Ill. C. C. Docket 15-0142
ICEA/RESA EXHIBIT 1.0

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	:	
d/b/a Ameren Illinois	:	**15-0142**
	:	
Proposed general increase in gas	:	
Delivery service rates and revisions	:	
To other terms and conditions of service	:	

DIRECT TESTIMONY OF
JOSEPH CLARK ON BEHALF OF
THE ILLINOIS COMPETITIVE ENERGY ASSOCIATION AND
THE RETAIL ENERGY SUPPLY ASSOCIATION

I. BACKGROUND AND QUALIFICATIONS

Q. Please state your name and business address.

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

Q. On whose behalf are you testifying in this proceeding?

A. I am testifying on behalf of the Illinois Competitve Energy Association ("ICEA") and the Retail Energy Supply Association ("RESA").[1]

Q. Please describe the operations of RESA.

A. RESA is a non-profit trade association of independent corporations that are

[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.

involved in the competitive supply of electricity and natural gas. 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. RESA has participated in many proceedings at the Illinois Commerce Commission ("Commission").

Q. Please describe the operations of ICEA.

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's membership includes some of the most active energy suppliers in Illinois, including Homefield Enerrgy, Inc.; Constellation NewEnergy, Inc; Direct Energy Services, LLC; NextEra Energy Services; and Verde Energy. These suppliers serve residential, commercial, industrial, and public sector customers. The members' customers include the manufacturing industry; retail businesses; local units of government; cultural, sporting, and educational institutions; hospitals; hotels; and restaurants. In addition, several of the member companies serve municipal aggregation programs. I serve as the Chairman of ICEA.

Q. Please describe your educational and work history background.

A. I graduated from Muskingum University in 1999 with a Bachelor of Arts degree, majoring in International Affairs and minoring in French. After working a temporary job after graduation, in January 2000 I began working in the Ohio legislature full time. I left

the legislature in August of 2003 to attend law school. While in law school I clerked in the charitable law section of the Ohio Attorney General's Office and at the private firm McNees Wallace and Nurick, LLC. I graduated from law school in May 2006 and also passed the Ohio Bar Exam and was admitted to the Ohio Bar in 2006. After law school, I worked for approximately five (5) years at McNees Wallace and Nurick, LLC as an associate, representing large industrial and commercial customers on electricity matters and two natural gas utilities on natural gas matters. In November 2010, I left the firm for an in-house role at Vectren Source, a natural gas supplier with customers in Ohio, Indiana, and New York. At Vectren Source, I performed our government affairs, compliance, and legal functions. Direct Energy purchased Vectren Source at the beginning of 2012 and I came into the government affairs function of Direct Energy full time in approximately June 2012. Since then I have performed different roles in Direct Energy government affairs, including leading a team responsible for all Direct Energy's administrative litigation filings in all of the jurisdictions where we sell electric and natural gas on the retail level. My current role places me on a team focusing on the Midwest, including Illinois gas and electricity matters.

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

A. In this proceeding, RESA is seeking to resolve three unresolved issues from Ill. C. Docket 14-0097, Ameren's filing to implement a Small Volume Transportation ("SVT") Program. First, RESA recommends that Ameren's use of a ten-day rescission period for all gas transportation customers be limited to residential and small commercial customers.Second, RESA recommends that Ameren's practice of sending combined bills to electric suppliers and gas suppliers be stopped and Ameren ordered to return to its

previous practice of sending separate bills—electric suppliers would only receive information about electric usage and gas suppliers would only receive information about gas usage.

Third, RESA recommends that the Commission order Ameren to complete SVT program implementation within nine months from the final order in Ill. C.C. Docket 14-0097.

Finally, in addition to the unresolved issues from the SVT proceeding, RESA is concerned about a worsening in Ameren's meter reading and billing practices.

II. RESCISSION PERIOD

Q. What is Ameren's practice with respect to a rescission period in its Rider T Program?

A. Ameren uses a ten-day rescission period—the customer has ten days from the date of the notice from Ameren to rescind enrollment in Rider T.

Q. What was Ameren's proposal with respect to a rescission period in its proposed Rider SVT Program in Ill. C. C. Docket 14-0097?

A. Ameren proposed to use the same ten-day rescission period for all customers that would participate in its Rider SVT Program, including those non-residential customers who use more than 5,000 therms annually and are therefore not small commercial retail customers within the meaning of the Public Utilities Act.

Q. What position did RESA take in Docket 14-0097?

A. RESA took the position that 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.

Q. What is the status of Docket 14-0097?

A. The case has been fully briefed, an Administrative Law Judge's Proposed Order ("ALJPO") has been issued, and an oral argument has been held. The next step is for the Commission to enter its Order.

Q. Did the Commission Staff take a position regarding rescission periods in Docket 14-0097?

A. Yes, as noted in the ALJPO, the Staff recommended that the rescission period be eliminated for larger transportation customers noting that larger customers are capable of protecting their interests without a rescission period and that other gas utilities do not have rescission periods in their large volume transportation tariffs (ALJPO, p. 45) While acknowledging that the Public Utilities Act requires a ten-day rescission period for residential and small commercial customers, there is no similar requirement for larger customers. (*Id.*)

Q. What position regarding the rescission period issue was taken in the ALJPO?

A. The ALJPO noted that RESA's recommendation regarding rescission periods would affect Rider T customers, as well as Rider SVT customers. The ALJPO found RESA's recommendation addressing Rider T customers was not appropriately addressed in that proceeding and that no affected customers participated in Docket 14-0097. (ALJPO at 47). The ALJPO stated that the best course of action in Docket 14-0097 was to approve a ten-day rescission period for all customers. However, the ALJPO concluded that should the parties wish to further address the issue of a rescission period for both Rider T customers and large customers under the SVT Program, "the appropriate venue may be the currently pending gas rate case for Ameren". (ALJPO at 48). In other words,

the ALJPO concluded that the instant proceeding, Docket 15-0142, would be the appropriate proceeding to address the rescission period issue.

Q. Why does RESA oppose a rescission period for larger transportation customers?

A. A rescission period for larger transportation customers creates problems for gas suppliers and their customers and is unnecessary.

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 an obligation of the supplier to procure gas for the customer. Often larger customers will lock in a specific price where a supplier must supply gas to a customer at a fixed price for the contract term (e.g. two years, three years, etc.). When a customer locks in a price, a typical practice in the industry is for the supplier to buy forward the estimated amount of gas needed to serve the customer for the contract term. This allows the supplier and customer to work together to purchase gas at a given point in the market.

Because the ten-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 ten 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. Further, if the customer has ten days to rescind, that subjects the supplier to market volatility risk for the gas the customer ultimately may end up not using.

In the case of large-volume transportation customers, a single rescission could cost a supplier millions of dollars if the market moves significantly in that 10 day period. The

supplier would have likely purchased gas in the market to cover that customer's load for the term of the contract. If the customer rescinds then the supplier is stuck selling the gas it just bought at prices that might be dramatically different than the market on the day the supplier and the customer entered into the contract. Given this circumstance, suppliers will have to factor this risk in their pricing to the detriment of their customers.

Q. **Can you give an example of how a supplier might be harmed in the event a larger customer rescinds after the supplier has purchased gas for a customer?**

A. Yes. For example, assume a large volume customer uses 500,000 MCF per year, which is not an unusual amount for a transportation customer. Also, assume the supplier enters into a two year contract where the supplier purchases gas for the customer at $4.50 per MCF for the contract term. It is not unheard of for the market price of gas to swing 50 cents per MCF or more during periods of market volatility. Under the above described contract, if the market goes down 50 cents per MCF in ten days and the customer rescinds, the supplier will face a loss of $500,000 on that contract (1,00,000 MCF * $0.50).

Further, a sophisticated buyer could take advantage of a 10 day right to rescind to make a risk free bet on the market. For instance, the buyer could lock in a price that reflects the current market, and wait and see if the market price goes down after 10 days. If market prices do go down, the customer could simply rescind the contract and leave the supplier having to cover the market losses of natural gas that was purchased for the buyer. This kind of sophistication would be common among Rider T customers.

Q. Besides the problems a ten-day rescission period for large transportation customers would create for suppliers, why do you say that the ten-day rescission period is not necessary for large customers?

A. There is no reason a commercial customer with usage greater than 5,000 therms annually 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 market 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 lawyers negotiating supply contracts. I note again that, as pointed out by Dr. Rearden in the Rider SVT proceeding, neither Nicor Gas nor Peoples Gas has a 10-day rescission period for large customers.

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

A. Customers on Rider T will ultimately be harmed by this change. Specifically, because of the possible gaming caused by the rule, this will likely cause suppliers to price in this extra risk into their pricing, thereby depriving customers of the lowest price possible in exchange for an unnecessary and likely unwanted protection in the form of the 10 day rescission period.

Q. What is RESA's proposal with respect to rescission periods in this proceeding?

A. Rider T should be revised to limit the ten-day rescission period to residential and small commercial customers in line with the statutory requirements.

III. COMBINED BILLING/SINGLE BILL OPTION ("SBO")

Q. What has been Ameren's practices with respect to billing in its Rider T Program?

A. Previously, if an Ameren customer were buying gas supply from a gas supplier and electric supply from an electric supplier and both of those suppliers were billing the customer using SBO, Ameren would send the bill for its gas utility charges to the gas supplier and the bill for its electric utility charges to the electric supplier. The gas supplier would then send the customer a single bill, including Ameren's charges and its own charges. Similarly, the electric supplier would send the customer a single bill, including Ameren's charges and its own charges.

However, my understanding is that Ameren changed this practice around the fall of 2014 for new customers and will only send its gas and electric utility charges to one of the suppliers, the supplier designated by the customer as the primary billing agent. This results in a customer only being able to choose its gas supplier or electric supplier for a combined bill, but not two separate consolidated bills for separate commodities. While Ameren applies this practice to new customers, there is no guarantee that Ameren, at some time in the future, won't expand the practice to customers who were enrolled in Rider T at the time Ameren changed practices.

Q. What position did RESA take in Docket 14-0097, Ameren's SVT proceeding?

A. RESA took the position that, where a customer has separate suppliers for its gas and electric supplier, it should have the option of separate bills with each supplier using SBO. Moreover, the customer should be able to designate that Ameren should send the

its gas utility charges to the gas supplier and its electric utility charges to the electric supplier.

Q. Did the Commission Staff take a position regarding Ameren's combined billing practice in Docket 14-0097?

A. Yes, as noted in the ALJPO, the Staff witness, Dr. David Rearden, agreed with the concerns of RESA witness, Teresa Ringenbach, on the combined billing issue. (ALJPO, p. 65)

Q. What position regarding the combined billing issue was taken in the ALJPO?

A. The ALJPO denied RESA's request to require Ameren to continue providing separate electric and gas charges for customers having different gas and electric suppliers so that each of those suppliers could issue bills under SBO. However, the ALJPO also stated that the "Commission is willing to address this issue in a future docket should there be evidence of actual problems and a solution present itself other than returning to Ameren's old billing process". (ALJPO, pp. 65-66)

Q. Why does RESA oppose Ameren's combined billing practice?

A. Ameren's combined billing practice has serious market repercussions. First, many gas suppliers are also electric suppliers and vice versa. Therefore, competing electric suppliers and gas suppliers doing billing behind Ameren will have visibility into their competitors' prices.

The Commission consistently protects the confidential information of gas suppliers and electric suppliers. For example, the **aggregate usage** of gas suppliers in their dekatherm

reports (required by 83 Ill. Admin. Code Section 551.170) and of electric suppliers in their kWh reports (required by 83 Ill. Admin. Code Section 451.770) are consistently given confidential treatment by the Commission. Here, Ameren is giving **usage and pricing information** about **specific customers to a supplier's competitor**.

In addition, the reason gas suppliers and electric suppliers 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. Ameren's practice limits the ability for suppliers to offer additional products to customers.

Further, Ameren's change provides a customer's account number and usage information to the primary billing agent supplier for a commodity that the primary billing agent supplier may not be serving to the customer. For customers for which the primary billing agent is neither the gas nor electric supplier, the primary billing agent is getting actual usages and account numbers for commodities that they are not serving the customers.

Finally, the restrictions on SBO also raise unanswered questions regarding purchase of the receivables of the supplier which is not the primary billing agent.

Q. Would a separate billing requirement impair Ameren's ability to collect for its services?

A. No, the opposite is true. When a supplier chooses to take on the billing for Ameren's utility charges, the supplier agrees to pay the utility regardless of when or even whether the customer pays.

Q. Can you provide an example of how Ameren's combined billing practice 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 and electric business. Assume that Customer A chooses Direct Energy for electricity and Constellation for gas. Also, assume that 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 an insight into its competitor's contract prices with the customer, which is almost always confidential information.

Assume that to receive the preferred offer from Constellation for gas, Constellation requires that it be the agent for billing. Under Ameren's combined billing practice, the customer must now choose between their preferred gas offer or their preferred electricity offer. Thus, Ameren prohibits the customer from making the choice it would likely prefer, namely to select both its preferred gas offer and its preferred electric offer.

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

Q. What is your recommendation related to combined billing?

A. The Commission should require Ameren to make the single bill option available for both commodities separately for new customers/accounts just as it currently does for legacy customers who chose the single bill option.

IV. METER READING AND BILLING

Q. What is RESA's concerns with Ameren's meter reading and billing practices under Rider T?

A. Currently, final information is not available until the 15th business day of the month or later for natural gas pooling customers. This creates a significant lag in a supplier's billing process. The timing has shifted from about the eighth business day of the month to nearly a week later. Customers have noticed and are questioning the practice. Nearly all utilities in Illinois and Wisconsin are completely billed sometime between the fifth and the eighth business day of the month and, most of the time, much earlier. In addition, usage revisions are not handled timely, given notice of, or handled uniformly. It is not uncommon for a supplier's representative to work with his or her counterpart at Ameren and both are stumped by usage revision information.

Q. What is the cause of the problem?

A. As part of Ameren's General Gas Transportation Enhancement ("GGTE") Project, the conversion of Gas Transportation's USMS System to the Supply Choice Portal included transferring the responsibility for meter reading and billing from Ameren's End User Transportation Group, with whom gas suppliers have traditionally interacted, to Ameren's Customer Accounts Department ("CAD"). Problems with meter reading and billing have to be addressed with CAD and this new process is working very

poorly. Suppliers are not getting meter reads on a timely basis which is creating burdens for both the supplier and the customer. The supplier is unable to bill customers in a timely fashion and unable to close its books.

Q. What is RESA seeking from the Commission regarding this issue?

A. RESA requests a firm date on final usage. The preferred date is the fifth business day of the month. Also, RESA requests a standard notice, other than the invoice itself, for usage revisions. The information on the invoice is not sufficient for suppliers to update their systems, nor is it timely enough to correct usage issues. Finally, any time there is a volume changed to a closed invoice (volume or dollars), a designated contact at the supplier should be notified.

IV. SVT PROGRAM IMPLEMENTATION TIMELINE

Q. Do you have any other concerns regarding SVT implementation?

A. Yes, Ameren originally indicated in its last gas rate case, Ill. C.C. Docket 13-0192, that it would complete development of the SVT program by the fourth quarter of 2014. However, after Ameren began collecting revenue from customers to implement the program, Ameren unilaterally decided to stop working on the program pending its request for the Commission to reconsider SVT implementation in Ill. C.C. Docket 14-0097.

Q. Should Ameren be allowed to continue delaying customers' right to benefit from choice?

A. No, the Proposed Order in Ill. C.C. Docket 14-0097 recommends that Ameren continue with SVT program implementation. And it is likely that the Commission will

issue a final order before this rate case is resolved. Assuming that the Commission adopts the ALJ's well-reasoned Proposed Order, Ameren should be required to address additional steps necessary to implement the SVT program in this rate case. As RESA/ICEA recommended in Ill. C.C. Docket 14-0097, Ameren should be required to complete implementation within nine months from the final order. Customers have been denied the benefit of gas choice for long enough.

Q. Does this conclude your direct testimony?

A. Yes, it does.

NOTICE OF FILING

Please take note that on June 9, 2015, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Direct Testimony of Joseph Clark on behalf of the Illinois Competitive Energy Association and the Retail Energy Supply Association 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 Direct Testimony of Joseph Clark 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 15-0142 via electronic delivery on June 9, 2015.

/s/ GERARD T. FOX
Gerard T. Fox