

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)	

**SUPPLEMENTAL REBUTTAL TESTIMONY OF
TERESA RINGENBACH ON BEHALF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION
AND THE ILLINOIS COMPETITIVE ENERGY ASSOCIATION**

1 **I. BACKGROUND**

2 **Q. Please state your name and business address.**

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

5 **Q. Are you the same Teresa Ringenbach who submitted Direct Testimony and**
6 **Rebuttal Testimony on behalf of the Retail Energy Supply Association**
7 **(“RESA”)¹ and the Illinois Competitive Energy Association (“ICEA”) in this**
8 **proceeding?**

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.

9 A. Yes, I am.

10 **Q. Please summarize your testimony.**

11 A. In its supplemental direct evidence, Ameren offers the supplemental direct
12 testimony of two witnesses. Ms. Mary Heger testifies regarding Ameren’s
13 increased estimate of the cost of implementing Small Volume Transportation
14 (“SVT Program” or “Choice Program”) and its increased estimate of the time
15 required for implementation. I do not address Ms. Heger’s testimony, except to
16 note that RESA has serious reservations about the large increase in estimated
17 implementation costs for the SVT Program, as well as the long delay in the
18 implementation period.

19 Mr. Scott Glaeser questions whether the Illinois Commerce Commission
20 (“Commission”) should reverse its approval of an SVT Program in Docket 13-
21 0192, Ameren’s last gas rate case, in light of the increased cost and increased
22 implementation period, as well as based on Mr. Glaeser’s opinions regarding
23 perceived changes in the natural gas market. Mr. Glaeser also proposes an
24 alternative to an SVT Program, a program he refers to as a Gas Price Choice
25 program. In this Supplemental Rebuttal Testimony, I explain why the
26 Commission should not reverse its approval of an SVT Program, I question the
27 reasonableness of Mr. Glaeser’s opinions about today’s natural gas markets and
28 gas aggregation, and I explain why his Gas Price Choice program is not an
29 acceptable alternative to an SVT Program.

30 **Q. In her supplemental direct testimony, Ms. Heger testifies regarding increased**
31 **cost estimates for SVT Program implementation and an increase in the**

32 **estimated time to implement the Program. Based on these increases, do**
33 **ICEA and RESA no longer support the SVT Program?**

34 A. No, ICEA and RESA continue to support the SVT Program. First, despite
35 reviewing Ms. Heger’s supplemental direct testimony and Ameren’s responses to
36 RESA data requests relating to the increased cost and the increased time estimate,
37 I have trouble understanding exactly what went wrong and why the revised
38 estimates are so far off from the estimates provided by Ameren in Docket 13-
39 0192. However, this is not a reconciliation proceeding reviewing the prudence of
40 Ameren’s costs—that will come later.

41 The Commission should not reverse its approval of Ameren’s SVT Program. For
42 the reasons stated in this supplemental rebuttal testimony, there is still value in the
43 Program and Ameren’s customers will benefit by its implementation. However,
44 the Commission should, in its Order in this proceeding, direct Ameren to
45 minimize its costs as much as possible and to accelerate the implementation of the
46 SVT Program as much as it can.

47 **Q. In his supplemental direct testimony on page 7, lines 147-150, Mr. Glaeser**
48 **states the SVT Program, as designed by AIC, “would constitute the most**
49 **sophisticated gas choice system for a Local Distribution Company (‘LDC’)**
50 **operating in the State of Illinois”. Do you agree?**

51 A. No. If Mr. Glaeser defines the most sophisticated system to mean the Illinois
52 choice program involving a combination electric/gas utility that includes asset
53 allocations across the greatest number of different pipelines with different
54 geographic areas across which the LDC system is not fully interconnected and

55 incorporates a POR program, that is factual information not in dispute. However,
56 I want to dispel any illusion that Ameren's program is one of the more
57 sophisticated in the industry under a definitional meaning of advanced and very
58 up-to-date.

59 While the program is new to Ameren I would not go so far as to say it is the most
60 sophisticated in the sense of being a leading-edge, progressive or robust program
61 for suppliers and customers. The Ameren SVT program, as approved in the
62 Commission's Order in Docket 13-0192, was the product of much collaboration
63 and compromise, and was structured very deliberately to achieve a design
64 supported by various stakeholders. During the development of the program,
65 suppliers accepted certain compromises in the spirit of negotiation to move the
66 program forward. While elements of the program are less than ideal, the
67 proposed design set forth in Docket 13-0192 was certainly workable and
68 compelling enough for suppliers to support the implementation of the program
69 rather than continuing without an SVT program. In particular, certain penalties
70 and limits included in the program are far from ideal from suppliers' perspective.
71 Requiring that nominations be in by 8 a.m. without an ability to cure and
72 refusing to recognize intraday nominations are two notable program designs
73 suppliers opposed but ultimately accepted to move the program forward. There
74 are choice programs elsewhere that offer more sophisticated capacity release and
75 allocation methodologies; yet ICEA and RESA supported the proposed Ameren
76 design in order to make a choice program available in the absence of any
77 alternative.

78 Furthermore, in order to implement an SVT program, Ameren argues certain
79 other requirements need to be in place, such as EDI. Several of these changes go
80 well beyond choice customers and have instead resulted in changes for
81 transportation service that make transport a significantly less sophisticated and
82 desirable program. For example, the program features a rescission period more
83 restrictive than statutorily required, compromising suppliers' ability to offer fixed
84 pricing to customers. The program includes change of ownership rules impeding
85 the transfer of assets between consenting parties and invoice restrictions
86 prohibiting customers from making commodity specific decisions about suppliers.
87 I view this as a less sophisticated outcome than what was in place prior to the
88 changes Ameren made in order to accommodate an SVT program.

89 **Q. In his supplemental direct testimony, at page 11, lines 237-238, Mr. Glaeser**
90 **states: “At the time the initial SVT program was contemplated, natural gas**
91 **markets were much different than they are today.” Please comment.**

92 **A.** The basic fundamentals of the gas market have not changed. The same processes
93 employed by pipelines are still in place. The increase of shale supply is not a
94 novel concept as the “boom” and its impact on gas markets started years ago –
95 well before Ameren’s first filing for approval of its SVT Program. In fact, putting
96 aside that suppliers can offer dual fuel discounts and other valuable controls for
97 customers control of their total bill, as this past winter has shown, natural gas
98 remains a volatile commodity where customers benefit from the options of fixed
99 prices.

100 None of Mr. Glaeser's statements on natural gas markets reveal changes that have
101 occurred or developed significantly in the time between the original Ameren SVT
102 filing and today. Moreover, while Mr. Glaeser discusses a relatively lengthy
103 period, his testimony begs the question of whether the alleged changes he
104 discusses occurred during much shorter periods of time. For example, Ameren
105 did not raise the issue of changed gas markets in its surrebuttal testimony in
106 Docket 13-0192 (filed on August 26, 2013). Nor did Ameren raise this issue
107 during the briefing in Docket 13-0192, which concluded on November 27, 2013.
108 Nor did Ameren challenge the Commission's finding that the SVT Program
109 should be approved when it issued its final order on December 18, 2013. In fact,
110 Ameren held its final workshop regarding implementation of the SVT Program
111 on April 15, 2014, shortly before it filed its Motion to submit supplemental direct
112 testimony (on April 28, 2014) and less than three months before Mr. Glaeser's
113 supplemental direct testimony was filed.

114 **Q. In his supplemental direct testimony, at page 12, lines 249-252, Mr. Glaeser**
115 **states: "Low gas prices and low volatility reduces [sic] the ability of**
116 **marketers to avail themselves of temporal price disparities with respect to**
117 **commodity prices, futures and derivatives. Thus, there may be less of an**
118 **ability on the part of marketers to take advantage of low price opportunities**
119 **and entice customers to switch." Please comment.**

120 A. Suppliers offer many options to customers in terms of gas choice. Regardless of
121 Mr. Glaeser's assumptions about choice the fact remains that the gas market
122 pricing continues to change monthly and potentially more if Ameren is truly

123 looking at hourly and daily reads. In addition, products such as a flat bill where a
124 customer pays the same total amount regardless of usage, products designed to
125 lower overall bill usage for savings, and dual fuel discounts are options to
126 customers beyond relying on large market swings. Mr. Glaeser also fails to note
127 that other markets with gas choice programs have not seen a decline in switching
128 despite any impact that shale gas has had on volatility. Choice programs in Ohio
129 and Pennsylvania have not declined since 2012. Here in Illinois, Nicor Gas
130 Company's Customer Select program increased to the current customer count of
131 over 260,000 from approximately 200,000 in 2007.

132 **Q. In his supplemental direct testimony, at page 12, lines 258-259, Mr. Glaeser**
133 **states: "Additional dry shale production capacity emerges at prices greater**
134 **than \$6 effectively becoming a ceiling to long-term prices." Do you agree?**

135 A. No. I am suspect of any speculation of future market prices. The market rose
136 much higher than \$6 this winter and only just came off days before NYMEX
137 settlement. In addition, new EPA rules may increase the amount of gas fired
138 generation potentially pushing prices higher. Finally, despite similar projections
139 of a flat market this last year, Platts Inside FERC's Gas Market Report Chicago
140 city-gates first of month indexes for this winter were as follows:

141		
142	Dec '13	\$ 3.90
143	Jan '14	\$ 4.83
144	Feb '14	\$ 8.12
145	Mar '14	\$ 10.94
146		

147 **Q. Referring to the graph on page 13 of Mr. Glaeser’s supplemental direct**
148 **testimony, does this graph demonstrate that there will be no volatility in the**
149 **price of gas over the 2015-2025 timeframe?**

150 A. No. In fact his graph (since it was used in a November 2013 presentation) ignores
151 the impact of the polar vortex this last winter on prices. The graph also most
152 definitely shows volatility for gas just at lower price points. Finally, the only
153 portion of the graph that shows stability is the portion of the red line which is
154 based on Ameren’s estimates.

155 **Q. In his supplemental direct testimony, at page 14, lines 278-280, Mr. Glaser**
156 **states that “today the trend has reversed, with few electric customers of AIC**
157 **now switching to alternative supply and some customers are switching back**
158 **to AIC supply”. Does this statement change your opinion as to the need for**
159 **an SVT Program for AIC gas customers?**

160 A. No. I would first point out that on the electric side if customers return to the
161 utility they must remain (subject to the 60 day switching window) with the utility
162 for 12 months. Therefore it is impossible for any sort of trend to reverse itself
163 quickly once customers return. So any short term price reactions of customers can
164 result in less switching for 12 month periods.

165 Electric aside, Ameren implies this gas choice option is the first of its kind, which
166 is incorrect. In states with gas choice where POR has been included the switching
167 levels are much higher and have remained consistent. Ameren also ignores the
168 fact that as a dual fuel utility many customers are now familiar with choice and
169 will likely exercise the option on the gas side as they do with electricity. If

170 Ameren truly implements a correctly run program with the addition of POR, it
171 should expect significant customer participation as has been seen in other gas
172 markets with POR.

173 Q. **What is your opinion on Mr. Glaeser's views, shared in his supplemental**
174 **direct testimony, on the status of gas municipal aggregation?**

175 A: I disagree with the views offered by Mr. Glaeser. As with any piece of
176 legislation, the passage or movement of a bill is not the only indicator of
177 legislative momentum or of interest in a particular subject area or initiative. He
178 fails to account for the ongoing negotiations on gas municipal aggregation
179 legislation. The parties have made significant progress on various issues. And,
180 contrary to Mr. Glaeser's comments, there remains strong interest from a wide
181 variety of stakeholders in developing gas choice further by passing legislation
182 mandating municipal aggregation for gas. Parties are continuing to work to find
183 the best approach.

184 Q. **In his supplemental direct testimony, on page 15, lines 302-304, Mr. Glaeser**
185 **acknowledges that there may be non-financial benefits to SVT participation,**
186 **but states that "the costs as they exist today pose a significant hurdle for**
187 **enabling customers to save more money from third party choice than they**
188 **incrementally spend as a result of the impact of SVT implementation".**
189 **Please comment.**

190 A. Mr. Glaser is basing his assumptions on a certain level of participation initially
191 and ignores potential savings and benefits in later years once the program is fully
192 paid for. Mr. Glaser also ignores that current offers in both Nicor Gas Company

193 and The Peoples Gas Light and Coke Company's service territories are 10% -
194 20% below those utilities' gas charges as of August 2014.

195 In addition, Mr. Glaeser's numbers would change dramatically if an amortization
196 period longer than five years were used. For example, the Commission approved
197 a ten-year amortization period for IT programming costs for ComEd when its
198 POR program was put in place. (Order in Docket 10-0138, December 15, 2010,
199 pp. 5-6). While Ameren's POR/UCB case, Dockets 08-0619 *et al.*, resulted in
200 the use of a five-year amortization for UCB/POR start-up costs, the
201 Commission's order did not foreclose the use of a longer amortization
202 period. The five years was proposed by Staff witness Torsten Clausen and
203 accepted by Ameren. However, Mr. Clausen also proposed a seven-year
204 amortization period for UCB systems enhancement costs, which Ameren objected
205 to. It appears that the Commission utilized a five-year amortization period for
206 both UCB/POR start-up costs and UCB systems enhancement costs, but the
207 Commission did state, in coming to its conclusion, that "the Commission
208 considered AIU's argument that the typical book accounting life for IT
209 investments is five years, but does not consider it definitive" (Order in Docket 08-
210 0619, dated August 19, 2009, p. 35) The fact that Ameren is putting in place a
211 total Choice program (not just adding a POR/UCB component to an existing
212 Choice Program) should allow for some flexibility in the term for recovery
213 considering the Commission utilized a ten year amortization period for ComEd
214 on just the POR/UCB program.

215 **Q. In his supplemental direct testimony, at page 17, lines 346-349, Mr. Glaeser**
216 **concludes from his Exhibit 4.1 that “It is clear from the information**
217 **provided that the potential for gas cost savings to AIC’s customers is called**
218 **into question and those potential gas cost savings completely disappear once**
219 **you add in the cost to recover the additional \$21 million Phase 2 cost of the**
220 **SVT program.” Please comment on the validity of AIC Exhibit 4.1.**

221 A. Mr. Glaeser’s statement appears to be based upon Ameren’s estimates of future
222 gas prices. As has been seen in other gas service territories savings are currently
223 being achieved. In addition, many offers in the past have provided savings.

224 **Q. In his supplemental direct testimony, at page 18, lines 374-378, Mr. Glaeser**
225 **states that “the Commission’s decision was based on a previous initial**
226 **estimate that has proven to be substantially different than updated estimates**
227 **based on more thorough defined detailed design criteria”. Do you agree?**

228 A. I agree that the estimate that Ameren is now advocating is higher than its estimate
229 in Docket 13-0192. However, I cannot find any statement in the Commission’s
230 Order in Docket 13-0192 that the Commission approved the SVT Program based
231 on the estimated cost of the program, or that the Commission would reverse its
232 decision if the estimated cost increased. The Commission’s Order speaks for
233 itself, but it discusses the benefits of an SVT Program. Moreover, considering the
234 hours of time spent by the parties in working groups and cases, they should not be
235 thrown out because Ameren miscalculated. There was much effort and time put
236 into the approval of this program which did not hinge solely on Ameren’s IT
237 costs.

238 **Q. In his supplemental direct testimony, at pages 19-21, Mr. Glaeser discusses**
239 **AIC’s proposed alternative to the SVT Program—the Gas Price Choice**
240 **program. Is the Gas Price Choice program an acceptable alternative to the**
241 **SVT Program approved by the Commission in Docket 13-0192?**

242 A. No. The Gas Price Choice program is simply the utility attempting to maintain its
243 supplier role. There is no reason for this program. The suppliers in this case are
244 experienced and reliable. RESA and ICEA members have been in business for
245 more than twenty years offering gas supply. Many are already the upstream
246 counter parties to existing utilities and some are the asset managers to utilities in
247 other states. In addition, as Mr. Glaeser points out, retail suppliers’ expertise is
248 offering new and innovative products to customers – the very heart of robust
249 choice programs. The Gas Price Choice program eliminates the possibility of
250 suppliers bringing customers new and innovative options for their gas pricing and
251 appears to be another way for Ameren instead to maintain assets but forcing them
252 onto all customers. The Commission should ignore any attempts by Ameren to
253 imply a Choice program isn’t needed while at the same time saying a version of a
254 Choice program that only offers utility supply is needed.

255 **CONCLUSION**

256 **Q. Does this conclude your supplemental rebuttal testimony?**

257 A. Yes, it does.

NOTICE OF FILING

Please take note that on August 28, 2014, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Supplemental Rebuttal Testimony of Teresa Ringenbach on behalf of the Illinois Competitive Energy Association and the Retail Energy Supply Association in this proceeding.

Dated: August 28, 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 Supplemental Rebuttal 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 August 29, 2014.

/s/ GERARD T. FOX

Gerard T. Fox