STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company d/b/a Ameren Illinois	)	
	)	
Proposed clarification of natural gas tariffs,	)	Docket 15-0439
Particularly sections related to transportation of	)	
Customer-owned natural gas	)	

INITIAL BRIEF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION

INDEX

I. INTRODUCTION……1

II. THE COMMISSION SHOULD ONCE AGAIN REJECT AMEREN'S LATEST ATTEMPT TO REVISE ITS RIDER T CASH-OUT PROVISIONS IN A MANNER ADVERSE TO TRANSPORTION CUSTOMERS AND GAS SUPPLIERS……..3

A. **CONSOLIDATED DOCKETS 07-0585 ET AL. (2007 RATE CASE) ……...3**

B. **CONSOLIDATED DOCKETS 09-0306 ET AL. (2009 RATE CASE)……3**

C. **DOCKET 11-0282 (2011 GAS RATE CASE) ……4**

D. **DOCKET 13-0192 (2013 GAS RATE CASE)…….5**

E. **DOCKET 15-0142 (2015 GAS RATE CASE)…….6**

F. **DOCKET 15-0439……..6**

III. AMEREN'S PROPOSED REVISIONS TO RIDER T CASH-OUT PROVISIONS SHOULD BE REJECTED; THE CURRENT PROVISIONS SHOULD STAY IN EFFECT. ……7

A. **IIEC/RESA POSITION……...7**

B. **STAFF POSITION..……14**

IV. IF THE COMMISSION BELIEVES SOME CHANGE IS NECESSARY TO AMEREN'S RIDER T TO ADDRESS THE POSSIBILITY OF ARBITRAGE, THE COMMISSION SHOULD ALLOW AMEREN TO CONSIDER AN ECONOMIC OPERATIONAL FLOW ORDER……15

V. CONCLUSION……..……..17

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Ameren Illinois Company d/b/a Ameren Illinois	)	
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INITIAL BRIEF OF
THE RETAIL ENERGY SUPPLY ASSOCIATION

Pursuant to Section 200.800 of the Rules of Practice of the Illinois Commerce Commission ("Commission") and the Administrative Law Judge's Ruling, The Retail Energy Supply Association ("RESA")[1] files this Initial Brief in this proceeding. This proceeding involves the suspended tariff filing of Ameren Illinois Company d/b/a Ameren Illinois ("Ameren") which sought to make changes in Rider T, Transportation Service.

I. INTRODUCTION

On June 12, 2015, Ameren made a tariff filing to make certain revisions to its Rider T, Transportation Service. On July 28, 2015, the Commission suspended that filing and instituted this proceeding. While Ameren's tariff filing contained a number of revisions to Rider T, RESA only opposes the proposed revisions to the cash-out provisions of Rider T, specifically Ameren's proposals to eliminate the tolerance bands in those provisions and to change from market prices

[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.

in determination of the cash-out payments/charges to amounts based on the greater of market prices or Ameren's Purchased Gas Adjustment ("PGA") prices (in the case of under deliveries of natural gas by suppliers or customers) and based on the lesser of market prices or PGA prices (in the case of over deliveries).

In this proceeding, RESA joined with the Illinois Industrial Energy Consumers ("IIEC") to sponsor the Direct Testimony of Mr. Brian Collins. Mr. Collins demonstrated that Ameren's proposed revisions to its cash-out provisions would result in adverse impacts to transportation customers and suppliers by recovering imbalance transaction charges from transportation suppliers and customers for costs that Ameren does not actually incur, resulting in gas supply subsidies provided by suppliers and customers to PGA customers, those customers receiving gas supply from Ameren under its Rider S.

The Commission Staff sponsored the Direct Testimony of Dr. David Rearden. Dr. Rearden testified that cash-outs payment/charges should be based on market prices. In response to a Ruling from the Administrative Law Judge, which directed Staff and any party proposing changes to Ameren's tariff filing to make a compliance filing setting forth the proposed changes in legislative style, both IIEC/RESA and the Commission Staff filed their proposals which eliminated Ameren's proposed cash-out provisions and restored the current provisions, which have been in place for many years. (Staff Ex. 2.0; IIEC RESA Ex. 2.0)

IIEC and RESA also offered an alternative proposal to address Ameren's concerns that its current cash-out provisions allow transportation customers to engage in arbitrage behavior. IIEC and RESA recommended that Ameren implement an Economic Operational Flow Order ("EOFO"). While Ameren claims that IIEC/RESA's proposal is not workable as proposed by them, those claims, as discussed in Section IV, *infra*, are very broad and lack specifics.

Consequently, if the Commission believes some change should be made to the cash-out provisions of Rider T, it should consider allowing Ameren the opportunity to develop an EOFO that works for its system, which can be proposed in a future rate case.

II. THE COMMISSION SHOULD ONCE AGAIN REJECT AMEREN'S LATEST ATTEMPT TO REVISE ITS RIDER T CASH-OUT PROVISIONS IN A MANNER ADVERSE TO TRANSPORTATION CUSTOMERS AND SUPPLIERS.

A. ILL. C. C. CONSOLIDATED DOCKETS 07-0585 *ET AL.* (2007 AMEREN RATE CASE)

In Consolidated Dockets 07-0585 *et al.*, Ameren initially proposed to cash out daily imbalances for gas transportation customers at the higher of the Chicago City gate price (a market price) or the PGA and monthly imbalances at the higher of the Average City gate price or the PGA in the case of under deliveries. Correspondingly, Ameren proposed to cash out daily imbalances at the lower of the Chicago City gate price or the PGA and monthly imbalances at the lower of the Average City gate price or the PGA in the case of over deliveries. Commission Staff witness David Sackett objected to this proposal because the Chicago City gate price reflects the market and no other major gas utilities in Illinois use their PGAs in their cash-out provisions. In response, Ameren withdrew its proposal and proposed that both daily and monthly imbalances be cashed out at the Chicago City gate price. In its final order, the Commission found that this cash-out mechanism was acceptable and directed that it be reflected in Ameren's compliance filing. (Order in Consolidated Dockets 07-0385 *et al*., p. 285).

B. CONSOLIDATED DOCKETS 09-0306 ET AL. (2009 AMEREN RATE CASE)

Subsequent to the Commission's order in Consolidated Dockets 07-0385 *et al*., Ameren had an opportunity to propose revisions to its cash-out provisions in its next rate case,

Consolidated Dockets 09-0306, filed in 2009. However, Ameren did not propose any changes to its cash-out provisions in that proceeding.

C. DOCKET 11-0282, 2011 GAS RATE CASE

In Docket 11-0282, Ameren proposed to modify its Rider T cash-out provisions to charge transportation customers the higher of market prices or the PGA for under deliveries and to pay transportation customers the lower of market prices or the PGA for over deliveries. In Docket 11-0282, Ameren was somewhat more straightforward than in the instant proceeding regarding the impact of its proposal: "AIC asserts that this price proposal represents a common sense measure to ensure that transportation customers pay the highest price amounts when they under-deliver gas and AIC pays the lowest price when transport customers over-deliver." (Order in Docket 11-0282, p.177)

Ameren made most of the same arguments in Docket 11-0282 that it made in the instant proceeding. Ameren stated a concern regarding arbitrage opportunities and referred to a Commission order in a case involving Mid-American Energy Company. Ameren claimed that the Commission had approved similar cash-out language for Central Illinois Light Company ("CILCO"), one of Ameren's legacy companies, and Nicor Gas Company ("NiGas"). Ameren claimed that its cash-out provisions could have an adverse impact on its operations. Ameren claimed that there was a cost to cover imbalances and that cost was being paid by its sales customers. (*Id*., pp. 177-180) All of these same arguments, rejected previously by the Commission, constituted most of Ameren's support for its proposal in the instant proceeding, Docket 15-0439.

In Docket 11-0282, the Commission Staff noted that Ameren made the same proposal in its 2007 rate case, which Staff opposed in that case. Staff also asserted that Ameren did not provide any evidence that its cash-out provisions had negative cash consequences for its sales customers. Staff also pointed out that Ameren ignored the principle of diversity, *i.e.* while imbalance charges are imposed on a customer by customer basis, Ameren does not balance each customer individually, it balances its system. Staff also stated that a correct reading of the Commission's order for Mid-American Energy Company supported Staff's position, not Ameren's position, and that the references to cash-out provisions of CILCO and NiGas were irrelevant to Ameren's proposal. (*Id*., pp. 180-183)

IIEC also opposed Ameren's proposed cash-out provisions in Docket 11-0282, noting that using the PGA as a cash-out price exposes transportation customers to significant out-of-market costs because PGA prices have been well above market prices. IIEC also stated that Ameren had not demonstrated that the cash-out provisions had a negative impact on sales customers. (*Id*., pp. 183-184)

In its final order, the Commission rejected Ameren's proposed revisions to its Rider T cash-out provisions, finding that there was insufficient evidence to demonstrate the negative consequences alleged by Ameren due to its then effective cash-out provisions. However, the Commission "invited" Ameren to revisit this issue in future rate cases, but expected a "more extensive analysis". The Commission concluded that Ameren's current cash-out provisions (*i.e*. those in effect today) are sufficient and its proposed cash-out proposals should be rejected. (*Id*., p. 185)

D. DOCKET 13-0192, 2013 GAS RATE CASE

Despite the Commission's invitation in Docket 11-0282, Ameren did not propose any revisions to its cash-out provisions for Rider T in Docket 13-0192, its 2013 gas rate case.

E. DOCKET 15-0142, 2015 GAS RATE CASE

Ameren's most recent gas rate case was filed on January 23, 2015. The Commission entered its final order in that proceeding on December 16, 2015. Again, despite the Commission's invitation in Docket 11-0282 and despite the alleged arbitrage activity during January through March 2014, Ameren did not propose any revisions to its cash-out provisions for Rider T in Docket 15-0142.

F. ILL. C. C. DOCKET 15-0439

Despite the Commission's invitation to propose revisions to Rider T cash-out provisions in a rate case (assuming Ameren had a "more extensive analysis"), Ameren, for whatever reason, chose to propose revisions to those cash-out provisions, along with other more routine proposed tariff changes, in what basically was a housekeeping filing on June 12, 2015. IIEC and RESA submitted a letter to the Commission and the Commission Staff opposing only the cash-out provisions and requesting that the filing be suspended. The Commission suspended the filing, creating the instant proceeding. RESA notes that to the extent Ameren claims that it has new evidence, its experience with an arbitrage event in the winter of 2013-2014 (which will be discussed later in this Initial Brief), that evidence was available to Ameren well before the filing of Docket 15-0142, its 2015 gas rate case. Moreover, Ms. Seckler admitted that there would be some programming costs associated with implementation of Ameren's proposed revisions to the cash-out provisions of Rider T. However, Ms. Seckler did not have even a ball-park estimate of such costs. (TR. 40-41) Assuming Ameren will attempt to recover its programming costs, a

base rate proceeding is the proper forum for Ameren's proposed revisions to the cash-out provisions of Rider T.

III. AMEREN'S PROPOSED REVISIONS TO RIDER T CASH-OUT PROVISIONS SHOULD BE REJECTED; THE CURRENT PROVISIONS SHOULD STAY IN EFFECT.

A. IIEC/RESA Position

IIEC and RESA sponsored the Direct Testimony of Mr. Brian C. Collins, a consultant in the field of public utility regulation and an Associate of Brubaker & Associates, energy, economic and regulatory consultants. Mr. Collins addressed the changes Ameren proposes to its existing cash-out provisions for transportation customers included in Rider T of its delivery service tariffs to eliminate balancing tolerance bands and market based pricing for all transportation customer imbalances. Mr. Collins' Direct Testimony demonstrated that Ameren's proposal would result in adverse impacts to transportation customers by recovering imbalance transaction charges from transportation customers for costs that the Company does not actually incur. This will result instead in gas supply subsidies provided by the transportation customers to PGA customers. Mr. Collins made the following recommendations:

1. The Company's proposal to eliminate its existing +/-20% balancing tolerance bands for transportation customers and also to eliminate its existing market based imbalance cash-out pricing for transportation customers should be rejected.

2. Adoption of the Ameren Illinois' proposal outside of a rate case will result in unjust and unreasonable transportation tariff prices.

3. In addition, the Company's proposal will result in the recovery of costs from transportation customers that Ameren Illinois does not actually incur for imbalances. This cost recovery is to the detriment of transportation customers and to the benefit of the Company's PGA customers.

4. Since Ameren Illinois has not proven that the existing cash-out provisions have resulted in net harm to PGA customers, Ameren Illinois' existing balancing tolerance

bands and existing market pricing for transportation customer imbalances should be maintained in its tariffs.

In addition, Mr. Collins proposed that if the Commission determined a need to modify Rider T, an alternative solution would be the implementation of an EOFO, which is discussed in Section IV, *infra*. (IIEC/RESA Ex. 1.0, pp. 2-4)

Mr. Collins referred to Ameren's proposals to eliminate its existing +/-20% balancing tolerance band and also to eliminate its market based pricing for all imbalances included in its existing Rider T cash-out provisions as an asymmetric methodology designed to work to the maximum detriment of transportation customers and which unfairly advantages PGA customers. He testified that Ameren's proposed cash-out provisions are stricter than the cash-out provisions currently applicable to transportation customers. These changes would adversely impact all transportation customers, approximately 7,000 customers, not just the one supplier the company noted engaged in arbitrage. (*Id*., p. 5)

Mr. Collins responded to Ameren's argument that its current Rider T cash-out provisions provide the opportunity for transportation customers to engage in arbitrage behavior by under-delivering gas on days when Chicago market prices are low as compared to field prices, and over-delivering gas on days when Chicago market prices are high as compared to field prices, without incurring any penalties. According to Ameren, this arbitrage behavior causes it to incur additional gas supply costs and harms its sales customers. Mr. Collins testified that Ameren's proposal does not address any claimed operational harm being experienced by the Ameren Illinois system. Rather, Ameren's proposal addresses alleged financial harm to PGA customers caused by a single supplier who has allegedly engaged in arbitrage behavior. (*Id*., p. 6)

In the context of the gas industry, imbalances refer to the difference between the gas being consumed and the gas being provided. Imbalances have always been present in the gas

industry. Producers cannot guarantee that a specific volume of gas will be produced from a given natural gas well for a particular period of time. Similarly, pipelines and LDCs cannot predict with certainty how much gas their customers will use on any given day. (*Id*., p-7-8)

End-use transportation customers will always have an imbalance. In fact, without a tolerance for imbalances, transportation as it exists would virtually be impossible. This is because transportation customers almost always nominate gas prior to the beginning of a month and typically nominate a constant amount each day. Even if they re-nominate in the middle of the month or daily or intraday, their usage on any day will fluctuate according to changes in economic activity or operational parameters. (*Id*., p. 8)

The most basic method by which imbalances may be accommodated is by line pack. This term refers to the ability of the utility's system of mains to act as a buffer by holding a little more or a little less gas from day-to-day. Of course, this ability will be dependent upon the particular gas utility system. However, on some systems, line pack may be able to accommodate a meaningful portion of the system's daily throughput. (*Id*.) During cross-examination, Ameren witness Vonda Seckler admitted that transportation customers pay a share of the costs of Ameren's transmission and distribution system. (Tr. 60) Another way that imbalances can be accommodated is by some form of accounting – either borrowing or lending. The shorter the time between when the imbalance was incurred and the time when it was made up, the less likely it is for any costs to be incurred. (IIEC/RESA Ex. 1.0, pp. 8-9)

Another means by which imbalances are accommodated is diversity. Diversity refers to the phenomenon that when some transporters have positive imbalances, others will have negative imbalances. Thus, although each individual transporter may be out of balance, the system will be more nearly in balance. One consequence of this is that even if a system can physically

accommodate only a 10% imbalance, the tolerance level for each individual imbalance can be far greater. Obviously, the more transporters, the more diversity comes into play.

Under Ameren's proposal, transportation customers will lose the benefit of diversity. To the extent that diversity on the system operates to maintain balance at the system level, under Ameren's proposal, charges for individual customer imbalances represent "recovery" of costs the utilities do not actually incur. (*Id*., p. 14)

Mr. Collins provided an example in IIEC/RESA Ex. 1.2 which demonstrates the impact on two accounts belonging to the same transportation customer under Ameren's existing cash-out provisions and also under its proposed cash-out provisions. As shown in the example, under Ameren's existing cash-out provisions, the imbalances of the customer's two accounts are within Ameren's existing tolerance bands and would cancel out each other and result in no additional cost or credit to its' PGA cost. However, under Ameren's proposed cash-out provisions, the imbalances would result in a credit to the PGA cost, even though the two imbalances physically cancelled each other out and are well within a reasonable tolerance range. Under both scenarios (where market pricing > PGA and where market pricing < PGA), an accounting credit was produced for the PGA customers. In each scenario, the transportation customer would provide a subsidy to Ameren's PGA customers. Even though the Company incurred no additional cost for these individual account imbalances, Ameren recovers a credit from the customer owning the two accounts that benefits its PGA customers. As a result, this transportation customer loses the benefit of diversity between its own two accounts. This result under Ameren's proposal is unreasonable. (*Id*., p. 15)

Mr. Collins disagreed with Ameren's position that it requires more stringent cash-out provisions. The mechanics of dealing with natural gas imbalances has not changed. Neither end

user customers nor suppliers have the ability to forecast gas prices on a daily basis, which is required to game the system. Ameren's proposal eliminates all cash-out tolerance bands for transportation customers and requires that these customers balance perfectly, or be subject to punitive pricing for imbalances. As noted earlier, the entire need for imbalance and tolerance provisions is due to the fact that no entity, including Ameren, can balance perfectly. Basically, Ameren's proposed change punishes all transportation customers for the actions of one. (*Id*., p. 10)

Ameren's proposed solution is drastic and penalizes the vast majority of transportation customers and suppliers who don't arbitrage and need this transportation service as it currently exists and is priced. In fact, Ameren's own evidence shows that this extreme situation, which allowed the arbitrage opportunity, has only occurred one time since 2009 when the current cash-out provisions were put in place. (TR. 44, 46) Moreover, as more fully described below, the application of Ameren's existing cash-out periods during the period of time during which the alleged arbitrage activity occurred still resulted in an overall credit to PGA customers. Thus, Ameren's proposed solution is an extreme response to a situation involving a single supplier and will impact the entire transportation system in an unfair manner. (IIEC/RESA Ex. 1.0, p. 11)

Mr. Collins pointed out that Ameren did not calculate the net impact of all imbalances in 2014 on PGA customers nor demonstrate that the 2014 net impact of all cash-out transactions occurring under its existing tariffs resulted in financial harm to its PGA customers. Instead, Ameren Illinois provided examples of alleged short term arbitrage behavior of one supplier that occurred in January to March of 2014 and provided calculations of the impact on PGA customers of this supplier's alleged short-term arbitrage activity. This was an atypical period of time and Ameren did not provide evidence of alleged similar activity in the 2014-2015 heating season.

Mr. Collins testified that it is unreasonable to make sweeping program changes from an atypical period in the natural gas markets. (*Id*., pp. 12-13)

Ameren did not provide evidence of the net impact of all imbalances for the period of January to March 2014. However, in response to Data Request RESA 1.09, it did provide the total cash-outs for other customers besides the one supplier who allegedly engaged in arbitrage. Mr. Collins summarized the net impact of all cash-outs in IIEC/RESA Exhibit 1.1.
As shown in that exhibit, while the supplier engaged in the alleged arbitrage behavior was refunded $3.2 million, other customers paid $5.3 million to Ameren for their imbalances, resulting in a net benefit to the PGA customers of $2.1 million. (*Id*., p. 13)

Mr. Collins pointed out that under Ameren's proposed cash-out provisions, the arbitrage situation is not eliminated. Mr. Collins explained that under Ameren's proposal, the supplier engaged in the alleged arbitrage would have been refunded $890,711. However, other transportation customers not engaged in arbitrage behavior would have paid an additional $955,984 in imbalance charges to the benefit of PGA customers, for a total payment of $6.3 million from these customers that benefits PGA customers. Thus, as a result of Ameren Illinois' proposed cash-out revisions, these transportation customers pay almost $1 million above market prices for their imbalances as compared to charges under Ameren's existing market based balancing provisions. (*Id*.)

No evidence was provided by the Company indicating that long-term aggregate system imbalances are caused by customers attempting to game the system and no information was provided estimating the dollar impact of these long-term net imbalances. Ameren has not demonstrated that alleged arbitrage is resulting in systemic net financial harm to its PGA customers. Ameren has not demonstrated that the magnitude of net financial harm requires the

drastic changes it has proposed to its existing Rider T cash-out provisions which will adversely impact all transportation customers participating in Ameren's transportation program. (*Id*., p. 14)

Mr. Collins also testified that Ameren's proposal for PGA based imbalance pricing results in a barrier to market based pricing for transportation customers. Under Ameren Illinois' existing rates, the cost of Ameren Illinois purchased gas has been unbundled from transportation rates. Ameren Illinois' proposal to price transportation imbalances at PGA pricing now links Ameren Illinois' cost of gas to transportation rates and is unreasonable. As a result, Ameren Illinois' proposal will prevent transportation customers from receiving market based pricing for all of their gas imbalances and results in a barrier to market based pricing for transportation customers. (Id., p. 16)

This problem is exacerbated by the fact that Ameren's PGA price has historically been higher than market prices. Mr. Collins testified that except for a few instances in 2014 and 2015, Ameren's PGA pricing has historically been higher than Chicago market pricing since February 2014. This fact is demonstrated in IIEC/RESA Exhibit 1.3. Thus, elimination of tolerance bands requires transportation customers to be perfectly balanced or be subject to punitive imbalance pricing by subjecting their imbalances to non-market based pricing in the form of Ameren's PGA cost. The result is, that under Ameren's proposal to price negative imbalances at the higher of PGA or market pricing, transportation customers will likely pay costs higher than market for all under deliveries. Correspondingly, under the Company's proposal for the lower of PGA or market for pricing over-delivery cash-outs, transportation customers at times will receive below market credit for their gas supply which benefits PGA customers. This could occur at times when Chicago market prices are very high and will benefit Ameren's PGA customers. (*Id*., pp. 16-17)

As demonstrated in Section II, *supra*, the Commission has previously determined that a +/-20% tolerance on daily and monthly cash-outs is reasonable for Ameren. Ameren has not shown that anything has changed since the Commission's approval that would cause the Commission's decision to no longer apply.

Mr. Collins concluded that Ameren's proposed cash-out provisions for transportation customers should be rejected. Ameren has not demonstrated that its existing cash-out provisions result in long-term systemic harm to its PGA customers. Ameren should maintain the existing tariff provisions for cash-out tolerance bands and market pricing. Since the Commission has approved daily and monthly cash-outs for Ameren in previous rate cases, RESA believes that it is reasonable to continue that practice. The current +/-20% tolerance band level and market based pricing provisions for imbalances should continue to apply as Ameren has not provided any analytical evidence, let alone the "more extensive analysis" requested by the Commission in its Order in Docket 11-0282, showing a need to change them at this time.

B. STAFF POSITION

Staff sponsored the Direct Testimony of Dr. David Rearden. Dr. Rearden testified that Ameren's proposed cash-out provisions might be unfair to suppliers and that there are other cash-out methods that can accomplish Ameren's goals using methods based on market prices. (ICC Staff Ex. 1.0, p. 6) Dr. Rearden noted that Ameren does not pay the then current PGA rate for gas it purchases during a given month. Ameren pays market prices for gas during each month, although it may hedge some gas costs to mitigate price risk. Moreover, if the then current PGA rate is less than then current market rates, a positive imbalance for a supplier does not necessarily mean that cash-out raises PGA rates. There could be a benefit to PGA customers, for example, if the Chicago citygate price is less than what Ameren would have had to pay for

swing or spot gas. In addition, the impact on PGA costs from the supplier with positive imbalances can be mitigated by those with negative imbalances, basically diversity helps smooth imbalances. He stated that to the extent that imbalances cancel out, the cash-outs are simply a transfer between suppliers and do not affect the PGA. (*Id*., pp. 7-8) He concluded that to avoid the likelihood that suppliers may subsidize sales customers, or vice versa, cash-outs should generally rely on market prices to settle imbalances. (*Id*., p. 9)

As previously stated, on January 8, 2016, the Administrative Law Judge issued a ruling that to the extent Staff or any party proposes changes to or an alternative to Ameren's tariff provisions, it should make a compliance filing setting forth the proposed changes in legislative style. On January 11, the Staff made its compliance filing, which was admitted into the record of this proceeding, as Staff Exhibit 2.0. In Staff Exhibit 2.0, Staff strikes Ameren's proposed cash-out provisions and re-instates the currently effective provisions which include both the tolerance bands and the use of the Daily Chicago Citygate Price to determine cash-out payments/charges.

IV. IF THE COMMISSION BELIEVES SOME CHANGE IS NECESSARY TO AMEREN'S RIDER T TO ADDRESS THE POSSIBILITY OF ARBITRAGE, THE COMMISSION SHOULD ALLOW AMEREN TO CONSIDER AN ECONOMIC OPERATIONAL FLOW ORDER.

IIEC/RESA witness Mr. Collins offered an alternative to Ameren's proposed cash-out provisions if the Commission believes the possibility of arbitrage should be addressed. Mr. Collins testified that a narrow and more balanced solution should be considered, one that focuses on the alleged arbitrage behavior that occurred under the Company's existing tariff. This alternative was for Ameren to include an Economic Operational Flow Order, or EOFO, in Rider T of its delivery service tariff that would apply to both daily and monthly balanced transportation

suppliers. Mr. Collins testified that this would be a financial solution to the financial problem specific to a supplier who engages in arbitrage behavior. Mr. Collins testified, that as compared to Ameren's proposal, which puts the burden on all transportation customers to solve the problem of one supplier engaging in financial arbitrage, IIEC/RESA's alternative solution would give Ameren the authority to act only in instances where financial arbitrage occurs and would result in no impacts to those suppliers acting properly; only the entity that is acting improperly will be punished with financial penalties under this alternative proposal. Mr. Collins offered specific language for an EOFO. (IIEC/RESA Ex. 1.0, pp. 18-20)

In rebuttal, Ms. Seckler testified that IIEC's EOFO alternative was impractical and unworkable for Ameren. (Ameren Ex. 2.0, pp. 31-36) During cross-examination, Ms. Seckler also rejected the possibility of limiting an EOFO to 90 of the approximately 6,800 Rider T customers. These 90 customers are daily balanced customers who do not purchase balancing services from Ameren under Rider TBS. (TR. 43) She also testified that between IIEC/RESA's EOFO proposal and the current cash-out provisions, Ameren would prefer the current cash-out provisions. (TR. 42) RESA finds it hard to believe that if Ameren believes that the arbitrage situation, of which it offered only one example during the approximately nine-year period the cash-out provisions have been in existence, is serious, it cannot devise an EOFO that would work for it. Ameren has not shown that an EOFO would create additional costs or programing and focused, during cross-examination of Mr. Collins, on concerns an EOFO might subject Ameren to some kind of prudence review. (TR. 121-126)

In contrast, Ms. Seckler admitted to programming changes that would be necessary to implement Ameren's proposal, but provided no evidence of those costs. (TR. 40-41) Despite clear directives from the Commission, in its Order in Docket 11-0282, that if Ameren wanted to

revise its cash-out provisions, it should do so in a future rate case with a more extensive analysis (Order in Docket 11-0282, p. 185), Ameren has not done either. While Ameren admits that its proposed solution will have programming costs, it did not file its proposal in a rate case where programming costs could be scrutinized and the question of whether its proposed solution to an alleged arbitrage event, that occurred in a period that still resulted in an overall credit to PGA customers, justifies such costs could be addressed fully. Consequently, if the Commission believes that some solution is necessary to address the possibility of arbitrage, it should allow Ameren the opportunity to devise an EOFO and request approval in a future rate case.

V. CONCLUSION

In conclusion, RESA urges the Commission to reject Ameren's proposed revisions to its Rider T cash-out provisions and retain the existing provisions, which were previously approved and re-approved by the Commission.

Respectfully submitted,

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NOTICE OF FILING

Please take note that on January 27, 2016, I caused to be filed via e-docket with the Chief Clerk of the Illinois Commerce Commission, the attached Initial Brief of 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 Initial Brief of 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 15-0439 via electronic delivery on January 27, 2016.

/s/ GERARD T. FOX
Gerard T. Fox