

ILLINOIS COMMERCE COMMISSION

DOCKET NOS. 06-0070, 06-0071 and 06-0072 (CONSOLIDATED)

REBUTTAL TESTIMONY

OF

LEONARD M. JONES

Submitted On Behalf

Of

**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**

May 26, 2006

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REBUTTAL TESTIMONY

OF

LEONARD M. JONES

Q. Please state your name and business address.

A. My name is Leonard M. Jones. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Are you the same Leonard M. Jones that previously submitted testimony in these proceedings?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to address issues of various witnesses concerning revenue allocation, rate design, proposals to change various elements of the Ameren Companies' tariff schedules, and franchise expenses included in the test-year. In addition, I will present an updated revenue allocation and rate design reflecting the redistribution of the customer class revenues from the Ameren Companies' original revenue requirement requested in its direct case as well as certain corrections to the embedded cost of service model. My failure to address a particular witness' position or argument should not be construed as endorsement of same. Additionally, I will provide responses to several substantive areas related to demand and price response that Commissioners Lula Ford and Bob Lieberman

23 have requested parties to address in the Ameren Companies' Delivery Service
24 Tariff proceedings (Interoffice Memorandum dated May 5, 2006).

25 **I. Updated Revenue Allocation and Rate Design**

26 **Q. Have you prepared an update to the revenue allocation and rate design**
27 **resulting from a change to the proposed customer class revenue**
28 **requirements?**

29 A. Yes, the results are shown in Schedule 20.1 through 20.7, which are updates to
30 Schedules 10.1 through 10.7 submitted in the direct case.

31 **Q. In addition to the change in class revenue requirements, have other updates**
32 **been made to the cost of service (COS) studies?**

33 A. Updates have been made to the COS for AmerenCIPS and AmerenCILCO. The
34 changes to the AmerenCIPS study had the effect of lowering proposed DS-4
35 Distribution Delivery Charges and slightly increasing the same for all other
36 classes. For AmerenCILCO, the proposed DS-4 Distribution Delivery Charges
37 increased, and the similar charge decreased for all other rate classes. Ameren
38 Company witness Mr. Phil Difani discusses COS changes in his rebuttal
39 testimony.

40 **Q. Were any changes made to the proposed test-year billing units?**

41 A. Yes, for AmerenCIPS the proposed demand billing units for high-voltage and
42 primary service have been adjusted for DS-3 and DS-4. The demand total for
43 each class is the same; however, the amount attributed to high-voltage
44 inadvertently included primary load. Specifically, 21,357 kW was moved from
45 DS-3 high-voltage to primary, and 750,902 kW was moved from DS-4 high-

46 voltage to primary. The change lowers primary level Distribution Delivery
47 Charges and increases high-voltage Distribution Delivery Charges, all other
48 things constant.

49 In addition, the total kWh for DS-2 for each of the Ameren Companies has been
50 increased to reflect kWh provided to municipalities under franchise agreements. I
51 discuss the issue in more detail later in this testimony in response to an issue
52 raised by Attorney General witness Mr. David Effron.

53 Finally, adjustments were made to the number of customers at various voltage
54 levels for DS-2, DS-3, and DS-4 for AmerenCIPS. I discuss the issue in more
55 detail later in this testimony in response to an issue raised by Staff witness Mr.
56 Greg Rockrohr.

57 These changes are reflected in Schedule 20.6.

58 **II. Rate Classes**

59 **Q. Mr. James Selecky on behalf of Wal-Mart has proposed that DS-3 class be**
60 **separated into two separate rate classes, one for customers with demands**
61 **ranging from 150 kW up to 400 kW and another for customers with**
62 **demands of 400 kW up to 1,000 kW. Should Mr. Selecky's proposal be**
63 **adopted at this time?**

64 A. No. Neither the Ameren Companies nor any other party in the case has evaluated
65 the need to separate DS-3 into two classes, and therefore there is no evidence in
66 the record to support Mr. Selecky's position. As a result, his recommendation
67 should be rejected.

68 **Q. Why is it not advisable to separate DS-3 into two classes at this time?**

69 A. First, creation of a new rate class involves a study of the class load characteristics,
70 and if one group substantially deviates from the other, a separate rate class may be
71 warranted. The Ameren Companies have not had the opportunity to properly
72 evaluate load differences between customers 150-400 kW compared to those 400-
73 1,000 kW. If loads are not fairly homogeneous, different rate groupings could be
74 explored.

75 Second, the Commission has previously ordered the Ameren Companies to install
76 interval metering for customers with demands of 400 kW and over. The Ameren
77 Companies were given two years from the date of the order to comply with this
78 directive. The Ameren Companies intend to comply and in so doing intend to
79 ensure rate symmetry between Basic Generation Service ("BGS") rates and
80 Delivery Service rates, which promotes ease of customer understanding of post
81 2006 electric services.

82 Third, the Ameren Companies have proposed a revenue allocation adjustment to
83 the DS-3 rate class. If the Ameren Companies revenue allocation methodology is
84 accepted, it is unclear how revenue responsibilities for those customers from 150
85 kW to less than 400 kW and those from 400 kW to less than 1,000 kW would be
86 set.

87 In summary, the Ameren Companies recommend that the Commission adopt the
88 DS-3 class as they propose. In the event the Commission decides to split BGS-3
89 in the future, the Ameren Companies would not oppose a commensurate split to
90 the DS-3 rate class into two rate classes but it would have to be done in a way so
91 as to promote continuity in auction product offerings.

92 **III. Revenue Allocation & Rate Impacts**

93 **Q. How have changes to the class “cost of service study” impacted the outcome**
94 **of the Ameren Companies class revenue allocation?**

95 A. In the Ameren Companies' direct case, AmerenCILCO's DS-4 class was subject
96 to a 5% minimum rate increase floor. With the correction in class cost of service,
97 the DS-4 class will receive an increase greater than 5%. Thus, since
98 AmerenCILCO's DS-4 exceeds the 5% minimum threshold, the floor is no longer
99 relevant.

100 Also, in the Ameren Companies direct case, AmerenCIPS's DS-4 class was not
101 subject to a 5% minimum threshold. The revised COS shows that cost-based rates
102 would result in a rate decrease for DS-4 customers, which now triggers the 5%
103 minimum rate increase criteria.

104 **Q. Have other parties commented on the use of the 5% minimum increase**
105 **threshold for DS-4 customers?**

106 A. Yes. IIEC witness Mr. Robert Stephens specifically addresses the issue. Kroger
107 witness Mr. Kevin Higgins and WalMart witness Selecky generally address the
108 issue by expressing a desire to see cost based class revenue responsibility.

109 **Q. How do you respond to Mr. Stephens' call for elimination of the 5%**
110 **minimum threshold?**

111 A. The corrections to the COS studies have greatly diminished the need to impose a
112 minimum increase for DS-4. The updated studies show that only AmerenCIPS's
113 DS-4 would receive a decrease. It is also true that the increase to AmerenCIPS's
114 other delivery service classes is no more than 14% (see Schedule 20.1 page 4 of

115 6). The Ameren Companies proposed to set a floor for AmerenCILCO's DS-4 at
116 5% primarily because of the significant proposed increases to other classes , and
117 in the Ameren Companies judgment, under these circumstances, no class should
118 receive a decrease when other classes were expected to pay increases of that
119 magnitude. In light of the proposed delivery service increase amounts for
120 AmerenCIPS relative to those proposed for AmerenCILCO and AmerenIP, the
121 Ameren Companies no longer believe it is appropriate to hold the DS-4 class to a
122 5% minimum increase threshold. Instead, rates for DS-4 should be allowed to be
123 set at COS.

124 **Q. Mr. Higgins also proposes common Distribution Delivery Charges (demand**
125 **charges) for DS-3 and DS-4. Are common demand charges appropriate at**
126 **this time?**

127 A. While having DS-3 and DS-4 Distribution Delivery Charges closer together is
128 consistent with the Ameren Companies long term goal of establishing cost-based
129 rates, doing so at this time would cause DS-4 charges to rise at an unacceptable
130 level above COS. As discussed previously, the Ameren Companies propose to set
131 DS-4 rates equal to COS. Indeed, many of Mr. Higgins' concerns about
132 "divergence in demand charges" (p. 3) are mitigated with the Ameren Companies
133 revised COS studies.

134 **Q. There was also a criticism leveled at not including DS-4 in DS-1 through DS-**
135 **3 class average revenue allocation methodology. Please reply.**

136 A. The Ameren Companies excluded DS-4 from the "average rebundled" revenue
137 allocation methodology since these customers' delivery service rate contribution,

138 as a percentage of their total bill, is so much smaller than it is for the other rate
139 classes. Including them in the calculation would produce rates greatly in excess
140 of costs. For example, looking at the revised revenue allocation Schedule 20.1,
141 AmerenIP's DS-1 delivery revenue represents 41% of a customer's average total
142 rebundled bill. Conversely, the DS-4 delivery revenue is only 5% of the total
143 rebundled electric bill. The DS-4 class contributes approximately 19% of the
144 AmerenIP total DS revenue, is proposed to receive a 109% increase in DS rates,
145 and yet is only receiving an overall "rebundled" increase of 2.8%. Simply
146 moving the DS-4 rate class to an average 10.8% "rebundled" increase would
147 require a DS-4 increase to delivery service rates of about 415%. Including the
148 DS-4 group in the "average rebundled" formula would result in DS that would no
149 longer resemble cost-based rates.

150 **Q. Staff witness Ms. Cheri Harden is generally supportive of the Ameren**
151 **Companies' revenue allocation methodology, but proposes that the revenue**
152 **allocation between AmerenCILCO's DS-2 and DS-3 be redistributed. Do**
153 **you agree?**

154 A. While I appreciate Ms. Harden's concern about the potential impact on DS-2, the
155 Ameren Companies do not agree that further revenue redistribution should occur.
156 The Ameren Companies revenue allocation methodology ensures that the DS-1,
157 DS-2, and DS-3 classes each receive an equal increase when comparing present
158 rebundled revenue to proposed rebundled revenue, or an increase of 13%.
159 Delivery Service rates for AmerenCILCO's DS-3 are proposed to increase by
160 approximately 81% over present Delivery Service rates (please see Schedule 20.1,

161 page 6). Further, the Ameren Company proposal places proposed DS-3 revenue
162 requirements reasonably close to the level needed to produce an equalized rate of
163 return for the class. A revenue allocation at an equalized rate of return for each
164 class is consistent with the Ameren Company long term revenue allocation goal,
165 and consistent with the positions of Mr. Stephens, Mr. Higgins, and Mr. Selecky.

166 **Q. Please summarize the revenue allocation positions of CUB witness Mr. Chris**
167 **Thomas.**

168 A. Mr. Thomas argues it is inappropriate for utilities to set retail distribution rates on
169 equal class rates of return, arguing that doing so fails to recognize the differences
170 in risk associated with different customer classes. Mr. Thomas argues that the
171 residential and governmental classes are less risky to serve than other customer
172 classes, and thus should receive a rate increase no more than 90% of the system
173 average. Mr. Thomas also argues that the Ameren Company proposal does not
174 adequately address the impact of rate increases to residential customers.

175 **Q. How do you respond to Mr. Thomas' criticism?**

176 A. First, I am not aware of the Commission reaching this same conclusion in the past
177 several years. In general, the Commission has attempted to move rates toward an
178 equal rate of return or an equal proportion of cost responsibility when possible.
179 (Bill impact concerns sometimes constrain movement to rates based on equalized
180 rates of return.) Second, uncollectible exposure and weather-related revenue risks
181 are higher for the residential class compared to other rate classes. The residential
182 class contains the largest uncollectibles exposure to the Ameren Companies, an
183 item that the Ameren Companies expect to increase as total energy costs increase.

184 In addition, residential usage is subject to greater weather-related risk compared
185 to other rate classes. A cooler than expected summer could result in much less
186 revenue to the Ameren Companies.

187 Third, I note others argue that perhaps the cost of service study has assigned less
188 cost to the residential and small use customer class than could be justified.

189 (Ameren witness Difani addresses application of the “minimum system” within
190 the COS portion of his testimony. While the “minimum system” concept may
191 have merit, the Ameren Companies are not proposing to adopt the method at this
192 time.)

193 Fourth, the Ameren Company revenue allocation methodology attempts to strike a
194 balance between its desire to implement cost-based delivery service rates and
195 customer bill impacts, recognizing that when the cost responsibility of one rate
196 class is decreased, the cost responsibility of another rate class will increase. The
197 Commission has already approved a “bill impact adjustment” in the auction cases.
198 The bill impact adjustment will evaluate the class increase for “rebundled” service
199 compared to existing bundled service, and adjust power and energy prices
200 according to the constraints approved in the auction cases. The Ameren Company
201 revenue allocation methodology carries the bill impact adjustment one step further
202 by ensuring that the DS-1, DS-2, and DS-3 classes each receive an equal increase
203 when comparing present and proposed “rebundled” revenues. This methodology
204 has the effect of reducing delivery service rates to the DS-1 class by 8.7% for
205 AmerenIP, 3.6% for AmerenCIPS, and 16.6% for AmerenCILCO. (Please see
206 Schedule 20.1.) With the Ameren Company proposed revenue shift, DS-1 is

207 proposed to pay 85% and 91% of the total average increase for AmerenIP and
208 AmerenCILCO, respectively. Only AmerenCIPS's DS-1 increase, 8.2%, remains
209 slightly above the system average of 6.6%.

210 **Q. Have you reviewed the testimony of Attorney General witness Mr. Scott**
211 **Rubin regarding bill impacts and rate increases?**

212 A. Yes. Mr. Rubin claims the Ameren Company presentation of the increases in the
213 case are misleading, and recommends additional subsidization of the residential
214 class, especially to those who heat their homes using electricity. I respectfully
215 disagree. The Ameren Companies have shown the anticipated change in current
216 rates assuming their requested increases were approved. In schedules filed with
217 the direct case, we also explained the change in delivery service rates. One could
218 debate the importance of the latter insofar as the vast majority of our customers do
219 not take unbundled delivery service.

220 **Q. How do you respond to Mr. Rubin's analysis of residential increases for each**
221 **of the Ameren Companies?**

222 A. Mr. Rubin's objections should have been made in the Ameren Company
223 competitive procurement process cases last year when the Ameren Companies'
224 BGS rates were at issue. The issue of a declining non-summer energy block for
225 all usage over 800 kWh per month was discussed at length, and accepted in the
226 Ameren Company competitive procurement process cases. The block at 800 kWh
227 was implemented in recognition of the potential impact that may be experienced
228 by existing space-heat customers transitioning to rates effective on January 2,
229 2007. The issue of bill impacts was also addressed in the Ameren Company

230 competitive procurement process cases. As previously mentioned, the
231 Commission approved a "mitigation adjustment" in that case to address bill
232 impact concerns. Indeed, the mitigation adjustment approved by the Commission
233 in ICC Docket Nos. 05-0160/0161/0162 (cons.) will evaluate "rebundled" rates
234 compared to bundled rates for all classes except DS-4. The Ameren Companies
235 revenue allocation methodology in this case pertains to allocation of delivery
236 service revenue. Mr. Rubin appears to be recommending re-litigating the
237 mitigation adjustment already approved by the Commission.

238 **Q. Please summarize the revenue allocation issue raised by the Cities of**
239 **Champaign and Urbana witness Mr. Richard Cuthbert.**

240 A. For AmerenIP, the Ameren Companies have proposed to subsidize Protective
241 Lighting with higher rates to Street Lighting within DS-5. Mr. Cuthbert
242 recommends that lighting rates be set at cost of service (no intraclass subsidy) or
243 in the alternative, all of AmerenIP's other rate classes should share in the subsidy.

244 **Q. Should the Commission follow Mr. Cuthbert's proposal?**

245 A. Not at this time. The Ameren Companies long term goal is to synchronize pricing
246 for AmerenIP's Street and Protective Lighting. Doing so immediately would
247 result in an increase for residential Protective Lighting customers of
248 approximately 149%, and non-residential Protective Lighting customers of
249 approximately 49%. On the other hand, Street Lighting customers would receive
250 a rate decrease of approximately 2%. Raising the Street Lighting group to a 15%
251 increase generates enough additional revenue to lower the increase to residential
252 Protective Lighting rates to 43%. A portion of the additional revenue was also

253 used to offset proposed prices for non-residential Protective Lighting, reducing
254 the proposed increase to 32%. I had previously stated that no customer group
255 should receive a rate decrease when others face significant increases. The same
256 principle applies here.

257 **Q. If the Commission chooses to maintain a rate subsidy to the Protective**
258 **Lighting group, Mr. Cuthbert proposed that the subsidy should be shared by**
259 **all other customers. Is this appropriate?**

260 A. No. The Ameren Companies have proposed that all of AmerenIP's other rate
261 classes receive a delivery service increase greater than 15%. Shifting more of the
262 burden to those customers would not be equitable.

263 **IV. Rate Design and Rate (DS) Tariffs**

264 **Q. Please respond to the direct testimony of Staff witness Mr. Michael Luth**
265 **regarding the Ameren Company proposed Customer and Meter Charges.**

266 A. Mr. Luth has correctly observed that the Ameren Company proposed Metering
267 Charges generate revenue below the full cost of "metering" service as shown in
268 Ameren Company witness Difani's embedded cost of service study (ECOSS).
269 Likewise, the Ameren Company proposed Customer Charges are above the other
270 customer-related costs shown in the ECOSS. However, in developing both
271 charges, the Ameren Companies followed the cost of service methodology for
272 unbundling metering costs approved in ICC Docket No. 99-0013. In that docket,
273 it was determined that the operation, and thus cost, of current transformers (CTs)
274 and potential transformers (PTs) should remain with the utility. That is, CTs and
275 PTs which are recorded in the FERC account for metering (account 370), were

276 not included as unbundled metering service. Accordingly, the Ameren
277 Companies performed an unbundled metering ECOSS, excluding the cost of CTs
278 and PTs. The Ameren Company proposed Meter Charges were designed to
279 recover the total unbundled metering ECOSS. Likewise, the cost of CTs and PTs
280 were included in the Customer Charge. The sum total of the Customer and Meter
281 Charges equal the customer and meter ECOSS totals shown in Mr. Difani's
282 exhibits. This should be satisfactory to Mr. Luth.

283 **Q. Mr. Domagalski seeks clarification on how Ameren proposes to apply**
284 **Customer and Meter Charges. How will these charges be assessed?**

285 A. Rates DS-1 through DS-4, in the Monthly Charges section, state that the
286 Customer and Meter Charges apply to each electric service account. The term
287 "customer" and "account" are often used interchangeably. With this
288 understanding, a customer with multiple meters under one account will only be
289 required to pay one monthly Meter Charge. Other pre-existing arrangements for
290 those meters, if any, will remain in effect (e.g., rental or excess facilities contract).

291 **Q. Staff witness Mr. Greg Rockrohr suggests that the Ameren Companies**
292 **contemplate a special consideration for customers with customer-owned**
293 **transformation who are metered on the primary (high) side of their**
294 **transformer. How do you respond?**

295 A. Mr. Rockrohr believes that past utility practices may have created "incentives" for
296 customer transformation ownership without a customer charge "penalty". To
297 properly evaluate the situation, past practices of each of the Ameren Companies
298 needs to be discussed.

299 **Q. What has been the past practice for AmerenIP?**

300 A. Neither AmerenIP's past business practices, nor rate design, have provided
301 customers or AmerenIP with an incentive to request high side metering. A
302 Transformation Charge has been part of AmerenIP's rate structure since at least
303 the late 1980's. Likewise, voltage differentiated Facilities Charges (comparable
304 to Customer and Meter Charges) have applied for the same amount of time.
305 Moreover, AmerenIP attempts to place metering on the low end of customer-
306 owned facilities because it is less expensive (for both the customer and
307 AmerenIP) and generally safer for employees to work on. Any existing locations
308 with high side metering at a customer-owned transformer is likely that way
309 because low side metering was not a feasible alternative. In other words, either
310 the customer did not want the meter on the low side, or there were other
311 overriding reasons to locate the meter on the high side (such as availability of
312 space, other safety concerns, the need to meter multiple secondary lines and
313 subsequent loss of coincident demands, etc...).

314 **Q. Was metering on the low side of customer-owned transformation also**
315 **preferred by AmerenCILCO?**

316 A. Yes. Existing bundled rates assess the Customer Charge based on the customer's
317 utilization voltage. While AmerenCILCO's prices were not voltage
318 differentiated, placing the meter on the low voltage side of transformation was the
319 least-cost option for the Ameren Companies. Indeed, AmerenCILCO's business
320 practice was to minimize costs and meter on the low side of transformation where
321 possible. The numbers for AmerenIP and AmerenCILCO bear this out.

322 AmerenIP only has 33 DS-3 customers with high side metering on a customer-
323 owned transformer, and AmerenCILCO only has 11. Each situation likely exists
324 because metering on the low side was not practical.

325 **Q. Did AmerenCIPS tend to meter customer usage on the low side of customer-**
326 **owned transformation as well?**

327 A. The business practices have been different for AmerenCIPS (including the area
328 formerly served by AmerenUE-Illinois). The business practice for AmerenCIPS
329 has been to meter customer loads at the point of customer ownership change.
330 Thus, if a customer installed its own transformation equipment, AmerenCIPS
331 would usually meter on the high side of the transformer since that marks the point
332 of ownership change. Existing bundled Customer Charges were not voltage
333 differentiated. Also, AmerenCIPS existing bundled service customers received a
334 discount on their demand charge for assuming responsibility and expense of
335 subsequent voltage reductions (see Rates 6T, 9T, among others).

336 **Q. Should a special consideration be given to delivery service customers with**
337 **high side metering on a customer-owned transformer?**

338 A. Not for AmerenIP and AmerenCILCO. The Ameren Companies and the
339 customer have had incentives to place metering on the low end of transformation
340 where possible. Any metering on the high side of customer-owned transformation
341 is likely due to physical conditions at the customer's premise, as I previously
342 stated.

343 Conversely, the situation for AmerenCIPS creates a transition issue, as suggested
344 by Mr. Rockrohr. Customers have had an incentive to install their own

345 transformation, yet the Customer Charge did not vary by voltage. Mr. Rockrohr
346 suggests a possible solution to address the issue. Specifically, he suggests the
347 Ameren Companies “provide a separate, lower, Customer Charge for existing
348 customers who are metered on the primary side of customer-owned transformers”
349 but is open to other suggestions by the Ameren Companies. The Ameren
350 Companies view Mr. Rockrohr’s suggestion as reasonable, provided application
351 can be limited to AmerenCIPS and proposed test-year billing units are allowed to
352 be adjusted.

353 **Q. Please outline the specific steps the Ameren Companies propose to take to**
354 **mitigate Meter and Customer Charges for AmerenCIPS customers with high**
355 **side metering on a customer-owned transformer.**

356 A. For existing DS-2 customers fitting the condition, the Ameren Companies
357 proposes to assess these customers the Customer and Meter Charges at secondary
358 voltage. There are currently four DS-2 customers who own transformation and
359 are metered on the high side of the transformer. For existing DS-3 and DS-4
360 customers who are metered on the primary side of customer-owned
361 transformation, the Ameren Companies propose to assess these customers the
362 Customer and Meter Charges as if the customer meter was located on the low end
363 of transformation, plus a \$75/month Metering Reassignment Charge. Adding a
364 Metering Reassignment Charge recognizes that metering on the high side of
365 transformation is more costly than low side metering, yet preserves the benefit of
366 customer-owned transformation for nearly all customers (e.g., 150 kW customer
367 would avoid the Transformation Charge, or $\$0.50 \times 150 \text{ kW} = \75). A Metering

Respondents' Exhibit 20.0

368 Reassignment Charge is not proposed for DS-2 customers since a separately
 369 stated Transformation Charge is not proposed for DS-2, and thus these customers
 370 do not avoid the cost of transformation.

371 The AmerenCIPS and AmerenCIPS-ME billing determinants and rate design,
 372 shown in Schedules 20.2, 20.3, 20.4 and 20.6, have been updated to reflect the
 373 addition of a \$75 Metering Reassignment Charge and movement of customers
 374 into the appropriate Meter Voltage category, as shown in the table below:

Reclassification of AmerenCIPS Customers											
Customers With Customer-owned Transformers but High Side Metering											
	CIPS						CIPS-ME				
	Rate Class						Rate Class				
	DS-2		DS-3		DS-4		DS-3		DS-4		
Meter Voltage	Direct	Revised	Direct	Revised	Direct	Revised	Direct	Revised	Direct	Revised	
Secondary	-	4	-	105	-	1	-	5	-	4	
Primary	4	-	105	-	1	4	5	-	4	-	
High Voltage	-	-	-	-	4	-	-	-	-	-	
Total	4	4	105	105	5	5	5	5	4	4	

375

376 **Q. How do you respond to Mr. Rockrohr's suggestion that language be inserted**
 377 **in DS-1 to ensure that existing customers receiving three-phase service will**
 378 **not have to pay an Excess Facilities charge to continue such service?**

379 A. The Ameren Companies accept Mr. Rockrohr's suggestion. Specifically, the
 380 Ameren Companies propose to add the following language to DS-1 under
 381 "Grandfathering Provisions":

382 "Customers taking service from a Premise receiving 3-phase service before
 383 January 2, 2007 shall be allowed to continue such service without incurring
 384 additional expense from the Company. Notwithstanding the above, the Customer
 385 shall be responsible for replacement of equipment placed on the customer's side
 386 of the meter to convert single-phase service to three-phase service on and after
 387 January 2, 2007."
 388

389 The language pertaining to equipment placed on the customer's side of the meter
390 is in reference to the past practice of the Ameren Companies providing customers
391 with a phase converter. The Ameren Companies have not supported phase
392 converters for several years, and the language clarifies that the Ameren
393 Companies will not support such equipment in the future.

394 **V. Rate Design if Revenue Requirement is less than Proposed by Ameren**
395 **Companies**

396 **Q. Staff witness Luth suggests that if the revenue requirement is less than that**
397 **proposed by the Ameren Companies, rates should be adjusted by an equal**
398 **percentage basis. Do you agree with this approach?**

399 A. No. The Ameren Companies have proposed uniform Customer and Meter
400 Charges across the entire Ameren Illinois footprint, a position Mr. Luth supports.
401 Applying a uniform adjustment for each Ameren Company would not produce
402 uniform Meter and Customer Charges for the Ameren Illinois footprint. Also,
403 each Ameren Company is requesting a different percentage increase. If each
404 Ameren Company is not granted its full request, it is possible that the percentage
405 change to the revenue requirement for each Ameren Company will be different.
406 As an alternative, the Ameren Companies propose that any change to rates be
407 made through Distribution Delivery Charges in each DS class. If changes to
408 Customer and Meter Charges are necessary, they should be adjusted equally for
409 each Ameren Company, and any remaining revenue surplus or deficiency should
410 be made up through the Distribution Delivery Charges.

411 **Q. Both Mr. Selecky and Mr. Higgins propose that in the event the increase is**
412 **less than the full proposed increase, any reduced revenue should first apply**
413 **to customer classes providing a subsidy. Do you agree with this approach?**

414 A. No. Depending on the level of decrease from the Ameren Companies proposed
415 revenue requirements, different approaches to class revenue responsibility may be
416 reasonable. Regardless, the Ameren Companies remain committed to mitigating
417 rate increases for residential customers.

418 **VI. Miscellaneous Fees and Charges**

419 **A. Real Time Pricing**

420 **Q. Please respond to Mr. Domagalski's objection to the proposed exit fee for**
421 **Rider RTP customers who take service for less than 12 months.**

422 A. The Ameren Companies have proposed an exit fee pricing mechanism to
423 encourage Rider RTP customers to remain on the service for a full year in order to
424 recover at least a portion of the labor cost associated with installing an interval
425 meter. In essence, the Ameren Companies have proposed to monetize the
426 minimum stay provision by offering customers the flexibility to leave RTP
427 service when they desire.

428 **Q. Is Mr. Domagalski correct that the Ameren Companies do not impose an exit**
429 **fee under any its current real-time pricing tariffs?**

430 A. No. While each Ameren Company's existing tariffs may not contain the words
431 "exit fee", they do contain cost recovery mechanisms for incremental metering,
432 which I believe accomplishes the same objective. AmerenIP's Rider DA-RTP II
433 requires customers to pay the Company for any necessary incremental metering

434 costs. Similarly, AmerenCILCO's existing real time pricing tariff, Rider G, also
435 requires customers to pay an up-front fee for furnishing and installing of any
436 additional metering equipment. AmerenCIPS's existing Rider RTP requires
437 customers to pay a \$220 Meter Removal Fee if they remain on the tariff less than
438 a year. In the cases of AmerenIP and AmerenCILCO, exit fees are not necessary
439 since costs are recovered up-front directly from the customer. For AmerenCIPS,
440 the Meter Removal Fee is essentially the same as an "exit fee". Moreover, for
441 AmerenIP and AmerenCILCO, the residential RTP option intending to meet the
442 requirements of Section 16-107 of the Public Utilities Act, also requires
443 customers to remain on the service for a 12 month period or pay the difference in
444 Customer Charges (or Facilities Charges) between the standard tariff rate and
445 Time of Use (residential RTP) tariffs. Likewise, AmerenCIPS requires residential
446 customers to remain on its Rate 1T (Optional Time of Use Service) for a
447 minimum 12 month term, or pay \$25 if such customer changes rates prior to the
448 end of the 12 month term. For these reasons, I disagree with Mr. Domagalski's
449 observation. The past practice of charging an exit fee, or recovering incremental
450 metering costs up-front, is well established.

451 **Q. How do you respond to the testimony of CUB witness Thomas and AG**
452 **witness Rubin regarding the Ameren Company proposed incremental**
453 **metering fee for Rider RTP customers?**

454 A. Mr. Thomas and Mr. Rubin propose that the incremental cost of adding interval
455 metering to serve Rider RTP customers should be borne by all customers.

456 The Ameren Company is clearly incurring an incremental metering and data
457 processing cost to serve Rider RTP customers. Rider RTP is an elective service
458 that provides customers with hourly prices determined from the MISO
459 administered energy market. In effect they propose to socialize the cost of
460 interval metering, and eliminate a price signal to customers representing a portion
461 of the total cost incurred to serve them. It is the Ameren Companies' belief that
462 just like in the energy markets, showing customers an appropriate price signal for
463 metering promote efficient consumption decisions which appropriately allocate
464 scarce resources. Moreover, metering is an unbundled service that a customer
465 could take from a 3rd party provider. Providing a subsidized cost for advanced
466 (interval) metering builds a sizeable barrier to entry for any potential 3rd party
467 metering provider.

468 **Q. Please respond to Mr. Thomas' claim that the Ameren Company incremental**
469 **cost estimate for an interval meter of approximately \$300/meter is too high.**

470 A. Based on Mr. Thomas' observation, and CUB's response to data request 4.05, the
471 Ameren Companies have reevaluated the cost of providing interval demand
472 recording metering to residential customers, and the infrastructure required to
473 support processing very large numbers of interval meter reads. The updated cost
474 estimate is provided in Schedule 20.8. As shown in Schedule 20.8, the installed
475 cost of the interval meter is \$213.

476 **Q. Have costs for data processing (gathering and handling) changed from your**
477 **estimate provided in your direct testimony?**

478 A. No. The value for data processing provided in the direct case was \$7/meter, and
479 was based on the same value used in the competitive procurement case to estimate
480 the potential impact of adding interval metering to customers between 400 kW up
481 to 1,000 kW. Given the volume of the potential residential interval demand
482 recording customers envisioned by Mr. Thomas, the Ameren Companies are in
483 the process of re-evaluating the cost of handling and processing interval data. An
484 updated estimate will be available by mid July, 2006.

485 **Q. Mr. Thomas states that the Ameren Companies have been discussing the**
486 **prospects of an expanded residential RTP program with him and an ESPP**
487 **administrator, and that the issue will be further addressed in future**
488 **testimony. Please comment.**

489 A. The Ameren Companies have and expect to continue these discussions.
490 Additionally, the Ameren Companies are continuing to gather necessary data
491 relevant to this area.

492 **B. Other Miscellaneous Fees and Charges**

493 **Q. Mr. Domagalski also objects to the Ameren Companies proposed**
494 **Miscellaneous Fees and Charges for Direct Access Service Request (DASR)**
495 **Submission, the Standard Switching Fee, and a monthly usage fee. How do**
496 **you respond?**

497 A. The Ameren Companies proposed DASR and Standard Switching Fee are cost
498 based rates that charge customers for the costs that they cause the Ameren
499 Companies to incur. Schedules supporting these charges were provided to CNEI
500 in data request responses. As to the monthly usage fee, I am unclear as to what

501 fee is Mr. Domagalski referring. Proposed Miscellaneous Fees and Charges
502 include a provision for Non-standard Interval Metering, which is applicable
503 “when interval metering is not required under the terms of the tariff”. Customers
504 taking this service pay a monthly data processing fee of \$7 per interval meter.
505 The Ameren Companies do not currently charge customers to access up to 12
506 months of usage history. As discussed by Mr. Paul Straughn, 24 months of usage
507 history will be available to customers beginning January 1, 2007.

508 **VII. Other Tariff Provisions**

509 **A. Rider TS**

510 **Q. Mr. Domagalski raises a question as to why the Ameren Companies propose**
511 **to differentiate Rider TS charges based on how and whether a customer is**
512 **metered. What was the Ameren Company rationale behind the design for**
513 **each of the three types of Rider TS charge groups?**

514 **A.** The Ameren Companies guiding factor in designing Rider TS was to produce
515 transmission service charges for customers taking Company provided power and
516 energy reflective of cost causation and equitable cost recovery principles. Much
517 of the rationale for separate Rider TS charge groups can be traced to the
518 application of the Ameren Companies' FERC approved transmission tariff
519 administered through MISO, which utilize actual monthly coincident peak
520 demands as the basis for the types of charges captured in Rider TS.
521 Customers with interval demand meters (those on Rate DS-4 and those taking
522 service under a real-time pricing tariff) will be billed each month based on their
523 individual demand at the time of the peak system load occurring during the billing

524 period. Use of each interval demand metered customer's coincident peak
525 provides a better match to the cost the Company incurs to provide transmission
526 service to its retail customers within MISO, since MISO also bills transmission
527 customers based on coincident peak.

528 For other non-lighting customers (those without interval meters), charges for
529 Rider TS are proposed to be recovered on a cents/kWh basis. Transmission costs
530 for these customers will also fluctuate monthly, in accordance with the coincident
531 peak attributed to the group and group monthly sales. Again, the Ameren
532 Company proposal attempts to match transmission service prices to transmission
533 service costs.

534 The Ameren Company response to CNEI 3-03 articulated the rationale for
535 development of an annual TSC for DS-5 (Lighting Service) customers. The
536 Ameren Companies' response to Data Request CNEI 3-03 is contained in
537 Schedule 20.9. In short, these customers' loads are predictable and their peak at
538 the time of system peak can reasonably be determined.

539 **Q. Mr. Domagalski also sought clarification on how the Ameren Companies will**
540 **directly apply FERC-approved tariffs for interval metered customers, which**
541 **MISO schedules will be recovered through Rider TS, and how changes to**
542 **MISO schedules impact Rider TS. Please explain how the Ameren**
543 **Companies will directly apply FERC-approved tariffs for interval metered**
544 **customers.**

545 A. As previously stated, the MISO administered, FERC-approved tariffs recovered
546 under Rider TS all use a form of coincident peak as the primary billing unit. A

547 single \$/kW-day demand charge will be developed prior to the start of each month
548 and applied to all interval metered customers who registered a demand on the day
549 of peak system load during the billing period. Application of the demand based
550 Transmission Service Charge (TSC) will be (“\$/kW-day” x “number of days in
551 billing period” x “customer’s coincident peak demand”). The “Terms and
552 Conditions” of Rider TS state that “The Transmission Service Charge will be filed
553 with the ICC ... prior to the start of the monthly billing period it is to be applied.”
554 The Company will also file any applicable work papers to support its calculations.

555 **Q. Which MISO schedules will be recovered through Rider TS?**

556 A. The Supplier Forward Contracts (SFCs), under Appendix C, list the Schedules for
557 which the Ameren Companies are ultimately responsible and seek to recover
558 through Rider TS. Appendix C to the SFCs dated May 15, 2006, titled “MISO
559 Charges For Which Companies Are Ultimately Responsible” show the following
560 Schedules:

- 561 **Schedule 7:** Long-Term Firm and Short-Term Firm Point-To-Point
562 transmission Service
- 563 **Schedule 8:** Non-Firm Point-To-Point Transmission Service
- 564 **Schedule 9:** Network Integration Transmission Service
- 565 **Schedule 10:** ISO Cost Recovery Adder
- 566 **Schedule 11:** Wholesale Distribution Service (except to the extent that any
567 such charges specified by the MISO as prior period
568 adjustments to other schedules shall remain the responsibility
569 of the party responsible for such other Schedules during that
570 prior period)
- 571 **Schedule 12:** Gross Receipts Tax Adder
572

573 The Ameren Companies expect that Schedule 9 and Schedule 10 will be
574 commonly included within the Rider TS charge calculations each month. Charges
575 from the other Schedules above could apply, but none are presently expected.

576 **Q. How will changes to the MISO Schedules listed in Appendix C of the SFCs**
577 **impact the calculation of Rider TS?**

578 A. The Ameren Companies will include the updated charge in the calculation of the
579 TSC for the following month. To the extent an updated MISO charge applies to
580 the Ameren Companies before the TSC reflects the updated charge, such prior
581 period adjustment will be included in the TSC for the following month. Any
582 FERC refunds and/or retroactive billings will flow through the Transmission
583 Adjustment Factor (TADJF) to the extent the refund or retroactive billing covered
584 a period after January 1, 2007. The TADJF for interval metered customers and
585 non-interval metered customers will be different. The Ameren Companies do not
586 expect the TADJF for interval metered customers to be significant from month to
587 month. The Network Integration Transmission Charge (MISO Schedule 9) is
588 updated by MISO each June 1. The MISO Administrative Charge (Schedule 10)
589 is variable based on MISO costs, but the charge is relatively small and will likely
590 only cause minor monthly adjustments.

591 **Q. Mr. Domagalski seeks clarification on how the Ameren Companies plan to**
592 **amortize over- or under-recovery of actual transmission costs. How do you**
593 **respond?**

594 A. The Ameren Companies would usually seek to fully distribute any over- or under-
595 recovery of transmission costs in the next month. The concept of amortizing a
596 large over- or under-recovery balance was taken from the Purchased Gas
597 Adjustment tariffs in place today. However, even if an over- or under-recovery
598 was large in the context of Rider TS, it is likely a relatively minor portion of a

599 Customer's total bill. As such, the Ameren Companies would not object to
600 removing this provision within Rider TS.

601 **Q. Mr. Domagalski also seeks clarification on how the Ameren Companies**
602 **“plan to time any future revisions to Rider TS that might occur as a result of**
603 **MISO's implementation of other market functions, such as real-time**
604 **markets, ancillary services, and resource adequacy program(s).” (p 14,**
605 **CNE/PES Ex. 3.0 (Revised)) How do you respond?**

606 A. Only those charges shown in Appendix C of the SFCs will flow through to Rider
607 TS. The last sentence of the Purpose section of Rider TS states “Recovery shall
608 be made pursuant to the Transmission Provider's FERC-approved tariffs related
609 to Transmission Service excluding Transmission Service and other related service
610 costs recovered under Rider MV pursuant to the Supplier Forward Contracts
611 (SFCs).”

612 **Q. Have you reviewed Commonwealth Edison Company's (ComEd) Rider TS as**
613 **suggested by Mr. Domagalski?**

614 A. Yes, but I limited my review to ComEd's proposed Rider TS since that is the
615 tariff intended to be applicable beginning January 2, 2007.

616 **Q. What are your observations of the primary differences between ComEd's**
617 **and the Ameren Companies' proposed Rider TS?**

618 A. First, ComEd proposes to calculate its Rider TS annually, with provisions for an
619 opener if there is more than a 3% change to the rates filed at PJM. Although I am
620 not an expert with PJM tariffs, it is my understanding that customers are assessed
621 PJM transmission charges based on their peak load responsibility from the prior

622 year. I presume that because the billing units are already fixed, ComEd is willing
623 to establish an annual Rider TS amount. As previously discussed, the MISO uses
624 actual monthly demands to determine transmission charges. The Ameren
625 Companies' proposed Rider TS provides better matching to the charges
626 administered by the regional transmission organization to which it belongs,
627 MISO.

628 Second, ComEd proposes to use a cents/kWh charge within its proposed
629 Rider TS for all customer groups. As previously discussed, the Ameren
630 Companies propose three different Rider TS groups, one for customers with
631 interval meters, one for Lighting Service, and one for all other customers. Again,
632 the Ameren Companies' proposed Rider TS provides better matching to the
633 charges administered by the regional transmission organization to which it
634 belongs, MISO. I should also note that the Ameren Companies proposed demand
635 based charge for interval metered customers is relatively more beneficial to higher
636 load factor customers than a flat cents/kWh structure.

637 Third, ComEd's Rider TS discusses the "Initial Application" of the rate,
638 which is necessary to extend the first "annual" calculation of Rider TS charges 17
639 months rather than 12. This provision is unnecessary for two of the Ameren
640 Companies Rider TS groups since charges are determined monthly; however, the
641 TSC for the Lighting Service group could be amended to address an initial 17
642 month application.

643 Fourth, ComEd's Rider TS contains a section "Reflecting SFC Change"
644 that allows changes to the calculated annual rate if more than a 3% increase or

645 decrease is expected. Again, this provision is unnecessary for the Ameren
646 Companies' Rider TS since the rates are determined monthly.

647 **Q. Have you added clarifying language to Rider TS in an attempt to address**
648 **some of Mr. Domagalski's concerns?**

649 A. Yes. A redline and strikeout version of Rider TS is attached as Schedule 20.10.

650 The revisions to the tariff add more definition to the Calculation of the
651 Transmission Service Charge pertaining to interval-metered customers and
652 Lighting Service customers. An "Annual Contract Period" description has been
653 added to Lighting Service to recognize that the charge will apply for 17 months,
654 and then annually thereafter.

655 Three items have been added to ensure accuracy of the results. First, an Annual
656 Transmission Service Report will be provided to the ICC in an informational
657 filing. Second, the Ameren Companies will prepare an Internal Audit Report for
658 submittal to the Manager of the Commission's Accounting Department. Third,
659 the Terms and Conditions section has been modified to explicitly require the
660 Ameren Companies to submit work papers with the monthly TSC filing.

661 **B. Rider QF**

662 **Q. Staff witness Rockrohr proposes that the Ameren Companies include a fixed**
663 **price payment option within Rider QF. Is this appropriate?**

664 A. No. The concept of offering a fixed price payment option within Rider QF would
665 run contrary to the principle of compensating qualifying facilities (QF) for the
666 Ameren Companies' avoided cost. The Commission has already approved the
667 Ameren Companies proposal where the amount of energy purchased from

668 winning suppliers in the Illinois Auction to serve Rider RTP-L customers, is equal
669 to those customers real-time requirements less any energy provided by QF. The
670 Ameren Companies' avoided cost therefore is clearly that avoided under the
671 BGS-LRTP Supplier Forward Contracts (SFC). That cost in a given hour is equal
672 to the MISO Locational Marginal Price (LMP) for the same hour.

673 Rider MV, the Ameren Companies power supply tariff, provides for full and
674 timely recovery of all electric power and energy supply related costs. Since
675 implementation of a fixed price option would create a mismatch between the
676 Ameren Companies' avoided cost and what would be paid to QF, the election of
677 such a fixed price option by a QF customer would jeopardize the full and timely
678 recovery of costs, and would place the burden of any cost mismatch on Rider
679 RTP-L customers.

680 **Q. What reason did Mr. Rockrohr provide for his request that the Ameren**
681 **Companies include a fixed cents/kWh value within Rider QF?**

682 A. Mr. Rockrohr states:

683
684 "Having the ability to reference compensation in ¢/kWh, as in the Ameren
685 Companies' current tariffs, would be especially helpful to smaller QF
686 operators/owners when deciding whether or not to proceed with installing
687 self generation, or connecting self-generation to the utility for the purpose of
688 selling excess generation." (p 17)

689
690 Mr. Rockrohr goes on to state that it would be difficult for a small prospective QF
691 owner to predict an order-of-magnitude for the value of excess generation, and
692 customers may be confused by seemingly arbitrary pricing. Mr. Rockrohr further
693 states that some QF owners would find it impossible to conduct a cost analysis
694 unless a fixed cents/kWh option is made available.

695 **Q. Do you share Mr. Rockrohr's concerns?**

696 A. I respectfully disagree with the assertion that customers need a fixed price to
697 properly evaluate project economics. It must be recognized that the current QF
698 tariff rates change every year. As such, it is doubtful that an entity studying the
699 feasibility of constructing a QF would rely solely on the current period rates, but
700 rather it is reasonable to expect that they would look to both historical data and
701 available future price indicators in making such a study.

702 Such prospective customers would have a variety of data sources available to
703 review historical and forward prices, relevant to the Ameren Companies' service
704 territories, including several provided by the Ameren Companies' themselves. A
705 link to the MISO web site where customers can view historical, day-ahead, and
706 real-time LMP values will also be provided. While primarily intended for use by
707 customers served under Rider RTP and Rider RTP-L, it could be equally useful to
708 Rider QF customers.

709 Finally, customers will be able to view the Ameren Companies Retail Supply
710 Charge Informational Filing reflecting results for the various BGS products
711 secured in the auction. Such Retail Supply Charges are yet another indication of
712 the market's expectation of forward pricing which a prospective QF customer
713 could utilize in their project analysis, in addition to those available in the general
714 marketplace or from project consultants.

715 **Q. How would a mismatch between cost and revenue arise from paying QF**
716 **customers a fixed cents/kWh value?**

717 A. As mentioned previously, BGS-LRTP purchases (used to supply Rider RTP-L
718 Customers) are directly offset by any QF production. BGS-LRTP suppliers will
719 be paid by the Ameren Companies at MISO LMP prices for energy they provide.
720 Likewise, the Ameren Companies will charge Rider RTP-L customers these same
721 MISO LMP prices for energy consumed. The cost and revenue equations balance
722 as long as the price paid to Rider QF customers is equal the cost avoided under
723 the BGS-LRTP SFC's – the MISO LMP prices. A customer taking a fixed price
724 payment option under Rider QF will cause a difference between costs and
725 revenues in every single hour in which the MISO LMP does not equal the fixed
726 price option.

727 **Q. Is there a mechanism in place to account for this difference?**

728 A. Yes. The Ameren Companies Rider MV would capture this difference between
729 cost and revenue within its monthly Market Value Adjustment Factor assessed to
730 Rider RTP-L customers. Without the fixed price QF issue, we would expect the
731 Rider RTP-L true-up mechanism to include relatively minor adjustments. With a
732 fixed price QF option, the true-up could be excessive, especially if the Rider RTP-
733 L load is small relative to QF load. A fixed price QF essentially requires Rider
734 RTP-L to shoulder the burden of QF prices different than the LMP.

735 **Q. Have you considered what the impact on Rider RTP-L customers could be
736 as a consequence of having to shoulder this burden?**

737 A. Yes. It is important to note the mismatch described above could dramatically
738 change the rate that RTP-L customers would effectively pay, and could serve as a
739 disincentive for customers to elect this rate option. It is reasonable to consider

740 the possibility that Rider RTP-L is low enough that energy available from QF's is
 741 sufficient to supply 100% of their needs. In effect, this would render the price
 742 that RTP-L customers pay for a Real Time Price service, equal to the fixed price
 743 paid to QF's.

744 **Q. Can you provide an example of these impacts?**

745 A. Yes. The following tables illustrate the impact of such a cost and revenue
 746 mismatch:

**Cost and Revenue Mismatch Due to Fixed Price QF Rate
 Hypothetical Example**

Hypothetical Example of QF Generation less than RTP-L Load

	kWh	Revenue or Credit Price	Amount
Total Rider RTP-L Load	150,000	\$ 0.04	\$ 6,000
QF @ Fixed Price	(50,000)	0.05	(2,500)
BGS-LRTP SFC	(100,000)	\$ 0.04	\$ (4,000)
Difference	-		(500)
Effective RTP-L Rate (assuming full cost recovery)			\$ 0.043

747

Hypothetical Example of QF Generation = RTP-L Load

	kWh	Revenue or Credit Price	Amount
Total Rider RTP-L Load	50,000	\$ 0.04	\$ 2,000
QF @ Fixed Price	(50,000)	0.05	(2,500)
BGS-LRTP SFC	0	\$ 0.04	\$ 0
Difference	-		(500)
Effective RTP-L Rate (assuming full cost recovery)			\$ 0.050

748

749 In the first hypothetical example, QF customers on a fixed price option sell
750 50,000 kWh to the Ameren Companies and receive a credit of \$2,500; however,
751 the avoided cost priced at the hourly LMP is \$2,000. Rider RTP-L customers use
752 150,000 kWh, for which they pay \$6,000. The net load that the BGS-LRTP
753 auction suppliers are expected to provide is 100,000 kWh, for which they are paid
754 \$4,000. Simply subtracting the amounts paid to the QF and the BGS-LRTP
755 supplier from the revenue received from Rider RTP-L customers yields a shortfall
756 of \$500 for this hour.

757 In the second hypothetical, QF output equals Rider RTP-L demand. The
758 resulting shortfall, when recovered as provided for in Rider MV, has the effect of
759 making the RTP-L price equal to the fixed price paid to QF.

760 **Q. Staff witness Thomas Griffin reviewed the second section of Rider QF**
761 **labeled “Solid Waste Qualifying Facilities” and has proposed several**
762 **changes. Are these changes acceptable to the Ameren Companies?**

763 A. Yes.

764 **C. Supplier Terms and Conditions (section for System Losses)**

765 **Q. You stated in your direct testimony that new loss studies were in the process**
766 **of being completed. Have the Ameren Companies completed work on the**
767 **distribution system loss studies?**

768 A. Yes, as mentioned in the rebuttal testimony of Ameren Companies' witness
769 Difani, distribution system loss studies have been completed. A new study for the
770 AmerenCIPS-ME service area (former AmerenUE-Illinois territory) has been
771 completed. A study to determine a composite set of distribution loss multipliers

772 for AmerenIP, AmerenCIPS, and AmerenCILCO has been completed as well.
773 With this composite set of distribution loss multipliers, the Ameren Companies
774 propose to use a weighted average of the respective Ameren Company's loss
775 multipliers for application in the Ameren Company's tariffs. Use of composite
776 average distribution loss multipliers is consistent with the outcome of the Ameren
777 Companies' competitive procurement process case where the Commission
778 approved the use of a single auction for all of the Ameren Companies' Illinois
779 customers. As a result, changes to Section 5.B of the Ameren Companies'
780 proposed Supplier Terms and Conditions are required.

781 **Q. What changes are required?**

782 A. At a minimum, the table needs to be updated to reflect the Ameren Companies'
783 distribution demand loss multipliers. The distribution demand loss multipliers are
784 1.0783 for service at secondary, 1.0430 for service at primary, and 1.0161 for
785 high voltage service. Distribution losses for service at voltages above 100 kV for
786 non-FERC transmission were assumed to be minimal, and set to zero. Other
787 FERC transmission losses are applied through transmission tariffs administered
788 through the MISO.

789 **Q. Do you also recommend additional changes to the application of distribution**
790 **loss multipliers?**

791 A. Yes. The Ameren Companies loss study produces values for distribution demand
792 and energy losses. Demand losses more accurately capture losses at times when
793 the Ameren Company distribution system is at or near its peak. Energy losses
794 accurately capture the level of average losses that occur through the entire year.

795 Demand losses are necessary for the Ameren Companies transmission billing,
796 which uses a customer's monthly peak at the time of the overall system peak to
797 apply against MISO tariff charges. However, applying demand losses to a
798 customer's hourly demands throughout the year will produce an amount greater
799 than the average energy loss captured in the Ameren Companies study. To
800 address this concern, the Ameren Companies proposes to implement a variable
801 distribution loss multiplier.

802 **Q. How did you develop a variable distribution loss multiplier?**

803 A. The Ameren Companies have developed a variable distribution loss multiplier by
804 creating a quadratic equation using hourly system load as the independent
805 variable

806 **Q. What tariff changes are necessary to Section 5.B of the Supplier Terms and**
807 **Conditions?**

808 A. Changes are necessary to implement a variable distribution loss multiplier and to
809 clarify the intent of the section. Existing language should be modified as follows:

810

811

812

B. Transmission Charges

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A RES will be responsible for all applicable Transmission Service related charges for its power and energy Customers, pursuant to the Transmission Provider's FERC-approved tariffs related to Transmission Service.

818

819

C. Loss Multiplier

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The metered KW/kWh usage of Customer shall be increased for system losses, where appropriate, in order to determine Transmission Service. The system losses will be calculated by multiplying the following distribution loss adjustment factors by the transmission loss adjustment factor from the Transmission Provider's FERC approved tariffs related to Transmission Service. occurring between the Transmission Provider's Transmission System and the Customer's delivery point by multiplying the Customer's load by the appropriate distribution loss multiplier listed below, and shall be

830 increased for transmission system losses as determined in
831 accordance with the Transmission Provider's FERC-Approved
832 tariffs related to Transmission Service.

833 ~~1.xxxx for service metered at secondary voltage~~
834 ~~1.xxxx for service metered at primary voltage~~
835 ~~1.xxxx for service metered at high voltage~~
836 ~~1.xxxx for service metered at 100kV and above~~

837 For service delivered at:
838 secondary voltage: $(1.06092 + 2.2261 * 10^{-10} * SL^2)$
839 primary voltage: $(1.02358 + 2.4868 * 10^{-10} * SL^2)$
840 high voltage: $(1.00811 + 1.0228 * 10^{-10} * SL^2)$

841 Where SL equals System Load, the hourly Ameren-Illinois
842 Control Area Load.

843
844
845
846
847
848 **Q. How will use of the variable loss multiplier benefit customers?**

849 A. The use of the variable loss multiplier is more accurate, and assigns less total
850 energy loss to customers throughout the year. It is my understanding that use of
851 the variable loss multiplier would apply equally to RES provided power and
852 suppliers of Ameren Company provided power and energy. Reduced losses
853 translate into lower energy usage responsibility, which should result in direct
854 savings to all retail customers.

855 **Q. What range of variability do you expect to normally experience with the**
856 **variable losses?**

857 A. The maximum loss multiplier for an hour will be approximately equal to the
858 stated demand loss multiplier. The minimum loss multiplier for any hour will be
859 slightly higher than the first constant in the formula stated above (approximately
860 78% of the demand loss multiplier for secondary delivery voltage, 55% for
861 primary delivery voltage, and 50% for high voltage delivery voltage).

862
863

864 **D. Customer Terms and Conditions**

865 **Q. Do you accept Mr. Rockrohr's suggested language change to Section 14.D. of**
866 **the Customer Terms and Conditions, clarifying the intent of the section?**

867 A. Yes. The Ameren Companies do not object to adding the following sentence to
868 the end of Section 14.D. of the Customer Terms and Conditions.

869 "Notwithstanding the above, nothing in this section prohibits operation of
870 customer owned generating equipment where the load of the customer served by
871 said generation is not connected to the Company's system."
872

873 **VIII. Franchise Expense**

874 **Q. What portion of Attorney General witness Mr. David Effron's testimony will**
875 **you address?**

876 A. I will address the portions of Mr. Effron's testimony where he claims that the
877 Ameren Companies are double-counting costs of providing free or discounted
878 service to municipalities. Mr. Stafford also addresses this issue.

879 **Q. Please explain what is included within FERC Account 929 for each of the**
880 **Ameren Companies.**

881 A. FERC Account 929 includes the dollar value of free or discounted service
882 provided to municipalities. Typical arrangements for free service may be for the
883 Ameren Companies to provide a certain number of kWh free of charge to
884 municipal accounts, often based on a per capita basis. Once the free allowance is
885 used up for the year, the municipality would be billed the regular applicable rate.

886 Discounted service is in the form of a certain percentage off for all lighting
887 service used by a municipality. The amount of free and discounted service

888 included within test year expense for 2004 is shown in the table below for each
 889 Ameren Company.

890

Free and Discounted Service Reflected in Account 929						
(\$000)						
	Free Electric			Discounted Lighting	Total	Account 929
	Dollars	kWh	Cents/kWh			
AmerenIP	\$ 324.1	4,731,410	6.85	\$ 8,802.7	\$ 9,127	\$ 9,127
AmerenCIPS	\$ 133.1	2,243,722	5.93	\$ -	\$ 133	\$ 133
AmerenCILCO	\$ 7.2	180,365	4.00	\$ 733.0	\$ 740	\$ 740

891
892

893 **Q. How were the discounted lighting service and free kWh reflected within the**
 894 **Ameren Companies' proposed billing units and revenue calculations shown**
 895 **in Part 285 Schedule E-5 (also shown in Schedule 10.6 in the direct case)?**

896 A. All lighting units are counted in the test year whether discounted or not; however,
 897 kWh sales associated with free service are not reflected in test year totals.

898 **Q. Since all lighting units are counted whether discounted or not, is Mr.**
 899 **Effron's claim correct that "As there are no revenues (or reduced revenues)**
 900 **from the entities to which the free or discounted service is provided, the costs**
 901 **of providing such service are recovered from the remaining body of**
 902 **customers." (Effron page 20 of AmerenCILCO, page 27 for AmerenIP, and**
 903 **page 16 of AmerenCIPS)?**

904 A. No. The test year billing units (Schedule E-5) were multiplied by the full tariff
 905 rate to arrive at a total (non-discounted) revenue value. No recognition of
 906 franchise consideration discounts were made within the lighting class. Instead, an

907 adjustment to test year expense was made to reflect the amount of the discount.
908 The Ameren Companies have accounted for the franchise discount to lighting
909 service only once, not in the revenue calculation but in the proposed test year
910 expense.

911 **Q. Conversely, since “free electric” units are not counted in the test year, should**
912 **at least value of the “free electric” service franchise cost be removed from the**
913 **Ameren Company’s test year expense?**

914 A. No. Removing the expense in its entirety would fail to recognize that the Ameren
915 Company provides free electric power and energy in addition to free delivery
916 service to the municipality. For example, the value of “free electric” for
917 AmerenIP is 6.85 cents/kWh (see table above). The average rate for DS-2
918 customers (the service most municipal accounts will be served under) is presently
919 1.87 cents/kWh. Removing the expense in its entirety would fail to recognize the
920 franchise value equal to 4.98 cents/kWh for electric power and energy plus
921 transmission service.

922 **Q. How do you propose to account for the recovery of the power and energy**
923 **portion while avoiding a double counting of the delivery service portion?**

924 A. I recommend that delivery service kWh valued for DS-2 be increased by the
925 amount of the values shown in the table above. Doing so ensures that the delivery
926 service portion is not double counted, and still provides the Ameren Company
927 with an opportunity to recover expenses associated with “free” power and energy,
928 and transmission service.

929 **Q. What impact will adding the kWh units have to each Ameren Company's**
930 **test year billing units?**

931 A. Adding the billing units to DS-2 kWh sales will increase present delivery service
932 revenue by \$64,000 for AmerenIP, \$34,600 for AmerenCIPS, and \$4,400 for
933 AmerenCILCO. Increasing test-year sales addresses Mr. Effron's concern and
934 places "free electric" service on the same basis as "discounted" service. That is,
935 all units are accounted for in the test-year billing determinants (Schedule E-5)
936 reflecting revenue without discounts or free service.

937 **IX. Bundled to Rebundled Rate Mapping**

938 **Q. Ms. Jennifer Witt, witness for CNE-PES, has stated that with the elimination**
939 **of legacy bundled rates and creation of new bundled rates, and other new**
940 **tariffs, that it will be necessary for Ameren's website to provide a translation**
941 **of the existing schedule of rates. Will the Ameren Company provide this**
942 **information?**

943 A. Yes, the Ameren Companies will provide a schedule similar to Schedule 10.10
944 provided in my direct testimony on www.ameren.com.

945 **X. Responses to Questions of Commissioners Bob Lieberman and Lula Ford**

946 **Q. Commissioners Bob Lieberman and Lula Ford posed several questions in a**
947 **memorandum. Which questions will you address?**

948 A. I will address concerning meter costs applicable to residential RTP.

949 **Q. "Is the pricing scheme proposed in the Ameren testimony the most effective**
950 **way to price interval meters?"**

951 A. The Ameren Companies propose to implement a \$5/month interval metering fee
952 for Rider RTP customers. As I discuss in my testimony, charging customers the
953 incremental fee sends the appropriate price signal to customers that their service
954 choice, Rider RTP, causes the Ameren Companies to incur additional costs to
955 serve them.

956 **Q. “What sources did Ameren use to develop these costs?”**

957 A. The Ameren Companies have updated the cost estimate of providing interval
958 demand recording metering to residential customers, as shown in Schedule 20.8.
959 The cost of the interval meter hardware is based on current competitive bids from
960 meter suppliers. The time estimates for labor are based on the Ameren
961 Companies' experience for installing interval metering, and labor rates including
962 direct labor plus benefits loadings. Costs for data processing are based on the
963 average cost of the group responsible for handling interval demand data. As
964 discussed earlier in my testimony in response to Mt. Thomas, the Ameren
965 Companies are in the process of re-evaluating the cost of handling and processing
966 interval data, and expect to have an updated estimate by mid July.

967 **Q. “What was the base year for the study?”**

968 A. The cost study used the most current data for 2005 and 2006. Specifically,
969 equipment costs reflect prices good through the end of 2006. Labor rates reflect
970 labor agreement rates in effect July 2006, and average labor loadings in effect for
971 2005.

972 **Q. “What metering options did Ameren explore? Did Ameren find the lowest-**
973 **cost meters that could provide the measurement of energy as needed for an**
974 **hourly energy pricing program for residential customers?”**

975 A. All of the Ameren Companies use competitive bidding to procure meters. By
976 definition, this process results in the Ameren Companies obtaining the least cost
977 metering option.

978 **Q. “What studies did Ameren perform to determine how the reliability and**
979 **useful life of electronic meters has changed over the past decade? What**
980 **evidence, if any, demonstrates that the useful life of meters is increasing, and**
981 **that the ten-year standard is obsolete?”**

982 A. The Ameren Companies believe that a 15 year useful life is appropriate for new
983 interval demand recording meters. It is my understanding that the Ameren
984 Companies presently operate interval metering approaching a 15 year life and
985 have not observed a decrease in performance of those meters.

986 **Q. “How do the costs of interval meters compare to the costs of standard**
987 **residential watt-hour meters?”**

988 A. The installed cost of a standard watt-hour meter is about 40% of the cost of an
989 interval meter.

990 **Q. Does this conclude your rebuttal testimony?**

991 A. Yes.

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