

---

# Scenario 9

## Vertically Integrated Utility Supply

Procurement Working Group Meeting –  
August 5, 2004

Naomi Czachura – MidAmerican Energy

# What Scenario 9 Is Not

---

- Is not re-regulation of the industry
- Would not be required for any utility (or even desirable for some utilities)
- Would not require re-acquisition of generation formerly sold or spun off
- Is not a pricing recommendation

# What Scenario 9 Is

---

- A procurement option for multi-jurisdictional utilities
  - Whose primary jurisdiction has not been deregulated
  - Who continue to own physical generation assets in the regulated entity
- Continuation of an existing utility structure
- A way to preserve multi-jurisdictional operational efficiencies

# How It Would Work

---

- Use of existing and under-construction regulated generation for meeting standard offer load requirements would be allowed
- A portion of the costs for this generation would be allocated to Illinois standard offer customers based on load share
- Future resource needs would be acquired on a total system basis under a process similar to Scenario 6.
- Coordination of the procurement process with other jurisdictions would be necessary

# Pros

---

- Allows for capture of existing operational efficiencies of a larger system for Illinois standard offer customers
- Will likely result in more stable pricing
- Provides opportunity for continued efficiencies by allowing resource acquisition on a total system basis
- Would ultimately include the same “pros” as Scenario 6

# Cons

---

- Relatively low-priced existing regulated generation could discourage competitive market entry initially
- Prices for standard offer service may be significantly different than in the remainder of Illinois
- There may be conflicts between jurisdictions regarding non-price supply considerations
- Would ultimately include the same “cons” as Scenario 6

# Facts

---

- Allows for continuation of regulated supply, but only if it can be provided at a reasonable price
- Would require significant coordination between jurisdictions