

DIRECT TESTIMONY

of

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Accounting Department

Financial Analysis Division

Illinois Commerce Commission

**Central Illinois Light Company d/b/a AmerenCILCO,
Central Illinois Public Service Company d/b/a AmerenCIPS,
and Illinois Power Company d/b/a AmerenIP**

Docket Nos. 05-0160/05-0161/05-0162 (Consolidated)

**Proposals to implement a competitive procurement process
by establishing Rider BSG, Rider BSG-L, Rider RTP,
Rider RTP-L, Rider D, and Rider MV**

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1 **WITNESS IDENTIFICATION**

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

3 A. My name is Scott A. Struck. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois 62701.

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

6 A. I am currently employed as a Supervisor in the Accounting Department of the
7 Financial Analysis Division of the Illinois Commerce Commission (“ICC” or the
8 “Commission”).

9 **Q. Please describe your background and professional affiliations.**

10 A. I hold a Bachelor of Science in Accounting from Southern Illinois University at
11 Carbondale. I am a Certified Public Accountant, licensed to practice in the State
12 of Illinois, and a member of the American Institute of Certified Public
13 Accountants. I joined the staff of the Illinois Commerce Commission (“Staff”) in
14 June 1990. Prior to joining Staff, I was employed as an accountant in public
15 accounting for two years and in industry for one year.

16 **Q. Have you previously testified before any regulatory body?**

17 A. Yes, I have testified on several occasions before the Commission.

18 **PURPOSE OF TESTIMONY**

19 **Q. What is the purpose of your testimony in this proceeding?**

20 A. I propose changes to the tariff language of Section 7. H., Adjustments to Retail
21 Supply Charges of each respective Rider MV filed by Central Illinois Light
22 Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a
23 AmerenCIPS, and Illinois Power Company d/b/a AmerenIP (jointly “Ameren” or
24 “the Company”).

25 First, I propose language to clarify what items are included in the adjustments to
26 retail supply charges. Second, I propose alternative language to reflect my
27 recommendation that the Commission determine the methodology and resulting
28 value for the Uncollectible Adjustment in each of the Company’s subsequent rate
29 cases.

30 **ADJUSTMENTS TO RETAIL SUPPLY CHARGES**

31 **Q. Please explain your understanding of Section 7. H., Adjustments to Retail**
32 **Supply Charges, of each respective Rider MV.**

33 A. Section 7. H., Adjustments to Retail Supply Charges, identifies various
34 adjustments to be made to the Retail Supply Charges to determine the Market
35 Value Prices applicable to each Supply Customer Group. These adjustments
36 consist of the Supply Procurement Adjustment, the Cash Working Capital
37 Adjustment, the Uncollectible Adjustment, and the Default Supply Service
38 Availability Charge (“DSSAC”).

39 **Q. Do you propose any changes to the introductory paragraph of Section 7.**
40 **H., Adjustments to Retail Supply Charges?**

41 A. Yes. In order to clarify what items are included in the adjustments to retail supply
42 charges, I propose the following changes to the tariff language of Original Sheet
43 No. 27.048 of each respective Rider MV:

44
45 **H. ADJUSTMENTS TO RETAIL SUPPLY CHARGES**
46 The Market Value prices applicable to each Supply Customer Group
47 shall reflect: (1) the energy Retail Supply Charges determined through
48 the above translation formulas; and (2) the adjustments to retail supply
49 charges for supply procurement, cash working capital, and
50 uncollectibles; (3) the Market Value Adjustment Factor (MVAF); and
51 (4) the Contingency Supply Factor (CSF) any additional costs incurred
52 by Company or allocated to the procurement function related to the
53 provision of supply of power and energy. In addition, the Market Value
54 prices for DS-4 customers with RES supply shall reflect the Default
55 Supply Service Availability Charge (DSSAC). Customers served
56 under the Company's energy supply tariffs will be billed the applicable
57 Market Value charges pursuant to the Market Value Informational
58 Filing For Retail Supply Charges, substantially in the form of Appendix
59 A of this Rider that reflect the following adjustments:

60 **Q. Why are these changes appropriate?**

61 A. These changes clarify what is included in the phrase "any additional costs
62 incurred by Company or allocated to the procurement function related to the
63 provision of supply of power and energy." They do so by reference to the
64 adjustments and charges which are set forth in more detail in the rest of
65 subsection H.

66 **Q. Has the Company offered any comments about your proposed language?**

67 A. Yes. In response to Staff Data Request AD 2.02, the Company indicated that it
68 would be willing to consider these language modifications.

69 **UNCOLLECTIBLE ADJUSTMENT**

70 **Q. Please explain your understanding of the Uncollectible Adjustment.**

71 A. The Uncollectible Adjustment in each respective Rider MV is intended to
72 compensate the Company for its supply-related uncollectible costs. The
73 Company proposes to revise this charge annually based upon an average of the
74 three previous years of uncollectibles expense as related to supply costs.

75 **Q. Do you have any comments regarding the Company's Uncollectible
76 Adjustment proposal?**

77 A. Yes. The Company's proposal would treat supply-related uncollectible costs
78 differently than the rest of the non-commodity costs of procuring and
79 administering power and energy supply ("Non-commodity Costs").¹ The
80 Company proposes to adjust the amount of uncollectibles expense to be
81 recovered annually, in between rate cases, without considering changes in the
82 components of the other Non-commodity Costs, which would be changed only in
83 rate cases.

¹ More specifically, these non-commodity costs would be the costs reflected in the Supply Procurement Adjustment and the Cash Working Capital Adjustment. (See each respective Rider MV, Original Sheet Nos. 27.048 and 27.049)

84 **Q. What factors should the Commission consider in order to evaluate the**
85 **Company's Uncollectible Adjustment proposal?**

86 A. When considering whether the value for uncollectibles should be changed in
87 between rate cases, in isolation from the other Non-commodity Costs, the
88 Commission should evaluate the relationship between uncollectibles and the
89 aggregate of other Non-commodity Costs. The Commission should consider
90 various factors including:

- 91 1. How significant uncollectibles are in relation to the aggregate of the other
92 Non-commodity Costs,
- 93 2. The extent to which changes in uncollectibles might be offset by changes
94 in the other Non-commodity Costs,
- 95 3. The extent to which uncollectibles are volatile and fluctuating in relation to
96 the aggregate of the other Non-commodity Costs,
- 97 4. The extent to which changes in uncollectibles might warrant additional rate
98 cases when the Company's rates would otherwise be just and reasonable,
- 99 5. The extent to which the Company would suffer significant financial harm if
100 it failed to reflect changes in uncollectibles in rates in a timely manner, and
- 101 6. The extent to which a significant regulatory lag in the recovery of
102 substantial fluctuations in uncollectibles would be beyond the Company's
103 control.

104 Essentially, the Commission should consider uncollectibles in relation to the
105 aggregate of the other Non-commodity Costs to determine if the Company's
106 proposal is appropriate. Depending upon the particular facts, one such factor
107 alone might be significant enough to warrant special treatment or a combination
108 of such factors might be required.

109 **Q. Has the Company explained why it proposes to treat supply-related**
110 **uncollectible costs differently that the other Non-commodity Costs?**

111 A. Yes. In response to Staff Data Request AD 1.06, the Company explained why it
112 believes the Uncollectible Adjustment should not be determined in an electric
113 rate case and why a three-year average is more appropriate than some other
114 average:

115 Due to the power and energy costs changing after each subsequent CPA
116 process, a fair method to both customers and to the Company would be to
117 re-establish the uncollectible adjustment value annually, based on a rolling
118 three-year average of actual uncollectibles. The uncollectible adjustment
119 excludes any uncollectibles associated with delivery services, only
120 capturing the value associated with utility supplied power and energy. No
121 specific studies were performed to support the three-year average
122 method, however, multi-year periods are common in formulating test year
123 expenses. Further, the three-year period is of sufficient length to mitigate
124 variations in uncollectibles due to weather variations and price changes.

125 **Q. Is the Company's explanation sufficient to demonstrate why supply-related**
126 **uncollectible costs should be changed in between rate cases, in isolation**
127 **from the other Non-commodity Costs?**

128 A. No.

129 **Q. Why is the Company's explanation insufficient?**

130 A. The Company's explanation expresses the Company's preference for its
131 proposal, but fails to provide information about how uncollectibles stand in
132 relation to the aggregate of the other Non-commodity Costs. The Company's

133 explanation leaves questions about the relationship between uncollectibles and
134 the aggregate Non-commodity Costs unanswered.

135 **Q. Should the Company provide this kind of information and analysis in its**
136 **rebuttal testimony?**

137 A. The Company is certainly free to provide in its rebuttal testimony whatever
138 information it believes is appropriate and responsive to the other parties' direct
139 testimony. However, I believe much of the information and analyses that would
140 enable the Commission to evaluate the Company's proposal would be beyond
141 the scope of this proceeding, as the Company has presented it. The anticipated
142 rate case would provide a more appropriate context for the Commission to
143 evaluate the methodology to be used with the Company's proposed Uncollectible
144 Adjustment. This would enable the Commission to evaluate the methodology and
145 amount for the Uncollectible Adjustment while it is also evaluating the amounts
146 for the Supply Administration Charge and Cash Working Capital Adjustment.

147 **Q. What do you recommend?**

148 A. The Commission should determine the methodology and resulting value for the
149 Uncollectible Adjustment in each of the Company's subsequent rate cases. In
150 this proceeding, the Company has not provided sufficient reasons to change
151 uncollectibles in between rate cases in isolation from the costs to be reflected in
152 the Supply Procurement Adjustment and the Cash Working Capital Adjustment.

153 **Q. Should anything in your recommendation be understood or construed to**
154 **mean that you believe the Company should present a different proposal in**
155 **the upcoming rate case?**

156 A. No. Because there is insufficient information, I am not taking a position at this
157 time regarding the Company's proposed methodology for the Uncollectible
158 Adjustment. In each of the rate cases, the Company should present whatever
159 proposal it believes is appropriate. My recommendation merely recognizes that
160 the expected rate cases would provide a more appropriate context for the
161 Commission to evaluate the Company's proposal, whether the Company
162 presents its current proposal or a different one.

163 **Q. In light of your recommendation, what changes do you propose to the**
164 **"Uncollectible Adjustment" portion of Subsection 7. H., Adjustments to**
165 **Retail Supply Charges, of each respective Rider MV?**

166 A. I propose the following changes to Original Sheet No. 27.049 of each respective
167 Rider MV:

168 Uncollectible Adjustment
169 This adjustment will reflect the Company's uncollectible experience for
170 Company-supplied power and energy. ~~Prior to each revision to Retail~~
171 ~~Supply Charges Schedule, the adjustment for uncollectibles will be~~
172 ~~determined based upon an average of the three (3) previous years of~~
173 ~~uncollectible expense as related to supply costs. This adder only applies~~
174 ~~to Customers taking power and energy from the Company. The charge is~~
175 ~~determined annually. Documentation supporting the calculation of this~~
176 ~~adder will be provided to the Staff on an annual basis. This adjustment~~
177 ~~shall be established by the Commission in an electric rate case.~~
178

179 **Q. Would there be any other benefits to determining the methodology for the**
180 **Uncollectibles Adjustment in each of the Company's subsequent rate**
181 **cases?**

182 A. Yes. There are at least two benefits. First, doing so would give the both
183 Commission and the Company more flexibility to modify the methodology as they
184 learn more about the Company's actual experience with uncollectibles related to
185 providing electric power and energy supply obtained through the competitive
186 procurement process. Second, doing so would be consistent with the way that
187 Commonwealth Edison Company's proposed tariffs to implement its competitive
188 procurement process treat supply-related uncollectible costs.

189 **CONCLUSION**

190 **Q. Does this question end your prepared direct testimony?**

191 A. Yes, it does.