

June 7, 2002

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Via Hand Delivery and E-File

Dorothy Wideman
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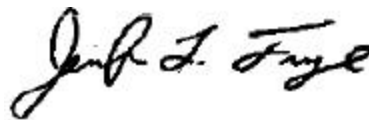
**Re: In the matter of the application of The Detroit Edison Company to unbundle
its retail electric rates
MPSC Case No. U-13286**

Dear Ms. Wideman:

Enclosed for filing regarding the above-captioned matter, please find an original and 4 copies of the *Direct Testimony of Philip R. O'Connor, Ph.D.* on behalf of National Energy Marketers Association and *Proof of Service*.

If you have any questions, please contact me.

Very truly yours,



Jennifer L. Frye

JLF/drb

Enclosure

cc: Counsel of Record, w/enc.

C o u n s e l l o r s A t L a w

DETROIT BLOOMFIELD HILLS LANSING GRAND RAPIDS ANN ARBOR
WASHINGTON, D.C.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

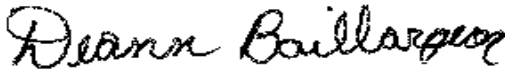
In the matter of the application of THE)
DETROIT EDISON COMPANY)
to unbundle its retail electric rates)
_____)

Case No. U-13286

PROOF OF SERVICE


STATE OF MICHIGAN)
)
COUNTY OF INGHAM)

Deann Baillargeon, being first duly sworn, deposes and says she is employed as a secretary at Dickinson Wright PLLC, and that she caused a copy of the *Direct Testimony of Philip R. O'Connor, Ph.D.* to be delivered upon the parties listed on the attached service list by placing same in envelopes addressed to said counsel at their respective addresses, with proper first-class postage affixed thereto, and by causing the same to be deposited in a mail receptacle maintained by the United States Government in Lansing, Michigan and via electronic mail on the 7th day of June, 2002.



Deann Baillargeon

Subscribed and sworn to before me,
a Notary Public in and for said County,
this 7th day of June, 2002.



Mindy D. Smith, Notary Public
Eaton County, Michigan acting in Ingham
My Commission Expires: 12/14/02

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STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)
THE DETROIT EDISON COMPANY)
to unbundle its retail electric rates)
_____)

Case No. U-13286

DIRECT TESTIMONY OF PHILIP R. O'CONNOR, Ph.D.

ON BEHALF OF NATIONAL ENERGY MARKETERS ASSOCIATION

DATED: JUNE 7, 2002

DIRECT TESTIMONY OF PHILIP R. O'CONNOR

1 **Q1. Please state your name and business address.**

2 A1. My name is Philip R. O'Connor. My business address is 550 W. Washington
3 Street, Suite 300, Chicago, IL 60661.

4

5 **Q2. By whom are you employed and in what capacity?**

6 A2. I am Senior Vice-President at AES NewEnergy, Inc., which is one of the leading
7 multi-state providers of competitive retail electricity service. AES NewEnergy
8 has customers in Illinois, Ohio, Texas, California, Pennsylvania, New York,
9 Massachusetts, and Maine.

10

11 **Q3. What are your responsibilities in this position?**

12 A3. I opened the original NewEnergy office in Chicago in July 1998. NewEnergy
13 began serving retail electric customers on the first day of open access in Illinois
14 on October 1, 1998. Among other responsibilities, including shared overall
15 management authority for the Illinois market, I have focused much of my
16 attention on regulatory and legislative matters regarding retail electric
17 competition, conduct of relationships with Illinois incumbent delivery service
18 utilities, and management of relations with major customer organizations such as
19 the Illinois Manufacturers' Association and the Building Owners and Managers
20 Association of Chicago. I also provide advice to colleagues within AES
21 NewEnergy located in our other offices around the country. In addition, I

1 participate in competitive industry associations such as the National Energy
2 Marketers Association.

3

4 **Q4. Please describe your employment background.**

5 A4. Prior to joining NewEnergy, from 1986 to 1998, I was a consultant in my roles as
6 a principal of Coopers & Lybrand LLP (a predecessor firm of
7 PricewaterhouseCoopers LLP) and President of my own firm, Palmer Bellevue
8 Corporation, which was acquired by Coopers in 1994. In those positions I
9 consulted numerous utilities and governmental bodies regarding various energy,
10 environmental and telecommunications matters. From 1983 through 1985 I was
11 chairman of the Illinois Commerce Commission, the state utility regulatory
12 agency in Illinois. During my service with the Commission, I was an active
13 member of the National Association of Regulatory Utility Commissioners
14 (“NARUC”), serving on the executive and electric committees. In addition, the
15 Illinois Commission during that time was involved in initiating the earliest policy
16 discussion relating to the movement toward competition in the electricity
17 industry. A current copy of my resume is attached.

18

19 **Q5. Have you testified before in any regulatory proceedings?**

20 A5. Yes. Most recently I testified in the delivery services tariff proceedings of
21 Commonwealth Edison before the Illinois Commerce Commission. I have
22 testified in all other major proceedings before the Illinois Commerce Commission

1 with respect to the rules governing retail electric competition in Illinois. Prior to
2 joining NewEnergy, I had appeared as an expert witness in a variety of utility
3 regulatory proceedings around the country.

4

5 **Q6. On whose behalf are you testifying?**

6 A6. I am a member of, and authorized to present this testimony on behalf of the
7 National Energy Marketers Association.

8

9 **Q7. Can you briefly describe the National Energy Marketers Association?**

10 A7. Yes. The National Energy Marketers Association (NEM) is a national, non-profit
11 trade association representing wholesale and retail marketers of energy, telecom
12 and financial-related products, services, information and related technologies
13 throughout the United States, Canada and the U.K. NEM's membership includes
14 wholesale and retail suppliers of electricity and natural gas, independent power
15 producers, suppliers of distributed generation, energy brokers, power traders, and
16 electronic trading exchanges, advanced metering and load management firms,
17 billing and information technology providers, credit, risk management and
18 financial services firms, software developers, clean coal technology firms as well
19 as energy-related telecom, broadband and internet companies.

20

21 NEM is a regionally diverse, broad-based coalition of energy and technology
22 firms that has come together under NEM's auspices to forge consensus and to

1 help resolve as many issues as possible that would delay competition. NEM
2 members urge lawmakers and regulators to implement:

- 3 • Laws and regulations that open markets for natural gas, electricity
4 and related products, services, information and technology in a
5 competitively neutral fashion;
6
- 7 • Rates, tariffs, taxes and operating procedures that unbundle
8 competitive services from monopoly services and encourage true
9 competition on the basis of price, quality of service and provision of
10 value-added services;
11
- 12 • Competitively neutral standards of conduct that protect all market
13 participants;
14
- 15 • Accounting and disclosure standards to promote the proper valuation
16 of energy assets, equity securities and forward energy contracts,
17 including derivatives; and
18
- 19 • Policies that encourage investments in new technologies, including the
20 integration of energy, telecommunications and Internet services to lower the
21 cost of energy and related services.
22

23 **Q8. What is the purpose of your testimony?**

24 A8. The purpose of my testimony is to evaluate the application submitted to the
25 Michigan Public Service Commission (MPSC) by Detroit Edison Company
26 (Edison) to unbundle its retail electric rates. My evaluation of the application is
27 based on my experience with competitive electric markets and the challenges of
28 attempting to market electric supply and related services to customers on a
29 competitive basis. I urge the Commission to evaluate and modify as necessary the
30 application filed by Edison in this proceeding in order to promote the
31 development of a robust competitive retail electric market in Michigan. I also

1 urge the Commission to direct Edison to make available fully allocated embedded
2 cost information to all customers as a step toward effective, pro-competitive
3 unbundling of various electric services.

4

5 **Q9. What is your understanding of Edison's rate unbundling application?**

6 A9. I understand that Section 10b(2) of the Customer Choice and Electricity
7 Reliability Act, P.A. No. 141 of 2000, requires Edison to "unbundle its existing
8 commercial and industrial rate schedules and separately identify and charge for
9 their discrete services." Under that provision, I understand that the Commission
10 also may order residential rate schedules to be unbundled. Edison filed an
11 application in this proceeding proposing to unbundle its "metered residential,
12 commercial and industrial retail electric rate schedules into separate distribution,
13 transmission and generation components" (Application, ¶6.) Edison has
14 proposed not to implement its unbundled rates in any way, and therefore "is not
15 proposing to include in its schedule of rates, nor bill customers the unbundled
16 rates proposed in this application." (Application at ¶ 8.) Edison also is proposing
17 that no information about unbundled rates be incorporated into customers' bills.
18 Musial Direct Testimony at 18.

19

1 **Q10. Can you comment on how Edison's unbundling application relates to the**
2 **development of a competitive retail electric market in Michigan?**

3 A10. Yes. In a variety of states that have begun to move toward a more competitive
4 electric market, the unbundling of utilities' rates may occur at the same time that
5 the market opens to competing energy suppliers. In this case, however, energy
6 competition already has begun but still is in its early stages.

7
8 Edison's unbundling application, which is required by statute, should not merely
9 be a matter of "going through the motions." The unbundled rates derived through
10 this proceeding could and should be used to facilitate customer education and
11 customer participation in the competitive market, as discussed below. Moreover,
12 even if they are not immediately charged to customers, these unbundled rates and
13 the methodology used to derive them still are an important part of laying the
14 groundwork for fully unbundled rates that will be charged to customers.
15 Additionally, Edison's application represents an important opportunity to move
16 toward genuine unbundling of additional services, such as metering, customer
17 care, and billing. Therefore, the unbundled rates established in this proceeding,
18 the methodology by which they are derived, and the manner in which they are
19 implemented are important and deserve close Commission attention.

20

1 **Q11. Based on your experience with regulatory matters related to competitive**
2 **energy markets, what are some important aspects of utility rate unbundling?**

3 A11. Utility rate unbundling separates charges for non-competitive services (*e.g.*,
4 distribution) from charges for competitive services (*e.g.*, generation, metering,
5 billing and other services that may be available from competitive sources), all of
6 which historically were contained in a monopoly's bundled rate. Using unbundled
7 rate information, customers can make a simple comparison between the cost they
8 now pay to an incumbent utility for services, and the charges they could pay for
9 the same services to other providers (a so-called "apples-to-apples" comparison).
10 Additionally, separately identifying unbundled charges educates customers about
11 the different components that make up their electric service and the introduction
12 of competition (*i.e.*, the opportunity to choose a different provider for a service
13 that formerly was a part of a bundled monopoly service).

14

15 **Q12. Do you understand these aspects of rate unbundling to be important to the**
16 **development of a competitive retail electric market?**

17 A12. Yes. In marketing electric services in different states, it is my experience that
18 price is a critical aspect of customers' decisions or incentives to participate in a
19 competitive market (*i.e.*, switch suppliers). It is important, therefore, to make
20 price comparisons for competitive offerings simple for customers. If the
21 comparison process is too difficult, simple historical inertia often will cause
22 customers to remain with the monopoly service they have received for many

1 years. Moreover, because electric service traditionally was a monopoly bundled
2 service with a single price, it is critical to the development of a competitive
3 market to educate customers about the existence of separately identified and
4 priced unbundled competitive services.

5

6 **Q13. Does Edison's unbundling application further any of the unbundling aspects**
7 **you have discussed?**

8 A13. No. While it contains unbundled rate information, Edison's application proposes
9 to include no unbundled rate information in customers' bills or Edison's rate
10 schedules or tariffs. Edison's unbundling application appears to be a purely
11 academic exercise. Accordingly, customers will receive no billing information
12 about unbundled pricing that would allow them to simply compare their current
13 service rates with prices of competitive offers. Moreover, they will not be given
14 pricing information that distinguishes between non-competitive services and
15 services for which they could choose an alternative provider. These two major
16 flaws combine to ensure that Edison's application will provide no benefits or
17 effects on the competitive market. Therefore, the development of a competitive
18 retail electric market will be impeded rather than promoted by what essentially is
19 Edison's non-unbundling application.

20

21 Edison's unbundling proposal is complicated by its stated inability to derive a
22 uniform delivery rate, regardless of who is the customer's electric supplier.

1 Accordingly, a customer would pay one distribution rate to Edison under bundled
2 service, but a different distribution rate if he or she chooses an alternative electric
3 supplier. This shifting distribution rate complicates customers' ability to compare
4 their potential total rates and savings for service depending on whether Edison or
5 an alternative provider is their electric supplier. As I stated previously, customers'
6 ability to make simple "apples to apples" price comparisons between suppliers is a
7 critical element of their ability and willingness to participate in a competitive
8 market.

9

10 **Q14. Does Edison's application provide any indication of when customers might**
11 **get unbundled rate information on their bills and make easy price**
12 **comparisons?**

13 A14. Yes. Edison states it may be in a position to equalize the delivery rates between
14 its bundled service tariff and RAST "when the freeze is lifted," which will not
15 occur until at least 2004 for large commercial and industrial customers and not
16 until 2006 for residential customers. While the retail electric market was declared
17 competitive as of January 1, 2002, accordingly, customers in Edison's service
18 territory would receive no unbundled rate information for at least another two to
19 four years.

20

1 **Q15. Do you have any comments about the level of unbundling proposed in the**
2 **application?**

3 A15. Yes. The application proposes unbundled rates for "distribution, transmission and
4 generation components." I believe that the scope of the application is too narrow
5 because it fails to provide information that will assist the Commission, customers,
6 alternative suppliers, and utilities in beginning to unbundle distribution services
7 into all manner of competitive products, services, information and technology.

8

9 The Commission should treat this application as an opportunity to take a major
10 step toward creating choice for customers in a variety of additional services. In
11 addition to providing distribution service, Edison also provides metering, billing,
12 customer care and other discrete services that can be a part of a competitive
13 market and often are competitive in other states.

14

15 By providing a more expansive unbundling of current bundled service rates on an
16 embedded cost basis, the Commission can assist in the identification of services
17 that could be subject to unbundled offerings. Moreover, an unbundled
18 identification of charges for additional services would further educate customers
19 about the potential for offering such services on a competitive basis, and allow
20 customers to see prices for these discrete services that they potentially could
21 compare with offers from other providers. Therefore, it is clear that further
22 unbundling would further facilitate customer choice and competition.

1 **Q16. Why should the Commission be concerned with any further unbundling of**
2 **services?**

3 A16. As indicated in Section 10b(2) of the Customer Choice and Electricity Reliability
4 Act, P.A. No. 141 of 2000, the Legislature clearly has expressed an interest in
5 implementing fully unbundled services and related rates. In my experience with
6 utility regulatory matters, the traditional monopoly system often was
7 characterized by a combination of cross-subsidization and a lack of incentives for
8 monopolies to innovate. Embedded cost of service unbundling of more discrete
9 services will help identify those services for which an open market can provide
10 the most benefit to customers in terms of savings and innovation. It may take
11 several years for an unbundled market to develop for various services. The mere
12 presence of an opportunity for choice will drive all market participants, utilities,
13 alternate providers and customers toward innovation. Innovation and cost savings
14 are the main values that competition brings to customers, and greater unbundling
15 of discrete services promotes those values.

16

17 **Q17. What kinds of services may be subject to further unbundling?**

18 A17. They could include, for example, such discrete services as metering services,
19 billing information services, collections services, and customer enrollment and
20 care services. An illustrative list of competitive and potentially competitive
21 services is attached hereto as Appendix A. In MPSC Case No. U-12550, I
22 understand that the Commission ordered gas utilities to provide detailed studies

1 on their costs to provide metering services, metering information services,
2 balancing services, backup and peaking services, and customer turn-on and turn-
3 off services. Similarly, further unbundling of Edison's discrete services in this
4 proceeding is appropriate.

5

6 **Q18. How should unbundled rate information be made available for these**
7 **additional services?**

8 A18. Cost information for these services should be made available to customers in their
9 bills along with other unbundled rate information. This information can be
10 provided in a simple format that allows customers to better understand the cost of
11 the services for which they are paying. Negative prophecies that unbundled bills
12 will only serve to confuse and dissatisfy customers should not prevent the
13 advancement of customer education about real opportunities for competition, now
14 or in the future. My experience in other states that have moved toward
15 competition strongly indicates that customers' ability to use price information
16 about unbundled services is increasing. The Commission also should direct
17 Edison to provide a place on its website where customers could access such
18 information.

19

20 The implementation of embedded cost-based unbundled rates will undoubtedly be
21 a perfect opportunity to increase customer education on the merits of competition.

22 An unbundled bill and a place on the website providing such information will be

1 an education to consumers, in and of itself, about the myriad of competitive
2 services they can or potentially could procure from alternative providers at lower
3 cost. The provision of more information to customers, if conducted simply, will
4 set the stage for greater awareness of competitive alternatives and easier
5 comparisons between competitive and monopoly service prices.

6

7 **Q19. Can you further explain your statements that fully allocated embedded cost**
8 **of service unbundling is the appropriate methodology to be used?**

9 A19. In a competitive retail electric market, it is important that consumers receive
10 transparent and accurate pricing signals for the full array of products, services,
11 information and technologies they currently purchase from an incumbent utility.
12 The proper unbundled price to compare that customers should see for competitive
13 services, also referred to as a shopping credit, should be based on Edison's fully
14 allocated embedded costs because the rates that customers currently and
15 historically have been charged are based on embedded costs. These costs already
16 have been determined to be "just and reasonable," and fully allocated unbundled
17 rates based on the same costs would by definition also be just and reasonable. By
18 contrast, unbundled prices for competitive services provided by the utility based
19 on a different methodology, such as avoided or marginal cost, would create
20 impediments to the development of a competitive market and by definition be less
21 than just and reasonable. The Commission, therefore, should ensure that Edison's
22 rates are unbundled based on the fully allocated embedded costs of those services.

1 If the unbundled prices related to specific services, which are offered through
2 bundled rate service, are not based on Edison's fully allocated embedded costs,
3 then customers will be given inaccurate information about the components of the
4 unbundled rates. Customers then would be misled into believing that new
5 providers of unbundled competitive services were seeking to charge more than
6 Edison currently is collecting from customers for those same service elements.
7 Unbundling based on a method other than fully allocated embedded costs would
8 cause customers to receive artificially low, subsidized rates. Basing unbundled
9 rates on less than fully allocated embedded costs, moreover, could at some point
10 lead to increased stranded costs and cause such costs to be incurred for a longer
11 time period. Furthermore, where rates are not unbundled based on fully allocated
12 embedded costs, customers may end up paying twice for competitive services,
13 once to the utility and once to the competitive supplier that is currently providing
14 the service. Unbundled rates based on fully allocated embedded costs allow
15 utilities to properly recover appropriate costs. They also provide customers and
16 competitors with true, accurate price signals that permit meaningful price
17 competition in the shortest possible time.

18

19 I note further that Edison's unbundled rates for competitive services (or shopping
20 credits) should include the fully allocated embedded costs of competitive
21 products, services, information and technology required to serve retail customers
22 that are currently included in Edison's rates. For example, a list of such costs, that

1 is by no means exhaustive, includes the cost of procuring energy; installed
2 capacity (on kWh basis); transmission and ancillary services; retail load shape
3 factor costs; costs of risk management; scheduling costs; pool operating costs;
4 transmission and distribution system line losses; costs of load forecasting;
5 environmental disclosure; costs of negotiating and managing supply contracts;
6 costs of regulatory compliance and litigation; taxes; administrative and general
7 costs; customer service; billing; metering; bad debt; collections; marketing; and a
8 competitive return on risk capital.

9

10 It is noteworthy that other public service commissions, such as the state utility
11 regulatory agencies in Illinois and New York, have rejected the use of incremental
12 costs as the basis for unbundling service credits or prices to compare for
13 competitive services. Using a different methodology to derive the utility's
14 unbundled rates for competitive services (or customer shopping credits), such as
15 marginal or avoided costs, places customers and new entrants in the position of
16 competing in an environment in which shopping credits are based on a far more
17 speculative basis and subject to serious manipulation by reason of selective
18 assumptions and data. Accordingly, Edison's rate schedules should be fully
19 unbundled into charges for discrete services, as discussed above, based on their
20 fully allocated embedded costs.

21

1 **Q20. Is there any danger to competition or to utilities in relying on embedded costs**
2 **as a basis for setting future unbundled service shopping credits?**

3 A20. No. I have observed in other states moving toward competitive markets that
4 shopping credits or unbundled prices for competitive services that are based on
5 embedded costs do not inhibit utilities from earning their prescribed returns. The
6 utility regulatory commissions in New York and Illinois consistently have
7 adhered to an embedded cost of service framework for unbundled rates. Markets
8 for these services are developing gradually along with more rapidly developing
9 underlying energy markets.

10

11 **Q21. Do you have any comments about the manner in which Edison's application**
12 **proposes to unbundle its rates as between distribution, generation and**
13 **transmission?**

14 A21. Yes. Another important aspect of rate unbundling is ensuring that the unbundled
15 generation component accurately reflects all costs related to generation, and is not
16 artificially lowered in the unbundling process. While I have not conducted a
17 detailed analysis of the costs that Edison has allocated to the generation
18 component of its unbundled rates, I note by way of example that equalization and
19 securitization base rate reductions to customers bills were "reflected in the
20 unbundled generation component of the rates" in Edison's application. Musial
21 Direct Testimony at 9. It is not clear and not fully explained that this reflection of
22 rate reductions only in the generation component is appropriate.

1 The level set for an unbundled generation component, or any other competitive
2 service, has significant competitive consequences. If a base rate reduction is
3 applied only to generation, or conversely if certain generation related costs are
4 wrongly reflected in an unbundled distribution rate, the generation component is
5 set artificially low and/or distribution customers are overcharged. The generation
6 component should be the right price to compare because it should be the price that
7 competitive suppliers must compete against (with respect to commodity and other
8 products, services, information and technology) to offer incumbent utility
9 customers savings on their electric supply costs. If the generation component is
10 set too low, then competitive providers are put at an artificial disadvantage and
11 the development of a competitive retail electric market is artificially impeded. In
12 reviewing Edison's unbundling application, I urge the Commission to ensure that
13 the unbundled generation component in Edison's application is not set artificially
14 low but actually is fairly based on all generation-related, fully allocated embedded
15 costs. Moreover, reductions to a customer's current base rate should fairly be
16 applied across rate components to which they legitimately relate.

17

18 By way of further example, Edison also states in its application that rate
19 "subsidies" are apportioned between the generation and distribution components
20 of its rates. Musial Direct Testimony at 9. Assuming that such subsidies exist,
21 the decision not to allocate any of the subsidy to the transmission component is
22 noteworthy. This purported subsidy was put into place in bundled rates before

1 Edison transferred its transmission facilities to the Independent Transmission
2 Company. It is not clear why the subsidy at issue also should not be allocated to
3 the transmission component of Edison's rates. Again, by apportioning more of a
4 subsidy to the generation component away from the transmission component,
5 Edison may be artificially lowering its unbundled generation rate. This may, now
6 or in the future, make it less appealing to bundled Edison customers to switch
7 electric suppliers.

8

9 **Q22. Do you have any additional concerns about the unbundled transmission**
10 **component of Edison's application?**

11 A22. Yes. First, it is not clear whether the 2 mill "pass through" transmission rate
12 proposed by Edison would include ancillary services whether or not a customer or
13 marketer purchases such services or self-provides them. Second, Edison proposes
14 to pass through this transmission rate to customers while also deferring recovery
15 of its costs to a later time. It states, "[i]n the absence of Commission authority to
16 recover increased transmission-related costs incurred during the rate freeze
17 period, the Company will defer these costs for future recovery pursuant to 2000
18 PA 141." Musial Direct Testimony at 20. It appears, therefore, that customers or
19 marketers will pay higher transmission rates than will Edison, which plans to
20 collect its true costs at a later time. The proposed transmission rate contained in
21 Edison's application, therefore, also presents areas of concern.

22

1 **Q23. Does this conclude your testimony?**

2 A23. Yes.

Appendix A

List of Services that can be Offered Competitively or Outsourced to Competitive Suppliers

Competitive retail energy services include, but are not limited to the marketing, sale, design, construction, installation, or retrofit, financing, operation and maintenance, warranty and repair of, or consulting with respect to:

1. Retail marketing, selling, demonstration, and all energy commodity related functions including the supply and installation of distributed generation, fuel cells, and microturbines;
2. Energy commodity provider of last resort;
3. Hedging and risk management services;
4. Fuel storage facilities;
5. Energy imbalance services;
6. Billing services - services related to the production and remittance of a bill to an end use customer and/or a utility for competitive service charges applicable to a competitive provider's customers. Competitive billing system services include, but are not limited to, the following:
 - a. Generation of billing charges by application of rates to customer's meter readings, as applicable;
 - b. Presentation of charges to utilities for the actual services provided and the rendering of bills;
 - c. Extension of credit to and collection of payments from end-use customers and utilities, as well as uncollectible accounts;
 - d. Disbursement of funds collected;
 - e. Customer account data management;
 - f. Customer care and call center activities related to billing inquiries from end-use customers and utilities;
 - g. Administrative activities necessary to maintain utility billing accounts;
 - h. An operating billing system; and
 - i. Error investigation and resolution.
7. Customer care services - customer care services are services rendered to customers associated with education and support of a competitive provider's products, services, information and technologies;
8. Installation and maintenance of metering equipment;
9. Metering system services - metering system services relate to the installation, maintenance, reading and polling of an end-use customer's standard meter. (Above 50kW as well as below 50kW);
10. Metering system services include, but are not limited to, the following:
 - a. Ownership of standard meter equipment and meter parts;

- b. Storage of standard meters and meter parts not in service;
 - c. Measurement or estimation of the energy consumed or demanded by a retail consumer during a specified period limited to the customer usage necessary for the rendering of a monthly bill;
 - d. Meter calibration and testing;
 - e. Meter reading, including non-interval, interval, and remote meter reading;
 - f. Individual customer outage detection and usage monitoring;
 - g. Theft detection and prevention;
 - h. Customer account maintenance;
 - i. Installation or removal of metering equipment;
 - j. An operating metering system; and
 - k. Error investigation and re-reads.
- 11. Energy-consuming, customer-premise equipment;
 - 12. The provision of energy efficiency and control of dispatchable load management services;
 - 13. The provision of technical assistance relating to any customer-premises process or device that consumes electricity or natural gas, including energy audits;
 - 14. Customer or facility specific energy efficiency, energy conservation, power quality and reliability equipment and related diagnostic services, and load management and resale services;
 - 15. The provision of anything of value other than tariffed services to trade groups, builders, developers, financial institutions, architects and engineers, landlords, and other persons involved in making decisions relating to investments in energy-consuming equipment or buildings on behalf of the ultimate retail customer;
 - 16. Customer-premises transformation equipment, power-generation equipment and related services;
 - 17. Privately-owned and operated power generation equipment and related services;
 - 18. The provision of information relating to customer usage, including electrical pulse service;
 - 19. Communications services related to any energy service;
 - 20. Provision of financial services, fixed or leveled payment plans, insurance products, and home or property security services;
 - 21. Non-roadway, outdoor security lighting;
 - 22. Building or facility design and related engineering services, including building shell construction, renovation or improvement, or analysis and design of energy-related industrial processes;
 - 23. Propane and other energy-based services;
 - 24. Facilities operations and management;
 - 25. Controls and other premises energy management systems, environmental control systems, and related services;
 - 26. Performance contracting (commercial, institutional and industrial);

27. Indoor air quality products (including, but not limited to air filtration, electronic and electrostatic filters, and humidifiers);
28. Duct sealing and duct cleaning;
29. Air balancing; and
30. Other activities identified by the commission.

EXHIBIT A

Philip R. O'Connor, Ph.D.

Senior Vice-President & Illinois Market Leader
AES NewEnergy, Inc.

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Dr. O'Connor is nationally recognized as an expert on the development and implementation of competitive strategies in regulated industries. He has been a frequent speaker, both nationally and internationally, on utility and insurance issues and has authored numerous articles in professional trade journals. Prior to joining NewEnergy, he was a partner with Coopers & Lybrand Consulting, into which he had merged his own firm, Palmer Bellevue Corporation in, 1994. Previously, Dr. O'Connor served as Illinois' chief utility regulator, chairing the Illinois Commerce Commission, and served as Director of the Illinois Department of Insurance.

Employment:

Vice-President & Illinois Market Leader, AES NewEnergy, Inc. (1999-Present)

President, NewEnergy Ventures Midwest LLC (1998-99)

Principal/Partner, Coopers & Lybrand Consulting/Palmer Bellevue (1995-1998)

Managing Director, Palmer Bellevue, a Division of Coopers & Lybrand (1994-1995)

President and Chairman, Palmer Bellevue Corporation (1986-1993)

Chairman, Illinois Commerce Commission (1983 - 1985)

- Member, National Association of Regulatory Commissioners (1983-1985)

Director, Illinois Department of Insurance (1979 - 1982)

- Member, National Association of Insurance Commissioners (NAIC) (1979-82)

Assistant to the Director and Deputy Director for Research and Urban Affairs,
Illinois Department of Insurance (1977 - 1979)

Administrative Assistant to U.S. Representative George Miller (7th-CA) (1974-1977)

Assistant to California Senate Majority Leader, George Moscone (1973 - 1974)

Administrative Aide to Illinois Governor Richard B. Ogilvie (1969 - 1973)

Public and Political Service

- Political Director, Citizens for Governor Thompson (1982)
- Chairman, U.S. Environmental Protection Agency Allowance Tracking & Trading Subcommittee of the Acid Rain Advisory Committee (1991-1992)
- General Chairman, Citizens for Governor Edgar (1994)
- Chairman of the Illinois Health Care Reform Task Force (1993-1994)
- Chairman of the Illinois Task Force on Human Services Consolidation (1996-1998)
- Member, Illinois State Board of Elections (1998-Present)
- Member, Children and Families Transition Committee to Governor-Elect George H. Ryan (1998)
- Chairman, Interim Board of the Illinois Insurance Exchange (1998)
- Illinois Commerce Commission Millennium Review Committee (2000-2001)
- Member, Bush-Cheney Transition Advisory Committee on Energy (2001)
- Chairman, Illinois Inter-Departmental Insurance Tax Task Force (2000-Present)

Education

- 1966 - 1968 University of San Francisco
- 1968 - 1969 Loyola University of Chicago, Rome Center for Liberal Arts
- 1969 - 1970 Loyola University of Chicago, A.B. *Magna cum laude*
- 1971 Northwestern University, Graduate School, Political Science M.A. Co-optation: A Re-definition and the Case of Chicago
- 1979 Ph.D. Political Science Dissertation: Metrosim/A Computer Simulation Model of U.S. Urban Systems

Academic

- 1973 North Atlantic Treaty Organization (NATO) Advanced Study Institute
Summer Fellow – Polytechnic of Central London
- 1997 Co-Instructor with Professor Alan Gitelson, Political Science
- 1998 Money, Media, Message, Measurement & Motivation: Political Campaigns in the 90s, an upper division undergraduate course.
- 1997-1998 Instructor, The Politics of Deregulation, a five-week mini-course at
The Kellogg Graduate School of Management at Northwestern
University