

DIRECT TESTIMONY
OF
RONALD LINKENBACK

ENGINEERING DEPARTMENT
ENERGY DIVISION
ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY
AMEREN CORPORATION
DOCKET NO. 04-0294

Application for Authority to Engage in a Reorganization and
To Enter into Various Agreements in Connection Therewith

July 9, 2004

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

2 A. My name is Ronald Linkenback and my business address is 527 East Capitol
3 Avenue, Springfield, Illinois.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by the Illinois Commerce Commission (“Commission”) as an
6 Electrical Engineer in the Electric Section in the Engineering Department of the
7 Energy Division.

8 **Q. Please state your educational and experience background.**

9 A. I received a Bachelor of Science degree in Electrical Engineering from Iowa
10 State University. I am a registered Professional Engineer in the State of
11 California. I was employed as an Electrical Engineer with San Diego Gas &
12 Electric Company for six years, then with the City of Highland, Illinois as the
13 manager of the municipal electric system for seven years and before joining
14 the Illinois Commerce Commission I worked for High Voltage Maintenance
15 Corporation as the manager of the Cleveland Division. I joined the Staff of the
16 Illinois Commerce Commission (“Staff”) in September of 1998.

17 **Q. Please describe the general subject matter of this docket?**

18 A. On March 23, 2004, Illinois Power Company (“IP”) and Ameren Corporation
19 (“Ameren”) (jointly, the “Applicants”) filed an application for authority to engage
20 in a reorganization pursuant to which IP will become a wholly owned
21 subsidiary of Ameren. Applicants also applied for authority to enter into
22 various agreements with affiliated interests, and for such approvals as may be

23 required under the Illinois Public Utilities Act (“PUA”) to effectuate the
24 reorganization.

25 **Q. What is your assignment in this proceeding?**

26 A. My assignment is to determine if the Applicants’ reorganization would
27 adversely affect their ability to perform their duties with regard to electric
28 service.

29 Section 7-204(b)(1) of the PUA states:

30 (b) ... In reviewing any proposed reorganization, the
31 Commission must find that:
32 (1) the proposed reorganization will not diminish the
33 utility’s ability to provide adequate, reliable, efficient,
34 safe, and least-cost public utility service;

35 **Q. Have you formed an opinion as to whether the Applicants’ reorganization**
36 **would adversely affect their ability to provide adequate, reliable, efficient,**
37 **safe, and least-cost public service to their electric operations?**

38 A. Yes. My review found no indication that the proposed reorganization would
39 diminish, on an overall basis, the Applicants’ ability to provide adequate,
40 reliable, efficient, and safe public utility service for its electric customers.
41 However, I would recommend that Ameren, in its rebuttal testimony,
42 describe and identify the timing of the new systems, work processes, and
43 initiatives it intends to introduce in IP’s system. Additionally, I recommend
44 that Ameren, in its rebuttal testimony, address several electric reliability
45 issues that are described below.

46 Although it is my testimony that the current record would support a finding
47 by the Commission that the proposed organization would not diminish
48 Applicants' ability to provide adequate, reliable, efficient, and safe public
49 utility service for its electric customers, I reserve the right to reevaluate this
50 recommendation after reviewing any information or commitments provided
51 by Ameren or Applicants in their rebuttal testimony.

52 **Q. What specific issues and recommendations are you discussing in your**
53 **direct testimony?**

54 A. Ameren indicated that it is committed to maintaining and improving IP's service
55 quality and in no regard will the quality of service provided by IP diminish.
56 Ameren noted that it will accomplish this commitment by various means, two of
57 which I discuss in this testimony.

58 1. Ameren intends to introduce new systems, work processes, and initiatives,
59 currently in place in the Ameren companies, that will move IP towards
60 performance leadership in Illinois and the nation in terms of reliability,
61 customer satisfaction, and service response.¹ In its rebuttal testimony,
62 Ameren should explain what new systems, work processes, and
63 initiatives will be installed on AmerenIP's system, why they should be
64 installed, and when they should be installed.

¹ Ill. C.C. Docket 04-0294 ("Application"), p.16, ¶ 4.

65 2. Ameren committed “to enhancing IP’s quality of service through additional
66 infrastructure improvements”². Specifically, Ameren committed to “make at
67 least \$275 to \$325 million of capital expenditures in the first two years after
68 the transaction closes”³. Ameren’s commitment to spend \$275 to \$325
69 million for capital projects over two years is not “additional” funding, as
70 implied from the “additional infrastructure investments” language
71 contained in the Application. Rather, this is a commitment to continue
72 IP’s historical capital spending pattern.

73 I also discuss Staff’s observations of the current electric practices of the
74 Ameren Illinois utility companies⁴ and IP that do not support Ameren’s
75 contention that they provide high quality, efficient utility service to customers⁵.

76 **Q. What material did you review to determine if the Applicants’**
77 **reorganization would diminish its ability to provide adequate, reliable,**
78 **efficient, and safe public utility service for its electric customers?**

79 A. I reviewed Applicants’ filing “Illinois Power Company & Ameren Corporation
80 Application for Reorganization I.C.C. Docket 04-0294”. I also reviewed
81 Applicants’ responses to Staff and Intervener data requests that addressed
82 electric service issues.

² Application, p. 7.

³ *Id.*

⁴ Central Illinois Public Service Company (“AmerenCIPS”), Central Illinois Light Company (:AmerenCILCO), and the Illinois customers of Union Electric Company (“AmerenUE”)(collectively, the “Ameren Utilities”)

⁵ Application, pp.16-17.

83 **Q. What information did Ameren provide to demonstrate that the proposed**
84 **reorganization would not diminish the reorganized utility's ability to**
85 **provide adequate, reliable, efficient, and safe public utility service?**

86 A. Ameren indicated that it is an established Illinois utility with part of its core
87 business being to provide electric and gas service, and that the organization,
88 expertise, and programs are in place to meet the requirements of providing
89 electric utility service in Illinois.⁶ Ameren also stated it has experience in
90 providing high quality, safe and reliable electric service to its Illinois
91 customers.⁷ It further noted that it has an experienced workforce and a
92 modern training center to ensure that employees have the knowledge to
93 perform their duties and that it maintains highly sophisticated and automated
94 information systems to support its operations.⁸
95 Ameren indicated that it is committed to maintaining and improving IP's service
96 quality and in no regard will the quality of service provided by IP diminish.⁹ It
97 also notes that it will accomplish this commitment by evaluating and
98 introducing those new systems, work processes, and initiatives, currently in
99 place in Ameren companies, that will move IP towards performance leadership
100 in Illinois and the nation in terms of reliability, customer satisfaction, and
101 service response.¹⁰

⁶ Direct Testimony of David A. Whiteley, Applicants' Ex. 9.0, p. 6, l. 114-145.

⁷ Application, pp. 16-17

⁸ Whiteley, Applicants' Ex. 9.0, p. 7, l. 147-155.

⁹ Application, p. 23.

¹⁰ Application, p. 16.

102 Ameren also committed to make at least \$275 to \$325 million of additional
103 infrastructure improvements to IP the first two years after the transaction
104 closes.¹¹ Finally, Ameren believes the close proximity of the Ameren utilities'
105 service territories to IP's service territories will allow the workforce and
106 equipment to be efficiently shared bringing benefits of economies of scale and
107 improved reliability to IP customers.¹²

108 **Q. Please describe what new systems, work processes, and initiatives**
109 **Ameren intends to evaluate in its Application and direct testimony.**

110 A. Ameren noted, on page 16 of its Application and pages 9 to 13 of the Direct
111 Testimony of David A. Whiteley, Applicants' Ex. 9.0, the following new
112 systems, work processes, and initiatives as benefiting IP customers.

- 113 • Improve outage response by using Ameren's Outage Analysis System
114 ("OAS").
- 115 • Improve the quality and quantity of field work performed through the use of
116 Ameren's Distribution Operational Job Management System which is tied
117 to the OAS.
- 118 • Improve reliability and control costs by shared resources (manpower and
119 material) with other Ameren utilities.
- 120 • Response to customer concerns will improve by using Ameren's
121 Customer Information System.

¹¹ Application, p.17

¹² Whiteley, Applicants' Ex. 9.0, pp. 7 & 10.

- 122 • Provide a more rapid response to customer concerns and problems by
123 using Ameren's integrated Supervisory Control & Data Acquisition
124 System.
- 125 • Allow earlier analysis of problems improving response through Ameren's
126 Automatic Meter Reading System.
- 127 • Customers will be able to report information more efficiently using
128 Ameren's Call Center Technologies.
- 129 • Tie AmerenIP employee compensation to various measures including
130 reliability and customer service using Ameren's Performance Scorecard.

131 Further, Ameren's response to Staff data request RDL 3.03 stated that
132 Ameren would implement the systems, processes, and initiatives that benefit
133 the IP customers and system.

134 **Q. Did Ameren state when the new systems, work processes, and initiatives**
135 **will be implemented for IP?**

136 A. No, Ameren did not state in the Application, in direct testimony, or in its
137 responses to Staff data requests when these new systems, processes, and
138 initiatives would be implemented for IP. According to Ameren's responses to
139 Staff data requests RDL 1.20, 1.23, 1.24 and RDL 1.25, no date(s) have been
140 determined for implementing the new systems, work processes, and initiatives
141 into AmerenIP. Ameren's response to Staff data request RDL 3.03 stated that
142 the systems, processes and initiatives will be implemented if analyses show
143 that IP customers will benefit, but that no decisions have been made at this

144 time as to when and how they would be implemented. However, Ameren's
145 response to Staff data request RDL 3.03 did not state when Ameren would
146 complete the analysis of each system, process, or initiative.

147 **Q. Do you recommend any action(s) concerning the new systems, work**
148 **processes, and initiatives that Ameren is considering for the purpose of**
149 **improving IP's electric reliability and service response?**

150 A. Yes. I recommend that Ameren provide, in its rebuttal testimony, additional
151 details that further explain the new systems, work processes, and initiatives
152 Ameren may integrate into AmerenIP, a timeframe for the benefit analysis, and
153 to a timeframe for installation of each new system, work process, and initiative
154 in AmerenIP.

155 **Q. Why is it important for Staff to know the timeframe for the analysis and**
156 **installation of each of the systems, work processes, and initiatives?**

157 A. Since, in part, Ameren tied the post reorganization electric reliability and
158 service response level of IP customers to these new systems, work processes,
159 and initiatives, Ameren should commit to a definite timeframe within which
160 these resources will be reviewed and installed for IP. Absent Ameren
161 committing to a timeframe for completing the analyses and subsequent
162 installation of the resources on IP's system, it would be very difficult for Staff or
163 the Commission to find that the Applicants' evidence supports a finding that
164 the reorganization will not have an adverse impact on the ability to provide
165 adequate, reliable, efficient, and safe electric service. Similarly, absent such a

166 timeframe, it will be difficult if not impossible to determine whether these
167 commitments have been fulfilled.

168 **Q. Are there any other commitments that Ameren made in its Application or**
169 **direct testimony that you want to discuss?**

170 A. Yes, I want to mention that Ameren's commitment to make at least \$275 to
171 \$325 million of additional infrastructure improvements is not a commitment to
172 make additional investments; instead, this commitment is only a commitment
173 to continue IP's historical capital spending pattern. Staff witness Mr. Eric
174 Lounsberry's direct testimony (Staff Exhibit 4.0) on page 4 to 7, discusses this
175 issue in detail.

176 **Q. Are you in agreement with Mr. Lounsberry's assessment of Ameren's**
177 **commitment to make at least \$275 to \$325 million of additional**
178 **infrastructure improvements to IP the first two years after the**
179 **transaction close?**

180 A. Yes I am. I am not familiar with the gas issues Mr. Lounsberry raised in his
181 discussion of Ameren's commitment to make at least \$275 to \$325 million of
182 additional infrastructure, therefore I do not have an opinion on that portion of
183 his assessment.

184 **Q. Do you have any other issues you want to address?**

185 A. Yes, I do. Ameren in its Application and direct testimony stated that its utilities
186 strive to provide high quality, efficient utility service to its customers.¹³ As I will
187 discuss below, Staff is aware of current events on Ameren Utilities' electric
188 systems that do not support Ameren's contention that Ameren is striving to
189 provide high quality, efficient utility service to its customers. Staff is also aware
190 of current IP practices or policies that do not complement Ameren's stated goal
191 of providing their customers with quality service.

192 **Q. Specifically, for which Ameren Illinois electric utilities is Staff concerned**
193 **about?**

194 A. All of the Illinois Ameren Utilities; AmerenCIPS, AmerenCILCO, and the Illinois
195 customers of AmerenUE.

196 **Q. Which practices of the Ameren Utilities and IP should the Commission**
197 **be aware of regarding the proposed transaction?**

198 A. Staff has three sets of observations regarding the Ameren Utilities' and IP's
199 current electric service practices that the Commission needs to be aware of in
200 regards to this proceeding.

- 201 1. Customers of the Ameren Utilities and IP that experience an electric
202 service interruption have the longest wait to have their power restored of all
203 Illinois utility customers,
- 204 2. Poor relay protection practices contributed to the size and length of two
205 outages in 2002, and

¹³ Whiteley, Applicants' Ex. 9.0, page 3, lines 55-56

206 3. Staff field inspections of utility electric delivery facilities indicate that the
207 Ameren Utilities and IP tree trimming and reliability practices need to
208 continue to improve.

209 **Q. What is the purpose of placing these observations in the record in this**
210 **proceeding?**

211 **A.** The purpose is to inform the Commission regarding the electric service
212 reliability provided by the existing Ameren Utilities and IP.

213 As Ameren's presence in Illinois grows, with the proposed acquisition of IP,
214 Staff believes it is important that the Ameren practices and attention to service
215 quality be up-to-date, high quality, and implemented in a timely manner. Staff
216 is taking the opportunity in this docket to highlight important observations about
217 the Ameren Utilities and IP that the Commission might find useful as it
218 considers Ameren's purchase of Illinois Power Company.

219 **Q. Please describe Staff's observations associated with the Ameren**
220 **Utilities' and IP's record of power restoration in Illinois.**

221 **A.** During 2002, the Ameren Utilities and IP recorded the worst four Customer
222 Average Interruption Duration Index ("CAIDI") reliability performances in
223 Illinois. This trend continued in 2003 when these same utilities recorded four
224 of the worst five CAIDI indices. This poor service restoration performance
225 record shows a general lack of resources being applied by Ameren and IP.

226 **Q. Please describe Staff's observations associated with relay protection**
227 **practices, and why these outages are relevant to this proceeding.**

228 A. Staff routinely investigates various electrical outages to determine, in part, if
229 the host utility acted in a proper manner to restore the service and if any
230 underlying condition(s) facilitated the outage or the scope of the outage.
231 Based on Staff's investigation of two outages to Central Illinois Light
232 Company ("CILCO") (prior to Ameren's acquisition of CILCO from AES)¹⁴ in
233 2002, Staff determined that CILCO's relay policies and practices contributed
234 to the severity of both outages.

235 Based on Staff's investigation, CILCO committed to, and AmerenCILCO is
236 on schedule to, return to a four-year relay testing cycle by the end of the
237 year 2004. CILCO also agreed to perform, and AmerenCILCO is near
238 completing, a system-wide relay coordination study.

239 To minimize the likelihood of similar relay caused outages occurring on the
240 Ameren Utilities' electric system, Ameren should commit to meeting the
241 relay testing and calibration schedules, and performing system protection
242 coordination studies for all its other Illinois electric utilities that are
243 comparable to those schedules currently in place for AmerenCILCO system.

244 **Q. Has Ameren's ownership of CILCO from AES changed any of Staff's**
245 **observations associated with the two outages in 2002?**

246 A. No, the observations and recommendations remained the same. There is
247 no reason to assume Ameren would have initiated these corrective

¹⁴ Reorganization of Ameren and CILCO by order of the Commission on December 4, 2002 in Docket 02-0428

248 measures on CILCO's protective relay system without Staff starting an
249 investigation into the two outages.

250 **Q. Please describe Staff's observations based on their field inspections of**
251 **Ameren utilities' and IP's electric delivery facilities.**

252 A. Annually, Staff evaluates each utility's reliability report¹⁵ filed with the
253 Commission. As part of that evaluation, Staff conducts field inspections of
254 each electric utility's delivery facilities. These evaluations and field inspections
255 show a general lack of resources being applied to the task of maintaining
256 adequate, reliable, and safe electric delivery facilities for the Ameren utilities
257 and IP. The Direct Testimony of Staff witnesses Greg Rockrohr (Staff Exhibit
258 6.0) and James D. Spencer (Staff Exhibit 7.0) describe their observations from
259 recent evaluations of reliability reports and field investigations of the Ameren
260 Utilities and IP's electric facilities.

261 **Q. Does your review of Staff observations associated with the current**
262 **practices of Ameren utilities and IP lead you to conclude that the**
263 **Applicants' request should be denied?**

264 A. No.

265 **Q. Do you dispute Ameren's testimony regarding its ability to provide**
266 **adequate, reliable, and safe electric utility service?**

¹⁵ 83 Illinois Administrative Code ("Code") Part 411 defines electric reliability requirements for Illinois electric utilities and Code Section 411.140(a) states that at least every three years the "Commission shall assess the annual report of each jurisdictional entity and evaluate its reliability performance."

267 A. Based on the information currently in the record and otherwise available to
268 me, I find no reason to dispute Ameren's claims. But, as noted above, I
269 would recommend that Ameren, in its rebuttal testimony, provide a timeline
270 of when the benefit analyses will be completed and when the new systems,
271 work processes, and initiatives will be installed on IP.

272 **Q. Does this complete your direct testimony?**

273 A. Yes, it does.