

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Interstate Power and Light Company :
:
Petition For Approval Of Sale of :
Utility Assets Pursuant To Sections 7- :
102; Approve the Discontinuance of :
Service Pursuant to 8-508; : Docket No. 05-0835
Cancellation of Tariffs Pursuant to 9- :
201 of the Public Utilities Act; and the :
Granting of All Other Necessary and :
Appropriate Relief. :

REBUTTAL TESTIMONY OF
RICK M. KNIPFER

JO-CARROLL ENERGY, INC.

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REBUTTAL TESTIMONY OF RICK M. KNIPFER

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

2 A. My name is Rick M. Knipfer. My business address is 793 U.S. Route 20 West,
3 Elizabeth, Illinois, 61028-0390.

4

5 **Q. Are you the same Rick M. Knipfer that filed direct testimony in this**
6 **proceeding on behalf of Jo-Carroll Energy (“Jo-Carroll”)?**

7 A. Yes

8

9 **Q. What is the purpose of your rebuttal testimony?**

10 A. My rebuttal testimony responds primarily to issues raised in the direct testimony
11 of Commission Staff witness Ronald Linkenback. Specifically, I will address
12 Mr. Linkenback’s assertions regarding alleged short term inconveniences
13 regarding customer service levels and reliability that he suggests might result
14 from the sale of the Interstate Power and Light Company (“IPL”) electric
15 distribution system to Jo-Carroll.

16

17 **Q. What are your comments regarding short term inconvenience of service**
18 **level?**

19 A. In any utility ownership transfer there will be short term service level issues. In
20 fact, there are even service level issues within the same utility whenever there are
21 major internal changes, such as reorganizations, key personnel replacements,
22 service center building replacements, and major computer upgrades. Once you
23 accept the fact that IPL is selling its Illinois distribution system, the question
24 becomes who is best suited to minimize the short-term impact upon service.
25 Compared to all other qualified entities, Jo-Carroll is in the best position to
26 minimize the short-term disruption of service levels.

27

28 **Q. Why is Jo-Carroll best suited to minimize the impact upon service levels?**

29 A. Jo-Carroll's headquarters and existing system are in the same geographic area as
30 the IPL system being acquired. Additionally, all of Jo-Carroll's employees live in
31 the area, and more than half of Jo-Carroll's present employees are IPL customers.

32

33 **Q. What are your comments regarding Jo-Carroll's plans for adding and**
34 **training employees?**

35 A. Jo-Carroll is already in the process of adding qualified employees in anticipation
36 of adding the existing Illinois IPL customers and distribution system. Of course,
37 Jo-Carroll's existing staff is already quite experienced and qualified in virtually all
38 areas of electric utility work, including primary metering and large service

39 installations such as two line feeds with automatic transfer equipment. To
40 supplement that experience in preparation for the acquisition, Jo-Carroll is setting
41 up specialized technical training for existing personnel involving different
42 distribution voltages and urban work methods. This training has been scheduled to
43 be conducted just prior to the anticipated merger of the two systems.

44 Jo-Carroll is also in the process of implementing policy and procedure changes to
45 accommodate the merger. Jo-Carroll is planning to hire seven (7) present IPL
46 employees as new Jo-Carroll employees. Jo-Carroll is arranging to be able to call
47 upon IPL's assistance in any situation to assist Jo-Carroll during the short-term
48 transition to make the merger of the two systems as smooth and transparent as
49 possible to the existing IPL customers.

50

51 **Q. Do you have any additional thoughts concerning customer service related to**
52 **this transaction?**

53 A. Having been involved in the merger of distribution systems in the past, I strongly
54 believe that Jo-Carroll is taking the prudent and appropriate steps to facilitate a
55 smooth transition when it takes over serving the current IPL customers. Jo-Carroll
56 will be as prepared as it reasonably can be to minimize any short term
57 inconvenience regarding customer service.

58

59 **Q. Do you have any comments about Mr. Linkenback's attempt to compare the**
60 **outage rates of Jo-Carroll and IPL?**

61 A. Mr. Linkenback refers to SAIFI (system average interruption frequency index) and
62 CAIDI (customer average interruption duration index) data in his testimony --
63 SAIFI relates to frequency of outages and CAIDI relates to duration of outages.
64 As Mr. Linkenback candidly observes, it is very difficult to compare reliability
65 index numbers between IPL and Jo-Carroll because IPL and Jo-Carroll have
66 different outage recordkeeping practices. As a result, the chart in Mr.
67 Linkenback's direct testimony is somewhat misleading.

68

69 **Q. Have you attempted to provide a more accurate comparison?**

70 A. Yes. In an effort to establish as much of an "apples to apples" comparison of the
71 information as possible, Jo-Carroll re-calculated its SAIFI index numbers and
72 partially re-calculated its CAIDI index numbers for 2003 and 2004 using what we
73 believe to be the same criteria utilized by IPL, to the extent Jo-Carroll possessed
74 the relevant information. With respect to the re-calculation of the CAIDI
75 information, Jo-Carroll does not have certain historic information that would allow
76 for an even more accurate re-calculation. As discussed further below, although Jo-
77 Carroll's partial re-calculation resulted in improved CAIDI data, if Jo-Carroll had
78 that additional information, Jo-Carroll's CAIDI index data would almost certainly
79 be further improved over the re-calculated number provided in the following
80 charts. In any event, the following charts show the re-calculated Jo-Carroll
81 SAIFI/CAIDI numbers for 2003 and 2004, the IPL SAIFI/CAIDI numbers for the
82 same period, and the range of SAIFI/CAIDI numbers for Commission regulated
83 utilities for the same period.

84

85 **Q. What was the result of the adjusted SAIFI analysis?**

86 A. The adjusted SAIFI analysis is reflected in the following table:

87 **Adjusted SAIFI Index Numbers:**

	2003	2004
Jo-Carroll (re-calculated)	1.10	1.40
IPL	1.22	0.64
Commission Regulated Utilities Range	1.22 to 2.71	0.61 to 2.69

88

89 The re-calculation changed Jo-Carroll's 2003 SAIFI from 0.77 to 1.10 compared
90 to IPL's 1.22. The Commission regulated utility SAIFI range for 2003 was 1.22 to
91 2.71. Thus, even with the upward adjustment, Jo-Carroll's 2003 SAIFI was better
92 than IPL's and better than all Commission regulated utilities. Jo-Carroll's 2004
93 SAIFI changed from 1.04 to 1.40 compared to IPL's 0.64.

94

95 **Q. What did the adjusted SAFI analysis show for 2004?**

96 A. The Commission regulated utility SAIFI range for 2004 was 0.61 to 2.69. Thus,
97 although Jo-Carroll's adjusted 2004 SAIFI is higher than IPL's, it remained in the
98 middle of all Commission regulated utilities.

99

100 **Q. What was the result of the re-calculated CAIDI analysis?**

101 A. The partially adjusted CAIDI analysis is reflected in the following table. In
102 reviewing this data, it is important to understand that the re-calculation was only

103 partial for the CAIDI analysis, and that a full re-calculation very likely would
 104 result in *even lower* CAIDI numbers for Jo-Carroll. This is because the CAIDI
 105 data used for the re-calculation includes outage times that, in at least some cases,
 106 are calculated based on customer reports of the time power was lost, rather than on
 107 the time the outage was first reported, which is the ICC and national standard for
 108 CAIDI calculation. Jo-Carroll has discovered that its outage answering service
 109 sometimes manually overrides the computer date/time stamp of the call time that
 110 would conform to the ICC/national CAIDI standard, and instead manually enters a
 111 time of outage based on customer estimates. Of course, the time of outage as
 112 reported by the customer is by definition *earlier* than the customers call, and
 113 sometimes is significantly earlier. Thus, this basic component of Jo-Carroll's
 114 CAIDI index calculation for 2003 and 2004 results in artificially higher CAIDI
 115 results than it should. Jo-Carroll is in the process of further investigating this
 116 situation to see if the available data for a *full* re-calculation is available and if a full
 117 re-calculation is feasible. At this point, however, the important point is that Jo-
 118 Carroll's CAIDI data would be *even lower* than it is as provided here if full
 119 historic information were available.

120

121 **Adjusted CAIDI Index Numbers:**

	2003	2004
Jo-Carroll (re-calculated)	122.2	152.0
IPL	100.2	77.2
Commission Regulated Utilities Range	33.9 to 354.0	70.0 to 278.0

122

123 The partial re-calculation changed Jo-Carroll's 2003 CAIDI changed from 142.9
124 minutes to 122.2 compared to IPL's 100.2 minutes. Jo-Carroll's 2004 CAIDI
125 changed from 177.0 minutes to 152.0 compared to IPL's 77.2 minutes.

126

127 **Q. What did the adjusted CAIDI analysis show?**

128 A. The Commission regulated utility range for 2003 was 33.9 to 354.0 minutes.
129 Thus, Jo-Carroll's 2003 CAIDI is slightly higher than IPL's but certainly on the
130 low end of the spectrum of all Commission regulated utilities. The Commission
131 regulated utility range for 2004 was 70.0 to 278.0 minutes. Again, Jo-Carroll's
132 CAIDI, although higher than IPL's, remains in the middle of the spectrum for all
133 Commission regulated utilities, and would be further improved with additional
134 information.

135

136 **Q. What should the Commission conclude based upon the adjusted SAIFI and**
137 **CAIDI analysis?**

138 A. It is quite clear from this data that Jo-Carroll's SAIFI and CAIDI statistics (even to
139 the extent only partially re-calculated) are quite "competitive" both with respect to
140 IPL and, even more so, with respect to Commission regulated utilities generally.
141 Further, there are a variety of relevant factors that affect these numbers.

142

143 **Q What other factors would impact the relative SAIFI and CAIDI scores of Jo-**
144 **Carroll and IPL?**

145 A. There are a number of legitimate reasons for Jo-Carroll to have higher SAIFI and
146 CAIDI statistics. First, it takes longer on average to locate, sectionalize, and repair
147 underground outages than overhead outages. In response to issues raised by its
148 members, Jo-Carroll was very aggressive in the 1970's installing direct burial
149 underground in lieu of overhead facilities. Only seventy-eight (78) miles of IPL's
150 521 line miles are underground compared to 306 underground miles of 1199 total
151 line miles for Jo-Carroll.

152

153 Second, about one third of Jo-Carroll's existing underground cable is about 30
154 years old. The age of the cable results in more underground cable failures than
155 average resulting in a higher outage duration than an average overhead electric
156 outage. Jo-Carroll's action plan to improve this situation was to increase the
157 underground cable replacement budget to 70% of the total construction capital
158 improvement budget for the last four years. Jo-Carroll plans to continue at this
159 level for at least the next ten years.

160

161 Third, in 2002 the right-of-way re-clearing budget was increased significantly with
162 the goal to achieve a 5-year cycle. The results of this increased level of forestry
163 maintenance work will not fully be seen until the 2007 reliability index numbers
164 are available.

165

166 Fourth, IPL has approximately 24 customers per mile of line compared to 6
167 customers per line mile for Jo-Carroll. On average, this customer density

168 difference would tend to increase the travel time between outages during a
169 multiple outage storm situation, which would increase outage duration time.

170

171 **Q. Do you have any final thoughts regarding the SAIFI and CAIDI comparison**
172 **between Jo-Carroll and IPL?**

173 A. Yes. Even putting aside that the CAIDI re-calculation is only partial and that a
174 full re-calculation would result in an even lower CAIDI 2003 and 2004 numbers
175 for Jo-Carroll, to the extent that IPL's SAIFI and CAIDI numbers are "better"
176 than Jo-Carroll's, there is no particular reason to think that those numbers will get
177 worse after Jo-Carroll takes over providing service to former IPL customers.
178 Many of the characteristics that may well explain why IPL's numbers may in
179 some cases be better than Jo-Carroll's (e.g., less underground cable; number of
180 customers per line) will continue to exist after Jo-Carroll takes over. Jo-Carroll
181 possesses the experience and expertise to maintain and even improve these
182 historical ratings for *both* the current Jo-Carroll and the former IPL service
183 territories.

184

185 **Q. Does this conclude your prepared rebuttal testimony?**

186 A. Yes.