IIEC Exhibit 2

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Power Company	)	
	)	**Docket No. 04-0476**
Proposed General Increase in	)	
Natural Gas Rates	)	

Direct Testimony and Schedules of

Dr. Alan Rosenberg

On Behalf of

Illinois Industrial Energy Consumers

November 5, 2004
Project 8264

BRUBAKER & ASSOCIATES, INC.
ST. LOUIS, MO 63141-2000

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

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natural gas rates.	)	

Direct Testimony of Alan Rosenberg

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Dr. Alan Rosenberg. My business address is 1215 Fern Ridge Parkway, Suite 208; St. Louis, Missouri 63141-2000.

Q PLEASE STATE YOUR OCCUPATION.

A I am a consultant in the field of public utility regulation with Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A This is summarized in Appendix A to my testimony.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A I am appearing on behalf of the Illinois Industrial Energy Consumers (IIEC). The members of IIEC are large industrial customers who transport natural gas on the Illinois Power Company (Company or IP) system.

Q WHAT IS THE SUBJECT MATTER OF YOUR TESTIMONY?

A My testimony covers two subject areas. The first relates to the class cost of service study that IP uses as its guide to the revenue distribution. The second issue concerns establishing a voluntary, cost-based, unbundled storage option for Rate 76 customers. My colleague, John Mallinckrodt, will address IP's proposals for daily balancing.

Cost of Service Study

Q WHAT AREA IN PARTICULAR WILL YOU ADDRESS REGARDING THE COST OF SERVICE STUDY?

A Perhaps the most critical issue in the cost of service study is the choice of demand allocation factor to allocate transmission mains and distribution mains.[1] The classical reference work, *Gas Rate Fundamentals*, describes the three primary allocation methods.

The first is the coincident demand or peak responsibility method. The coincident peak method is the oldest and probably the most widely used method. This method assigns responsibility on the basis of each class's expected usage on the peak day. The underlying theory is that the system must be designed to accommodate usage on the peak day, and hence usage that does not contribute to the system peak is not relevant to cost causation.

[1] Normally, another critical issue is the manner of bifurcating the cost of distribution mains between the demand and customer-related components. However, I realize that past practice in Illinois is not to recognize a customer component of distribution mains. Consequently, I have not addressed this issue in any depth in this testimony. With all due respect, I believe that ignoring the role that the number of customers plays in the causation and need for distribution main costs is erroneous and is to the immediate detriment of IP's larger volume customers. This non-cost-based methodology may also be contributing to the lower volumes on the system, and thus ultimately may be hurting the very customers this policy was intended to protect.

The second method is termed the non-coincident demand method. This method is based on the maximum demands of each class regardless of when they occur.

The third method is called the Average and Excess Demand (AED) Method. This is the method used by Illinois Power and it is my understanding that this is the method used in previous cases.

Q WHAT IS THE THEORY UNDERLYING THE AVERAGE AND EXCESS METHOD?

A The theory underpinning the AED methodology runs as follows:

- If the only function of the mains were to deliver an annual amount of volume, without regard to when that volume must be delivered, the most efficient system would be designed to carry only the average demand each day. For example, if we were to design a system capable of delivering 365 million therms per year, the least cost system would be that which was capable of delivering 1 million therms for each of the 365 days in the year.

- However, the system must be designed to accommodate much higher deliveries on peak usage days than just the average.

- Consequently, a portion of the costs, equal to the ratio of the average demand divided by the peak demand (by definition, the load factor of the system), is allocated based on average demand. Allocating costs on the basis of average demand is equivalent to allocating costs on the basis of annual volume, so all customers are allocated at least that amount.

- Customers who use more than their average demand on any one day should be allocated additional cost. Thus, the cost of the system in excess of one built to only deliver average demand (i.e. the portion of 1 minus the load factor) should be apportioned in proportion to each class's peak usage in excess of its average usage.

Q WHY SHOULD ONE USE EXCESS DEMAND INSTEAD OF PEAK DEMAND IN THE DEVELOPMENT OF THE ALLOCATOR?

A Average demand must necessarily be a component of peak demand. Thus if you were to allocate costs on average demand plus peak demand, you would be double

counting the average part twice – once alone in the first step and then again as part of the peak demand. This double counting problem is avoided by using excess demand for allocation purposes. You can also see that the average plus peak method is inappropriate because it allocates more demand to a 100% load factor class than would be required to serve its load – clearly an inappropriate and illogical result.

Q DOES THE AVERAGE AND EXCESS DEMAND ALLOCATE SUFFICIENT CAPACITY TO LARGE VOLUME CUSTOMERS?

A The AED method employed by IP allocates <u>more</u> costs to large volume customers than they are actually responsible for. I came to this conclusion by comparing the costs allocated to IP's large volume customers by the AED method used by the Company with the actual cost of mains that IP incurred to serve them.

Q HOW DID YOU CALCULATE THE ACTUAL COSTS TO SERVE THE LARGE VOLUME CUSTOMERS?

A IIEC had asked the Company to provide, for its 10 largest volume customers on the high pressure (transmission) system, the length and diameter of the high pressure main that connected that customer to the city gate. I reviewed and analyzed this data. I then priced this main out by using the average cost of that diameter main. So, for example, if the customer needed 2,000 feet of 6-inch main and 1,000 feet of 4-inch main, and the book cost of 6-inch main was $30 per foot and the book cost of 4-inch main was $25 per foot, the cost of connecting that customer would be 2,000 X $30 plus 1,000 X $25, or $85,000 ($60,000 + $25,000 = $85,000).

Similarly, IIEC asked the Company to provide, for its 10 largest customers served off of the low pressure (distribution) system, the length and diameter of the low pressure main that connected that customer's service line to the high pressure system.

Q HOW DID THE AED ALLOCATION METHOD OF THE COMPANY COMPARE TO THIS MORE ACCURATE "DIRECT" ATTRIBUTION ANALYSES?

A In all cases, the AED allocation method implicitly allocated significantly more cost responsibility than the directly assigned cost would justify.

For example, I first looked at the largest customer on the system, the customer served on Rate 90. This customer is essentially a high pressure customer. Of the $78.6 million of high pressure mains, Rate 90 is allocated 6.37% by the Company's calculation of the AED method, or just over $5 million. This customer is served by 20,989 feet of 12-inch diameter high pressure pipe. According to the Company response to Data Request IIEC 1-34, IP has 688,106 feet of 12-inch high pressure main which has a book cost of $6.5 million, or $9.45 per foot. Multiplying 20,989 by $9.45, we deduce that the Rate 90 customer is directly and fully served by only approximately $200,000 of main. In other words, the AED method allocates 25 times as much cost to the Rate 90 class as their appropriate share of the high pressure system of mains.

Similarly, for the next nine largest customers, I estimate that the AED method allocates this group 8.861% of the high pressure system. I did this by explicitly calculating an AED allocator for this group of customers, using their contract demands as a proxy for the Non-Coincident Peak of this subclass. (This does overstate the AED responsibility somewhat because all the customers do not

necessarily peak at the same time, but it should be close enough for purposes of this analysis.) Thus, the Company study implicitly allocates these customers approximately $7 million of the high pressure mains. On a direct assignment basis, however, these customers are served by mains that cost only $2.1 million. Thus, the AED method allocates over three times the cost of mains that can be justified by the more direct allocation method.

Q WHAT ARE THE RESULTS FOR THE 10 LARGEST DISTRIBUTION CUSTOMERS?

A The information for direct service was unavailable for four of the 10 largest customers, so I could only perform this analysis on six of the 10 largest low pressure customers. Of the $248.7 million in low pressure mains on the IP system, the AED method allocates 0.571% or $1.4 million to these six customers served off the low pressure system. Depending on whether these customers are served by plastic or steel (the IP response did not specify which type was used), I estimate these customers are directly responsible for at most $51,000 in low pressure main.

Q WHY DOES THE AED METHOD OVER-ALLOCATE RESPONSIBILITY FOR MAINS TO THE LARGE VOLUME CUSTOMERS?

A The AED method implicitly assumes that the cost of mains is linearly proportional to the capacity of mains. However, that is not true. Large customers in general are served from larger diameter pipe than smaller customers. There are tremendous economies of scale from serving large volume customers. For example, an 8-inch diameter pipe does not have 4 times the capacity of a 2-inch pipe, but actually has more than 16 times the capacity of a 2-inch pipe. Yet although it has over 16 times

the capacity, it costs only about three times as much per linear foot. In other words, the cost per Mcf of capacity for an 8-inch main is less than 1/5th (3 divided by 16) the cost per Mcf of capacity for a 2-inch main. These economies of scale are ignored in conventional cost of service methods and results in this overstatement of cost responsibility to large volume classes.

Q DO YOU BELIEVE THAT THE COMPANY'S AVERAGE AND EXCESS METHOD IS APPROPRIATE?

A I believe the method is appropriate for IP, although I disagree with the Company's implementation of the method.

Q WHAT CONCERN DO YOU HAVE WITH THE COMPANY METHOD?

A Both the system coincident peak, and the class non-coincident peak are predicated on normal weather. However, the capacity of the IP system, as is the capacity of other local gas distribution systems in areas of cold weather are designed for the most severe weather. Gas usage peaks when the weather is coldest. IP designs its system of mains for weather of 75 degree days. This is called the design day. The throughput on a design day can be considerably higher than on a weather normalized day or actual weather for 2003. For example, on the transmission system, IP used a coincident peak of 647,221 Mcf, when its system is designed for a peak day of 891,580 Mcf. Consequently, unless these design day demands are reflected in the allocation process, the study will mask the true responsibility for the transmission and distribution systems.

Q HAVE YOU BEEN ABLE TO RECALCULATE THE AED FACTORS FOR THE TRANSMISSION AND DISTRIBUTION SYSTEMS?

A Yes. IP actually calculated the sendouts of each class in its response to Data Request BEAR 1-16-1, although it did not use those demands in its AED calculation.[2] Consequently, I replaced the class NCP demands with the maximum of either the non-coincident demand calculated by IP or the design day sendout for that class. In other words, if the NCP demand was greater, I used the demand used by IP in its calculations in the BEAR data response. However, if the design day sendout was greater, I used that peak demand instead. In my opinion, this more accurately reflects the capacity or demand-related responsibility for the transmission and distribution system.

Q HOW DOES THIS REFINEMENT IMPACT THE COST OF SERVICE STUDY?

A This is shown on IIEC Exhibit 2, Schedule 1. This Schedule compares the Company study with the more accurate study that I calculated. The corrected study does not demonstrate a very different result for most of the major classes from that of the Company study. It does show that the Transportation Class (SC 76) is even further above cost than indicated by the Company study and that the Large Volume Sales Class is closer to cost of service and the Small Volume Class somewhat more below cost of service than the Company study. The Residential Class is largely unaffected.

[2] IP did, however, use these "severe weather" sendouts in allocating its storage costs.

Q HOW WOULD THE INCREASE BE DISTRIBUTED IF THE STUDY SUMMARIZED IN SCHEDULE 1 WERE USED AS A GUIDE?

A I have prepared IIEC Exhibit 2, Schedule 2 which shows the class increases, at full revenue relief, that would emanate from my modified study compared with the class increases proposed by the Company. My use of the Company requested revenue requirement should not be considered as an expression of support for that level of revenue requirement, but only as an illustration to facilitate comparison between the two allocations.

Q HOW DOES YOUR RECOMMENDED ALLOCATION OF THE INCREASE DIFFER FROM THAT PROPOSED BY IP?

A For the Residential Class (SC 51), my recommended increase is slightly smaller than the Company proposed, and for the Small and Intermediate Volume Classes (SC 63 and SC 64), it is slightly larger. I specifically held the increase for the Seasonal Volume classes to that proposed by the Company on the principle of rate moderation, even though a larger increase could be justified by the cost of service study. For the Large Volume Class, I find that even by the Company's own study, it is proposing to shift too much revenue to the SC 76 Class as compared to the SC 65 Class. In my recommended distribution of the increase, I have brought each of these classes to cost of service. Consequently, no matter which cost study is used, my recommended rates bring rates closer to cost of service than does the Company recommendation.

Unbundled Storage

Q WILL YOU BE ADDRESSING THE ISSUE OF DAILY IMBALANCE CASHOUTS IN YOUR TESTIMONY?

A No, not directly. That subject is covered in depth by IIEC witness John Mallinckrodt. However, I will address the ostensible reason given by IP for wanting to impose these stringent cashouts.

Q WHAT REASON DOES IP GIVE FOR THOSE DAILY CASHOUT PENALTIES?

A IP witness Brian Blackburn states that SC 76 currently has no costs associated with the provision of storage service, even though SC 76 customers may – and I emphasize the use of the word "may" – use storage provided by IP to absorb imbalances they have created. He then goes on to say that under his proposed cashout penalties:

> ". . . Those customers who utilize Illinois Power storage by creating daily imbalances in excess of 10% will reimburse other service classifications, to whom storage costs have been allocated, for the use of storage."

Q DO YOU AGREE WITH MR. BLACKBURN'S POSITION ON THIS ISSUE?

A No. In the first place, the existence of daily imbalances for one or more transportation customers on any particular day does not necessarily imply that the SC 76 class is utilizing IP storage. There could be any one of several ways that this imbalance can be accommodated, that do not invoke the use of IP storage:

- Diversity among transportation customers – when one customer is long, another customer is short.
- Diversity between the transportation customers as a class and the sales customers as a class.

- The tolerances between nominations and deliveries extended by IP's pipeline suppliers.
- Increases or decreases in the amount of gas held in IP's system of mains.

In the second place, Mr. Blackburn's logic does not make sense. If I may paraphrase the citation from his testimony I quoted in the previous answer, he seems to be saying:

> IP does not wish to extend storage service to SC 76 customers. Consequently, we are going to impose penalties, which have nothing to do with the cost of storage, in order to recover the cost of the storage service which we are not extending.

Besides being not cost-based, this is illogical.

Q HOW WOULD YOU PROPOSE TO BETTER ADDRESS THIS ISSUE?

A If IP wants to recover the cost of storage service from SC 76 customers, then it ought to extend some limited form of storage service to these customers and charge a commensurate portion of the storage cost for this limited service.

Q WHAT IS COMPANY OWNED STORAGE USED FOR?

A According to IP's response to Data Request CNE Gas 3.02, company owned storage is held in large part to ensure reliability and deliverability of the system during peak periods. However, storage can also be used for two other purposes or functions. First, storage can be used to hedge gas on a seasonal basis, i.e., to buy gas during the summer season when it is normally less expensive, and use that stored gas to replace purchases in the winter when the gas is normally more expensive. A secondary function for storage is to act as a buffer for differences between pipeline deliveries and usage on a daily basis. In other words, it can serve as a balancing purpose.

Q IS RATE 76, THE TRANSPORTATION CLASS, ALLOCATED ANY STORAGE COSTS IN THE COST OF SERVICE STUDY?

A No, it is not. That is one reason why IP claims that it needs to impose daily balancing penalties for imbalances by transportation customers that are outside of 10% of nominations. I am not directly addressing these proposed imbalance penalties in my testimony. My colleague, John Mallinckrodt, does discuss this issue at some length in his pre-filed testimony. However, I am proposing an optional balancing function storage be made available to transportation customers that would extend swing service beyond the limitations that may be found appropriate for customers who do not elect this option.

Q WHY DOES IP NOT WANT TO OFFER STORAGE SERVICES TO TRANSPORTATION CUSTOMERS?

A As I understand IP's position, it does not offer this service because the storage is needed for its sales customers.

Q ARE YOU SATISFIED WITH IP'S "EXPLANATION?"

A No, I am not. In the first place, I see no reason to discriminate between customers based on from whom they buy their gas. A customer who buys its gas from a third-party marketer should have no less rights to storage than a customer who buys gas from IP. My understanding of Illinois policy on transportation of customer purchased gas was that it should not be placed under any undue disadvantage. Secondly, IP has presented no evidence that expanding the access to Company owned storage would have any material adverse effect on its sales customers. Third, IP currently offers a type of balancing service, with no apparent adverse consequences. Fourth, I

would propose a storage service that would not detract from IP's ability to use Company owned storage for reliability and deliverability on critical days.

Q WHAT ARE THE SPECIFICS OF YOUR PROPOSED UNBUNDLED STORAGE OPTION?

A I propose that a customer choose a Balancing Maximum Quantity ("BMQ") of anywhere of zero up to its Maximum Daily Quantity ("MDQ"). This would be a daily quantity. The customer would then be allowed to nominate up to a maximum of 150% of its MDQ plus 50% of its BMQ without penalty. The customer would be able to use (at the meter) up to 120% of its nomination plus 75% of its BMQ without consequences on any non-critical day (assuming that the customer's cumulative bank does not go negative as a result). On a critical day, the customer could not gain access to its BMQ, i.e. the BMQ would be treated as zero on a critical day. Customer banks will be allowed to be carried over from one month to another except that the bank must be down to 5 times the BMQ by October 31 of each year. October 31 is when IP's storage fields are expected to be filled to the maximum. Anything over that amount would be cashed out.

Q HOW DID YOU ARRIVE AT YOUR SUGGESTED PARAMETERS ON THE STORAGE USAGE?

A Currently, customers are allowed to nominate 150% of a customer's MDQ (although excess nominations can be curtailed). Obviously, a customer buying storage service should be able to exceed that limit. Currently, IP can inject 143,000 Mcf which is 22% of the total "peak day" allocator (of 649,976 Mcf), which the Company uses to allocate

storage in its cost of service study. Because of customer diversity, I believe it reasonable to expand that 22% to 50%.

In his testimony, Mr. Mallinckrodt recommends that absent storage service, a transportation customer should be allowed to use 120% of its nomination without penalty. Thus, a customer buying storage should be allowed to use in excess of that amount. IP can withdraw 342,000 Mcf which is 52% of the total "peak day" allocator which the Company uses to allocate storage in its cost of service study. Because of customer diversity, I believe it reasonable to expand that 52% to 75% of the BMQ. Also, this withdrawal allowance is curtailed on a peak day so that this storage service is designed to be a swing service, rather than a reliability service.

Also, by requiring the transportation customer to draw down its bank to a nominal 5 times its BMQ by the beginning of IP's storage withdrawal season (when storage inventories are at peak) is a way to limit this storage service to swing or balancing service and not a seasonal hedging service.

Q HOW DID YOU ARRIVE AT THE 5 TIMES BMQ OCTOBER 31 BANK ALLOWANCE?

A IP's maximum storage is approximately 18 times the maximum peak demand storage allocator. The customers who choose the limited storage option I am recommending will be paying 25% of the cost of storage. Twenty five percent of 18 is over four times the storage allocator, or BMQ. Because of diversity, I rounded that to 5 times the BMQ.

Q WOULD CUSTOMERS TAKING THE LIMITED STORAGE OPTION BE REQUIRED TO CASH OUT MONTHLY?

A No they would not. Actually, having customer owned gas in storage is an advantage to IP because it means that they have to buy less of their own gas to fill the storage fields. Remember that gas in storage fields is not color-coded. There are no red therms for IP's gas and blue therms for customer gas. Moreover, by requiring the transportation customers to empty (to within only 5 times their BMQ) their bank by October 31, transportation customers will be drawing down their bank in late summer or early fall, at the time when IP will be trying to fill up its bank. Subsequent to October 31, IP will also benefit as transportation customers try to build up their depleted banks.

Q WHAT IS YOUR PROPOSED CHARGE FOR THE BALANCING ONLY SERVICE TO BE SUPPLIED BY THE STORAGE FIELD?

A I propose that this charge be 5¢ per therm ($0.50 per Mcf) of BMQ per month.

Q HOW DID YOU ARRIVE AT THIS RECOMMENDED CHARGE?

A First, I arrived at a charge for <u>full</u> use of storage of 20¢ per therm of peak day usage per month. However, since IP states that primary use of storage is for reliability, a function specifically <u>excluded</u> by the service parameters I have suggested, the cost of the non-reliability functions of storage should be no more than half of that amount. Since balancing is one of two such non-reliability functions (seasonal hedging being the other), I believe it reasonable to ascribe no more than 25% (half of one-half) of the total cost of storage to the balancing function. Moreover, I should note that the sum of the MDQs for all SC 76 customers is equal to approximately twice that of the

SC 76 class peak demand on the most severe day. Thus if the entire SC 76 class were, for example, to select BMQs equal to their MDQs, these customers would actually be paying for 50% of their allocated share of storage, not the 25% on which I have predicated the rate.

Q HOW DID YOU ARRIVE AT THE COST OF FULL USE OF STORAGE OF 20¢ PER THERM PER MONTH?

A According to the Workpaper for IP Exhibit 7.11, page 4 of 4, the total cost of storage is $24,957,000. However, 44% of the storage rate base is top gas or working gas in storage – the gas that actually goes in and out of storage. Since transportation customers are paying for their own "working gas," that cost should be removed. Thus, I subtracted storage depreciation and O&M expense ($3,148,000) from the total cost of storage, multiplied the result by (1 – 0.44) and then added back in the $3,148,000. Consequently, I estimate that the cost of storage stripped of the cost of top storage gas is $15,355,000. Dividing that amount by the storage allocator of 6,499,758 therms (shown on BEAR Schedule 1-16-1), and dividing by 12 to get a monthly amount, we arrive at the 20¢ per therm.

Q WHAT TREATMENT DO YOU RECOMMEND FOR THE REVENUES COLLECTED THROUGH THE BMQ?

A Because the storage costs are allocated to the sales customers, that money should be credited to the PGA.

Q WOULD YOUR PROPOSED OPTIONAL LIMITED STORAGE SERVICE BENEFIT SALES CUSTOMERS?

A Yes. Sales customers would get the benefit of the additional revenues that I believe the storage option would generate, without any diminishment of service or additional costs for IP.

Q DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A Yes.

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Qualifications of Alan Rosenberg

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Dr. Alan Rosenberg. My business address is 1215 Fern Ridge Parkway, Suite 208; St. Louis, Missouri 63141-2000.

Q WHAT IS YOUR OCCUPATION?

A I am a consultant in the field of public utility regulation with Brubaker & Associates, Inc. (BAI), energy, economic and regulatory consultants.

Q PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A I was awarded a Bachelor of Science Degree from the City College of New York in 1964 and a Doctorate of Philosophy in Mathematics from Brown University in 1969. Subsequently, I held an Assistant Professorship of Mathematics at Wesleyan University in Connecticut. In the summer of 1975, I was a Visiting Fellow at Yale University. From July, 1975 through January, 1981, I was Assistant Controller and Project Manager for a division of National Steel Products Company. My responsibilities there included supervision of management accounting, cost accounting and data processing functions. I was also responsible for internal control, general ledger systems, working capital levels, budget preparation, cash flow forecasts and capital expenditure analysis.

I have published in major academic journals and am a member of the International Association for Energy Economics. I was an invited speaker at the NARUC Introductory Regulatory Training Program and a panelist at a conference on LDC and Pipeline Ratemaking sponsored by the Institute of Gas Technology. I have

presented a paper on stranded costs at the 21st Annual International Conference of the International Association for Energy Economics. I have had two papers on transmission congestion pricing published in The Electricity Journal. I am also a Certified Energy Procurement Professional by the Association of Energy Engineers.

In January, 1982, I joined the firm of Drazen-Brubaker & Associates, Inc., the predecessor of Brubaker & Associates. Since that time, I have presented expert testimony on the subjects of industry restructuring, open access transmission, marginal and embedded class cost of service studies, prudence and used and useful issues, electric and gas rate design, revenue requirements, natural gas transportation issues, demand-side management, and forecasting.

I have previously testified before the Federal Energy Regulatory Commission as well as the public service commissions of Arizona, Connecticut, Delaware, Florida, Idaho, Illinois, Iowa, Massachusetts, Michigan, Montana, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, Wyoming and the Provinces of Alberta, British Columbia, Nova Scotia, and Saskatchewan in Canada.

In addition to our main office in St. Louis, the firm also has branch offices in Phoenix, Arizona; Chicago, Illinois; Corpus Christi, Texas; and Plano, Texas.

ILLINOIS POWER COMPANY

Class Cost of Service Study
Indexes and Subsidies for the
Company Study and IIEC Corrected Study

Line	Rate Classes		Company Study ROR Index (1)	Company Study Subsidy (2)	Corrected Study ROR Index (3)	Corrected Study Subsidy (4)
1	Residential	51	101	$ 435	101	$ 381
	Commercial:					
2	Small Volume	63	93	(520)	91	(743)
3	Interim Volume	64	64	(745)	69	(610)
4	Seasonal	66	(18)	(376)	(39)	(632)
	Industrial:					
5	Large Volume	65	91	(99)	94	(66)
6	Transportation	76	149	936	169	1,213
7	Special Contract	90	174	370	202	456
8	Total Company		100	$ -	100	$ -

ILLINOIS POWER COMPANY

Comparison of
IIEC's Recommended Increase with
the Company's Proposed Increase

Line	Rate Classes		Current Base Revenue (1)	IIEC Recommended Increase Amount (2)	IIEC Recommended Increase Percent (3)	Company Proposed Increase Amount (4)	Company Proposed Increase Percent (5)
1	Residential	51	$ 86,074	$ 27,166	31.6%	$ 27,232	31.6%
	Commercial:						
2	Small Volume	63	19,260	8,038	41.7%	7,711	40.0%
3	Interim Volume	64	4,007	2,415	60.3%	2,419	60.4%
4	Seasonal	66	605	641	106.0%	641	106.0%
	Industrial:						
5	Large Volume	65	2,441	1,106	45.3%	736	30.2%
6	Transportation	76	5,552	383	6.9%	1,010	18.2%
7	Special Contract	90	1,224	-	0.0%	-	0.0%
8	Total Company		$ 119,163	$ 39,749	33.4%	$ 39,749	33.4%