exceptions presents a valid rationale for the Commission to reverse its approval. Moreover, the Commission should include both the reporting and workshop requirements proposed by ICEA, RESA, and RGS.

Regarding SVT tariff issues, the Commission should accept Staff's recommendation regarding rescission periods. The Commission should reject Ameren's arguments concerning the single billing option for suppliers. The Commission should reject CUB/AG's proposals regarding including the PGA on utility consolidated bills and the reporting of complaints by Ameren.

Respectfully submitted,

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NOTICE OF FILING

Please take note that on April 10, 2015, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Reply of the Illinois Competitive Energy Association, the Retail Energy Supply Association and the Retail Gas Suppliers to Briefs on Exceptions in this proceeding.

/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 Reply of the Illinois Competitive Energy Association, the Retail Energy Supply Association and the Retail Gas Suppliers to Briefs on Exceptions, 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 10, 2015.

/s/ GERARD T. FOX
Gerard T. Fox