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**BEFORE  
THE ILLINOIS COMMERCE COMMISSION**

Central Illinois Light Company d/b/a )  
AmerenCILCO, Central Illinois ) Docket Nos. 06-0070  
Power Company d/b/a AmerenCIPS, ) 06-0071  
Illinois Power Company d/b/a/ ) 06-0072  
AmerenIP, Proposed General )  
Increase in Rates for Delivery Service )  
(Tariffs Filed December 27, 2005) )

**Rebuttal Testimony of Kevin C. Higgins**

**on behalf of**

**The Kroger Co.**

**June 27, 2006**

1 **REBUTTAL TESTIMONY OF KEVIN C. HIGGINS**

2

3 **Introduction**

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

5 A. Kevin C. Higgins, 215 South State Street, Suite 200, Salt Lake City, Utah,  
6 84111.

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

8 A. I am a Principal in the firm of Energy Strategies, LLC. Energy Strategies  
9 is a private consulting firm specializing in economic and policy analysis  
10 applicable to energy production, transportation, and consumption.

11 **Q. Did you previously file direct testimony in this proceeding?**

12 A. Yes. I filed direct testimony on behalf of The Kroger Co. (“Kroger”).

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

14 A. My rebuttal testimony responds to:

15 (1) Updated information provided in the rebuttal testimony of Ameren  
16 witness Leonard Jones; and

17 (2) The proposal in the direct testimony of ICC Staff witness Cheri L.  
18 Harden to increase the size of the proposed subsidy to be paid by DS-3 customers  
19 in the AmerenCILCO territory.

20 **Q. What are the conclusions and recommendations of you rebuttal testimony?**

21 A. I continue to recommend to the Commission that the demand charges for  
22 DS-3 and DS-4 be established on a common basis based on their joint cost-of-  
23 service. Failure to do so will lead to inequitable results and perverse rate

1 transitions. In Kroger Exhibits 2.1 and 2.2, I update my calculations of DS-3 and  
2 DS-4 demand charges to conform to Ameren’s revised cost-of-service studies and  
3 to recognize additional cost information provided through data responses.

4 I also recommend that the Commission not adopt the recommendation of  
5 ICC Staff witness Cheri L. Harden to increase the size of the proposed subsidy to  
6 be paid by DS-3 customers in the AmerenCILCO territory. Ameren’s proposal  
7 would already raise the delivery portion of DS-3 rates by over 80 percent.  
8 Singling out DS-3 customers for an even larger subsidy burden would not only  
9 exacerbate this rate increase, it would inappropriately widen the divergence  
10 between DS-3 and DS-4 demand charges.

11

12 **Response to Leonard Jones Rebuttal**

13 **Q. In response to your recommendation to set the Distribution Delivery Charges**  
14 **(demand charges) for DS-3 and DS-4 at the same rate, Ameren witness**  
15 **Leonard Jones states that the Company’s revised cost-of-service studies**  
16 **move the demand charges for DS-3 and DS-4 closer together, mitigating your**  
17 **concerns about divergence in demand charges. Do you wish to respond?**

18 A. I agree that the revised cost-of-service analysis moves these charges closer  
19 together, but I continue to recommend to the Commission that the demand  
20 charges for these two rate schedules be established on a common basis, consistent  
21 with Mr. Jones’ contention on page 17 of his direct testimony that, “conceptually,  
22 providing a kW of service to customers at a given voltage level costs the same  
23 whether the customer requires 150 kW or 2,000 kW.”

1           In my direct testimony I calculated a common demand charge for DS-3  
2           and DS-4, based on the cost information and requested revenue in the Company's  
3           direct filing. In this rebuttal testimony I have revised my calculations to conform  
4           to Ameren's revised cost-of-service studies and to recognize additional cost  
5           information provided through data responses. Specifically, with respect to the  
6           latter, I recognize DS-4 reactive power revenues as an offset to the DS-4 demand  
7           charge, which results in an appropriate demand charge differential between DS-3  
8           and DS-4. These revised calculations are presented in Kroger Exhibits 2.1 and  
9           2.2.

10           In Kroger Exhibit 2.1, I calculate DS-3 and DS-4 demand charges at  
11           Ameren's requested revenue requirement, while retaining the aggregate level of  
12           subsidy recommended by Ameren for DS-3 and DS-4,<sup>1</sup> but with an equitable  
13           sharing of the burden based on equalization of the DS-3 and DS-4 demand  
14           charges, adjusted for reactive power revenues.

15           Kroger Exhibit 2.2 shows the same calculation, but eliminates any subsidy  
16           payments from DS-3 or DS-4, reflecting my recommended option.

17           The results of this analysis for primary voltage rates are summarized in  
18           Table KCH-Rebuttal 1, below.

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<sup>1</sup> Note that in its revised proposal, Ameren has removed any subsidy payment from DS-4.

**Table KCH-Rebuttal 1**  
**Comparison of Ameren and Kroger Proposed Demand Charges for Primary Delivery Service**

Assumes Ameren Requested Revenue Requirement

Utility distribution company	DS-3 Charge (\$/kW)	DS-4 Charge (\$/kW)
<u>Ameren Revised Proposal</u>		
AmerenIP	6.252	4.436
AmerenCIPS	4.191	2.782
Ameren CILCO	5.692	3.399
<u>Kroger Proposal w/Subsidy</u>		
AmerenIP	5.931	5.393
AmerenCIPS	3.747	3.472
Ameren CILCO	4.873	4.632
<u>Kroger Recommended Proposal – No subsidy</u>		
AmerenIP	4.957	4.506
AmerenCIPS	3.554	3.293
Ameren CILCO	4.737	4.503

24 **Q. Mr. Jones also states that bringing the DS-3 and DS-4 Distribution Delivery**  
 25 **Charges closer together would cause DS-4 charges to rise to an unacceptable**  
 26 **level above cost-of-service. Do you wish to respond?**

27 A. I share Mr. Jones’ expressed support for cost-of-service ratemaking  
 28 principles. My proposal is to set the distribution demand charge for each voltage  
 29 level based on the joint cost-of-service for DS-3 and DS-4, as derived from the  
 30 Company’s workpapers. However, the Company’s rate spread proposal includes a  
 31 significant subsidization component that would cause DS-3 rates to be set above  
 32 cost. To the extent that the Company’s subsidization proposal is adopted, my  
 33 proposal would have DS-4 share in that burden; I acknowledge that this would  
 34 cause DS-4 rates to be above cost-of-service – but that is also true for DS-3 under

1 the Company's proposal. I reiterate that my recommended approach is that there  
2 should be no subsidy from either DS-3 or DS-4.

3 **Q. Do you have any other observations regarding Ameren's revised proposed**  
4 **DS-3 and DS-4 Distribution Delivery Charges?**

5 A. Yes. By proposing such significant (and unwarranted) differentials in the  
6 demand charge between DS-3 and DS-4, Ameren is creating anomalous rate  
7 transitions, which, in turn, will result in perverse incentives for customers. For  
8 example, in any of the Ameren territories, a secondary voltage customer with a  
9 demand of 750 kW would actually save money by increasing its distribution  
10 demand to 1000 kW in order to qualify for the DS-4 rate. This savings would  
11 result because the proposed demand charge for DS-3 is so much higher than DS-  
12 4. Put another way, if we have two customers who are otherwise identical, but one  
13 places a 1000 kW demand on the system and the other places a 750 kW demand  
14 on the system, under Ameren's proposal, the 1000 kW customer would not only  
15 pay a lower rate – this customer would pay a lower Distribution Service total bill.  
16 This is not a reasonable result

17 The calculations supporting this analysis are presented in Kroger Exhibit  
18 2.3.

19 Obviously, it makes no sense to reward customers for placing greater  
20 burdens on the distribution system. Such perverse results can be avoided by  
21 setting the distribution demand charge for each voltage level based on the joint  
22 cost-of-service for DS-3 and DS-4, as I recommend.

1 **Response to Cheri L. Harden**

2 **Q. ICC Staff witness Cheri L. Harden states that DS-3 customers in the**  
3 **AmerenCILCO territory should pay an even larger subsidy than the**  
4 **Company is recommending. Do you wish to comment?**

5 A. As shown in Kroger Exhibit 2.4, Ameren's proposal already increases the  
6 delivery portion of DS-3 rates by over 80 percent (compared to 40 percent for DS-  
7 1, 43 percent for DS-2, and 32 percent for DS-4). Singling out DS-3 customers for  
8 an even larger subsidy burden would not only exacerbate the rate increase faced  
9 by these customers, it would inappropriately widen the divergence between DS-3  
10 and DS-4 demand charges.

11 In addition to the reasons for not widening the divergence between DS-3  
12 and DS-4, discussed above, I would add that as a matter of public policy, it strikes  
13 me as arbitrary to require a customer with a demand, say, of 900 kW, to pay a  
14 subsidy (DS-3), while exempting from the subsidy obligation a moderately larger  
15 customer (with a demand, say, of 1100 kW) (DS-4). This is particularly true given  
16 that the smaller customer is being asked to pay a higher demand charge in the first  
17 instance – and given that Ameren acknowledges that, in concept, providing a kW  
18 of service at a given voltage level costs the same for these two customers.

19 For these reasons, I recommend that the Commission not adopt Ms.  
20 Harden's recommendation for DS-3.

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

22 A. Yes, it does.

**Equalized DS 3 and DS 4 Distribution Delivery Charges**  
Assumes Aggregate Subsidy from DS 3 & DS 4 Rate Schedules at Ameren Proposed Amounts  
AmerenIP

<b>PRIMARY VOLTAGE DELIVERY CHARGE</b>		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		<u>Ameren Proposed</u>			
			Unit		
<u>Ln.</u>		<u>Units</u>	<u>Charge</u>	<u>Annual</u>	<u>Source</u>
<u>No.</u>		<u>(kW)</u>	<u>(\$/kW)</u>	<u>Revenue</u>	
1	DS 3 Low Voltage Demand Charge (primary)	5,269,629	6.252	\$32,945,721	Ameren Schedule 20.6-Rev., p. 1 of 18, Ln. .
2	DS 4 Low Voltage Demand Charge (primary)	1,765,863	4.436	\$7,833,368	Ameren Schedule 20.6-Rev., p. 2 of 18, Ln. .
3	Total DS 3 & DS 4	7,035,492	5.796	\$40,779,089	Col. (b) = Col. (c) ÷ Col. (a)

Primary Voltage Delivery Charge  
As Modified by Kroger

		<u>Kroger Proposed</u>			
			Unit		
		<u>Units</u>	<u>Charge</u>	<u>Annual</u>	<u>Source</u>
		<u>(kW)</u>	<u>(\$/kW)</u>	<u>Revenue</u>	
4	DS 3 Low Voltage Demand Charge (primary)	5,269,629	5.931	\$31,255,790	Col (b) = Derived Value
5	DS 4 Low Voltage Demand Charge (primary)	1,765,863	5.393	\$9,523,299	Col (b) = Ln 3, Col(b) x [1- Ln 13])
6	Total DS 3 & DS 4	7,035,492	5.796	\$40,779,089	Col. (b) = Col. (c) ÷ Col. (a)

**HIGH VOLTAGE DELIVERY CHARGE**  
As Proposed by Ameren

<b>HIGH VOLTAGE DELIVERY CHARGE</b>		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		<u>Ameren Proposed</u>			
			Unit		
<u>Ln.</u>		<u>Units</u>	<u>Charge</u>	<u>Annual</u>	<u>Source</u>
<u>No.</u>		<u>(kW)</u>	<u>(\$/kW)</u>	<u>Revenue</u>	
7	DS 3 High Voltage Demand Charge (hv)	992,311	1.599	\$1,586,705	Ameren Schedule 20.6-Rev., p. 1 of 18, Ln. .
8	DS 4 High Voltage Demand Charge (hv)	10,334,408	1.134	\$11,719,219	Ameren Schedule 20.6-Rev., p. 2 of 18, Ln. .
9	Total DS 3 & DS 4	11,326,719	1.175	\$13,305,924	Col. (b) = Col. (c) ÷ Col. (a)

High Voltage Delivery Charge  
As Modified by Kroger

		<u>Kroger Proposed</u>			
			Unit		
		<u>Units</u>	<u>Charge</u>	<u>Annual</u>	<u>Source</u>
		<u>(kW)</u>	<u>(\$/kW)</u>	<u>Revenue</u>	
10	DS 3 High Voltage Demand Charge (hv)	992,311	2.026	\$2,010,416	Col (b) = Derived Value
11	DS 4 High Voltage Demand Charge (hv)	10,334,408	1.093	\$11,295,508	Col (b) = Ln 9, Col(b) x [1- Ln 13])
12	Total DS 3 & DS 4	11,326,719	1.175	\$13,305,924	Col. (b) = Col. (c) ÷ Col. (a)

**DS 4 REACTIVE DEMAND REVENUE ADJUSTMENT**  
As Proposed by Ameren

<u>Ln.</u>		<u>Adjustment</u>	<u>Source</u>
13	Reactive Revenue Adjustment Ratio (%)	6.96%	Ameren Schedule 20.5, p. 4 of 12, Col. 6

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**Equalized DS 3 and DS 4 Distribution Delivery Charges**  
Assumes Aggregate Subsidy from DS 3 & DS 4 Rate Schedules at Ameren Proposed Amounts  
AmerenCIPS

PRIMARY VOLTAGE DELIVERY CHARGE		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		AmerenCIPS-Total Proposed			
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
1	DS 3 Delivery Charge (primary)	4,391,023	4.191	\$18,402,777	Ln 1 Col. (a) = Ln 4 Col. (a) + Ln 7 Col. (a)
2	DS 4 Delivery Charge (primary)	<u>2,823,092</u>	<u>2.782</u>	<u>\$7,853,842</u>	Ln 2 Col. (a) = Ln 5 Col. (a) + Ln 8 Col. (a)
3	Total DS 3 & DS 4	7,214,115	3.640	\$26,256,619	Col. (b) = Col. (c) ÷ Col. (a)
<b>Ameren-CIPS Proposed</b>					
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
4	DS 3 Delivery Charge (primary)	3,497,008	4.191	\$14,655,961	Ameren Schedule 20.6-Rev., p. 6 of 18, Lns. 38 & 40
5	DS 4 Delivery Charge (primary)	<u>2,161,205</u>	<u>2.782</u>	<u>\$6,012,472</u>	Ameren Schedule 20.6-Rev., p. 7 of 18, Lns. 62 & 63
6	Total DS 3 & DS 4	5,658,213	3.653	\$20,668,433	Col. (b) = Col. (c) ÷ Col. (a)
<b>Ameren-ME Proposed</b>					
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
7	DS 3 Delivery Charge (primary)	894,015	4.191	\$3,746,817	Ameren Schedule 20.6-Rev., p. 11 of 18, Lns. 31 & 32
8	DS 4 Delivery Charge (primary)	<u>661,887</u>	<u>2.782</u>	<u>\$1,841,370</u>	Ameren Schedule 20.6-Rev., p. 12 of 18, Lns. 50 & 51
9	Total DS 3 & DS 4	1,555,902	3.592	\$5,588,186	Col. (b) = Col. (c) ÷ Col. (a)
Primary Voltage Delivery Charge As Modified by Kroger		Kroger Proposed			
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
10	DS 3 Delivery Charge (primary)	4,391,023	3.747	\$16,454,844	Col (b) = Derived Value
11	DS 4 Delivery Charge (primary)	<u>2,823,092</u>	<u>3.472</u>	<u>\$9,801,775</u>	Col (b) = Ln 3, Col(b) x [1- Ln 25]
12	Total DS 3 & DS 4	7,214,115	3.640	\$26,256,619	Col. (b) = Col. (c) ÷ Col. (a)
HIGH VOLTAGE DELIVERY CHARGE		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		AmerenCIPS-Total Proposed			
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
13	DS 3 Delivery Charge (hv)	106,955	1.289	\$137,865	Ln 13 Col. (a) = Ln 16 Col. (a) + Ln 19 Col. (a)
14	DS 4 Delivery Charge (hv)	<u>4,912,034</u>	<u>0.855</u>	<u>\$4,199,789</u>	Ln 14 Col. (a) = Ln 17 Col. (a) + Ln 20 Col. (a)
15	Total DS 3 & DS 4	5,018,989	0.864	\$4,337,654	Col. (b) = Col. (c) ÷ Col. (a)
<b>Ameren-CIPS Proposed</b>					
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
16	DS 3 Delivery Charge (hv)	55,321	1.289	\$71,309	Ameren Schedule 20.6-Rev., p. 6 of 18, Ln. 42
17	DS 4 Delivery Charge (hv)	<u>3,142,248</u>	<u>0.855</u>	<u>\$2,686,622</u>	Ameren Schedule 20.6-Rev., p. 7 of 18, Ln. 64
18	Total DS 3 & DS 4	3,197,569	0.863	\$2,757,931	Col. (b) = Col. (c) ÷ Col. (a)
<b>Ameren-ME Proposed</b>					
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
19	DS 3 Delivery Charge (hv)	51,634	1.289	\$66,556	Ameren Schedule 20.6-Rev., p. 11 of 18, Ln. 33
20	DS 4 Delivery Charge (hv)	<u>1,769,786</u>	<u>0.855</u>	<u>\$1,513,167</u>	Ameren Schedule 20.6-Rev., p. 12 of 18, Ln. 52
21	Total DS 3 & DS 4	1,821,420	0.867	\$1,579,723	Col. (b) = Col. (c) ÷ Col. (a)
High Voltage Delivery Charge As Modified by Kroger		Kroger Proposed			
Ln.		Units	Unit Charge	Annual	Source
No.		(kW)	(\$/kW)	Revenue	
22	DS 3 Delivery Charge (hv)	106,955	2.713	\$290,138	Col (b) = Derived Value
23	DS 4 Delivery Charge (hv)	<u>4,912,034</u>	<u>0.824</u>	<u>\$4,047,516</u>	Col (b) = Ln 15, Col(b) x [1- Ln 25]
24	Total DS 3 & DS 4	5,018,989	0.864	\$4,337,654	Col. (b) = Col. (c) ÷ Col. (a)
DS 4 REACTIVE DEMAND REVENUE ADJUSTMENT					
As Proposed by Ameren					
Ln.			Adjustment	Source	
No.					
25	Reactive Revenue Adjustment Ratio (%)		4.62%	Ameren Schedule 20.5, p. 5 of 12, Col. 6	

**Equalized DS 3 and DS 4 Distribution Delivery Charges**  
Assumes Aggregate Subsidy from DS 3 & DS 4 Rate Schedules at Ameren Proposed Amounts  
AmerenCILCO

<b>PRIMARY VOLTAGE DELIVERY CHARGE</b>		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		Ameren Proposed			
Ln.		Units	Unit Charge	Annual	
<u>No.</u>		(kW)	(\$/kW)	Revenue	<u>Source</u>
1	DS 3 Delivery Charge (primary)	2,063,549	5.692	\$11,745,721	Ameren Schedule 20.6-Rev., p. 15 of 18, Ln.
2	DS 4 Delivery Charge (primary)	1,371,203	3.399	\$4,660,719	Ameren Schedule 20.6-Rev., p. 16 of 18, Ln.
3	Total DS 3 & DS 4	3,434,752	4.777	\$16,406,440	Col. (b) = Col. (c) ÷ Col. (a)

<b>Primary Voltage Delivery Charge</b>		Kroger Proposed			
As Modified by Kroger		Units	Unit Charge	Annual	
		(kW)	(\$/kW)	Revenue	<u>Source</u>
4	DS 3 Delivery Charge (primary)	2,063,549	4.873	\$10,055,028	Col (b) = Derived Value
5	DS 4 Delivery Charge (primary)	1,371,203	4.632	\$6,351,412	Col (b) = Ln 3, Col(b) x [1- Ln 13]
6	Total DS 3 & DS 4	3,434,752	4.777	\$16,406,440	Col. (b) = Col. (c) ÷ Col. (a)

<b>HIGH VOLTAGE DELIVERY CHARGE</b>		(a)	(b)	(c) = (a) x (b)	
As Proposed by Ameren		Ameren Proposed			
Ln.		Units	Unit Charge	Annual	
<u>No.</u>		(kW)	(\$/kW)	Revenue	<u>Source</u>
7	DS 3 Delivery Charge (hv)	29,855	1.248	\$37,259	Ameren Schedule 20.6-Rev., p. 15 of 18, Ln.
8	DS 4 Delivery Charge (hv)	1,111,256	0.747	\$830,108	Ameren Schedule 20.6-Rev., p. 16 of 18, Ln.
9	Total DS 3 & DS 4	1,141,111	0.760	\$867,367	Col. (b) = Col. (c) ÷ Col. (a)

<b>High Voltage Delivery Charge</b>		Kroger Proposed			
As Modified by Kroger		Units	Unit Charge	Annual	
		(kW)	(\$/kW)	Revenue	<u>Source</u>
10	DS 3 Delivery Charge (hv)	29,855	1.620	\$48,371	Col (b) = Derived Value
11	DS 4 Delivery Charge (hv)	1,111,256	0.737	\$818,996	Col (b) = Ln 9, Col(b) x [1- Ln 13]
12	Total DS 3 & DS 4	1,141,111	0.760	\$867,367	Col. (b) = Col. (c) ÷ Col. (a)

<b>DS 4 REACTIVE DEMAND REVENUE ADJUSTMENT</b>			
As Proposed by Ameren			
Ln.		<u>Adjustment</u>	<u>Source</u>
<u>No.</u>			
13	Reactive Revenue Adjustment Ratio (%)	3.03%	Ameren Schedule 20.5, p. 6 of 12, Col. 6

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**Equalized DS 3 and DS 4 Distribution Delivery Charges  
Removes Subsidy Payments from DS 3 & DS 4 Rate Schedules  
AmerenIP**

Primary Voltage Delivery Charge As Proposed by Ameren		(a)	(b)	(c)	(d) = (a) x [(b) + (c)]
		Ameren Proposed			
Ln. No.		Units (kW) <sup>1</sup>	Unit Charge (\$/kW) <sup>1</sup>	Remove Subsidy	Annual Revenue
1	DS 3 Low Voltage Demand Charge (primary)	5,269,629	6.252	(1.272)	\$26,242,689
2	DS 4 Low Voltage Demand Charge (primary)	1,765,863	4.436	0.000	\$7,833,368
3	Total DS 3 & DS 4	7,035,492			\$34,076,057
4	Blended Delivery Rate = Ln. 3, Col. (d) ÷ Ln. 3, Col. (a)				4.843

Data Sources:

1. Ameren Schedule 20.6-Rev., pp. 1-2 of 18, Lns. 41 & 58

Primary Voltage Delivery Charge As Modified by Kroger		(a)	(b)	(c)	(d) = (a) x (b)
		Kroger Proposed			
		Units (kW)	Unit Charge (\$/kW)		Annual Revenue
5	DS 3 Low Voltage Demand Charge (primary)	5,269,629	4.957		\$26,119,078
6	DS 4 Low Voltage Demand Charge (primary)	1,765,863	4.506		\$7,956,979
7	Total DS 3 & DS 4	7,035,492	4.843		\$34,076,057

Subsidy Calculation:		(a)	(b)	(c)
		DS 3	DS 4	Source
8	Change Before Subsidy	15,369,679	13,902,717	Ameren Schedule 20.1, p. 1 of 6
9	Change After Subsidy	23,335,494	13,902,717	Ameren Schedule 20.1, p. 2 of 6
10	Subsidy Paid	7,965,815	0	Ln 8 - Ln 7
11	Total Billing Demand (kW)	6,262,374	16,829,846	Ameren Schedule 20.6-Rev., pp. 1-2
12	Subsidy per Unit (\$/kW)	1.272	0.000	Ln 9 ÷ Ln 10

**Equalized DS 3 and DS 4 Distribution Delivery Charges  
Removes Subsidy Payments from DS 3 & DS 4 Rate Schedules  
AmerenCIPS**

Primary Voltage Delivery Charge As Proposed by Ameren		(a)	(b)	(c)	(d) = (a) x [(b) + (c)]
		Ameren Proposed			
		Unit			
Ln. No.		Units (kW) <sup>1</sup>	Charge (\$/kW) <sup>1</sup>	Remove Subsidy	Annual Revenue
1	DS 3 Delivery Charge (primary)	4,391,023	4.191	(0.308)	\$17,050,308
2	DS 4 Delivery Charge (primary)	2,823,092	2.782	0.000	\$7,853,842
3	Total DS 3 & DS 4	7,214,115			\$24,904,149
4	Blended Delivery Rate = Ln. 3, Col. (d) ÷ Ln. 3, Col. (a)				3.452

Data Sources:

1. Ameren Schedule 20.6-Rev., pp. 6-7 & 11-12 of 18, Lns. 38, 40, 62-63 and 31-32 & 50-51, respectively

Primary Voltage Delivery Charge As Modified by Kroger		(a)	(b)	(c)	(d) = (a) x (b)
		Kroger Proposed			
		Unit			
		Units (kW)	Charge (\$/kW)		Annual Revenue
5	DS 3 Delivery Charge (primary)	4,391,023	3.554		\$15,607,707
6	DS 4 Delivery Charge (primary)	2,823,092	3.293		\$9,296,442
7	Total DS 3 & DS 4	7,214,115	3.452		\$24,904,149

Subsidy Calculation:		(a)	(b)	(c)
		DS 3	DS 4	Source
8	Change Before Subsidy	1,860,074	(4,030,594)	Ameren Schedule 20.1, p. 3 of 6
9	Change After Subsidy	3,246,677	(4,030,594)	Ameren Schedule 20.1, p. 4 of 6
10	Subsidy Paid	1,386,603	0	Ln 8 - Ln 7
11	Total Billing Demand (kW)	4,501,842	9,859,574	Ameren Schedule 20.6-Rev., p. 6-7 of 18, Lns. 38-43 & 62-65
12	Subsidy per Unit (\$/kW)	0.308	0.000	Ameren Schedule 20.6-Rev., p. 11-12 of 18, Lns. 31-33 & 50-53 Ln 9 ÷ Ln 10

**Equalized DS 3 and DS 4 Distribution Delivery Charges  
Removes Subsidy Payments from DS 3 & DS 4 Rate Schedules  
AmerenCILCO**

Primary Voltage Delivery Charge As Proposed by Ameren		(a)	(b)	(c)	(d) = (a) x [(b) + (c)]
		Ameren Proposed			
		Unit			
Ln. No.		Units (kW) <sup>1</sup>	Charge (\$/kW) <sup>1</sup>	Remove Subsidy	Annual Revenue
1	DS 3 Delivery Charge (primary)	2,063,549	5.692	(0.221)	\$11,289,645
2	DS 4 Delivery Charge (primary)	1,371,203	3.399	0.000	\$4,660,719
3	Total DS 3 & DS 4	3,434,752			\$15,950,364
4	Blended Delivery Rate = Ln. 3, Col. (d) ÷ Ln. 3, Col. (a)				4.644

Data Sources:

1. Ameren Schedule 20.6-Rev., pp. 15-16 of 18, Lns. 54 & 77

Primary Voltage Delivery Charge As Modified by Kroger		(a)	(b)	(c)	(d) = (a) x (b)
		Kroger Proposed			
		Unit			
		Units (kW)	Charge (\$/kW)		Annual Revenue
5	DS 3 Delivery Charge (primary)	2,063,549	4.737		\$9,775,837
6	DS 4 Delivery Charge (primary)	1,371,203	4.503		\$6,174,527
7	Total DS 3 & DS 4	3,434,752	4.644		\$15,950,364

Subsidy Calculation:

	(a)	(b)	(c)	
	DS 3	DS 4	Source	
8	Change Before Subsidy	6,561,964	2,357,041	Ameren Schedule 20.1, p. 5 of 6
9	Change After Subsidy	7,024,638	2,357,041	Ameren Schedule 20.1, p. 6 of 6
10	Subsidy Paid	462,674	0	Ln 8 - Ln 7
11	Total Billing Demand (kW)	2,093,404	5,893,279	Ameren Schedule 20.6-Rev., pp. 15-1
12	Subsidy per Unit (\$/kW)	0.221	0.000	Ln 9 ÷ Ln 10

**Derivation of Break-Even Cross-Over Point from DS 3 to DS 4  
AmerenIP**

**Ln # DS 3 Customer**

1	Monthly Demand (kW)		<b>732</b>	
	<b><u>DS 3 Monthly Bill:</u></b>	<b><u>Charge</u></b>	<b><u>Monthly Billing Determinant</u></b>	<b><u>Monthly Amount</u></b>
2	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
3	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 25.66	1	\$ 25.66
4	Distribution Delivery Charge \$/kW/Mo.	\$ 6.252	732	\$ 4,576.96
5	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	732	\$ 366.04
6	Total Bill			<b>\$ 5,132.75</b>

**Ln # DS 4 Customer**

7	Monthly Demand (kW)		<b>1,000</b>	
8	Assumed Reactive Demand (kVar)		1,000	
	<b><u>DS 4 Monthly Bill:</u></b>	<b><u>Charge</u></b>	<b><u>Monthly Billing Determinant</u></b>	<b><u>Monthly Amount</u></b>
9	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
10	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 32.66	1	\$ 32.66
11	Distribution Delivery Charge \$/kW/Mo.	\$ 4.436	1,000	\$ 4,436.00
12	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	1,000	\$ 500.00
13	Reactive Demand Charge (\$/kVar/Mo.)	\$ 0.20	1,000	\$ 200.00
14	Total Bill			<b>\$ 5,132.75</b>

**Derivation of Break-Even Cross-Over Point from DS 3 to DS 4**  
AmerenCIPS

**Ln # DS 3 Customer**

1	Monthly Demand (kW)		<b>701</b>	
			<b>Monthly Billing Determinant</b>	<b>Monthly Amount</b>
	<b><u>DS 3 Monthly Bill:</u></b>	<b><u>Charge</u></b>		
2	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
3	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 25.66	1	\$ 25.66
4	Distribution Delivery Charge \$/kW/Mo.	\$ 4.191	701	\$ 2,938.44
5	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	701	\$ 350.56
6	Total Bill			<b>\$ 3,478.75</b>

**Ln # DS 4 Customer**

7	Monthly Demand (kW)		<b>1,000</b>	
8	Assumed Reactive Demand (kVar)		1,000	
			<b>Monthly Billing Determinant</b>	<b>Monthly Amount</b>
	<b><u>DS 4 Monthly Bill:</u></b>	<b><u>Charge</u></b>		
9	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
10	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 32.66	1	\$ 32.66
11	Distribution Delivery Charge \$/kW/Mo.	\$ 2.782	1,000	\$ 2,782.00
12	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	1,000	\$ 500.00
13	Reactive Demand Charge (\$/kVar/Mo.)	\$ 0.200	1,000	\$ 200.00
14	Total Bill			<b>\$ 3,478.75</b>

**Derivation of Break-Even Cross-Over Point from DS 3 to DS 4**  
AmerenCILCO

**Ln # DS 3 Customer**

1	Monthly Demand (kW)		<b>631</b>	
			<b>Monthly Billing Determinant</b>	<b>Monthly Amount</b>
	<b><u>DS 3 Monthly Bill:</u></b>	<b><u>Charge</u></b>		
2	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
3	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 25.66	1	\$ 25.66
4	Distribution Delivery Charge \$/kW/Mo.	\$ 5.692	631	\$ 3,590.59
5	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	631	\$ 315.41
6	<b>Total Bill</b>			<b>\$ 4,095.75</b>

**Ln # DS 4 Customer**

7	Monthly Demand (kW)		<b>1,000</b>	
8	Assumed Reactive Demand (kVar)		1,000	
			<b>Monthly Billing Determinant</b>	<b>Monthly Amount</b>
	<b><u>DS 4 Monthly Bill:</u></b>	<b><u>Charge</u></b>		
9	Customer Charge - Secondary (\$/Customer/Mo.)	\$ 164.09	1	\$ 164.09
10	Meter Charge - Secondary (\$/Meter/Mo.)	\$ 32.66	1	\$ 32.66
11	Distribution Delivery Charge \$/kW/Mo.	\$ 3.399	1,000	\$ 3,399.00
12	Tranformation Charge (\$/kW/Mo.)	\$ 0.50	1,000	\$ 500.00
13	Reactive Demand Charge (\$/kVar/Mo.)	\$ 0.200	1,000	\$ 200.00
14	<b>Total Bill</b>			<b>\$ 4,095.75</b>

**Percent Change in DS Revenue at Cost of Service (Unconstrained) and at Ameren Proposed Revenue Spread (Constrained)**

UNCONSTRAINED							
AmerenIP Revenue Allocation for Delivery Service Unconstrained Rate Change							
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	DS Change Amount	DS Percent Change	Overall Percent Change
1	DS-1 (Residential)	5,377,350,961	152,268,442	239,513,588	87,245,146	57.30%	18.26%
2	DS-2 (Small General)	2,466,936,800	48,118,518	74,207,664	26,089,146	54.22%	12.90%
3	DS-3 (General)	2,124,787,845	21,563,352	36,933,032	15,369,680	71.28%	10.21%
4	DS-1thru DS-3 Subtotal	9,969,075,606	221,950,312	350,654,284	128,703,972	57.99%	15.50%
5	DS-4 (Large General)	8,286,721,692	12,756,795	26,659,511	13,902,716	108.98%	2.84%
6	DS-5 (Lighting)	214,679,000	20,785,165	24,758,375	3,973,210	19.12%	12.60%
7	Sub-Total	18,470,476,298	255,492,272	402,072,170	146,579,898	57.37%	10.84%
8	Misc. Revenue		14,787,487	13,415,194	(1,372,293)	-9.28%	
9	Total		270,279,759	415,487,364	145,207,605	53.72%	10.74%

CONSTRAINED									
AmerenIP Revenue Allocation for Delivery Service DS-1 to DS-3 Constrained Rate Change @ 15.50% Overall Cap DS-4 Floor Limited to 5% Overall									
DS-4 Test (Unconstr.) =		108.98%		DS-4 Switch ==>		0		(0 = Floor Not Applicable; 1 = Floor Applicable)	
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	15.50% Overall Cap Change Required	5.00% DS-4 Floor Change	Proposed Constrained DS Revenue	DS Change Amount	DS Percent Change
10	DS-1 (Residential)	5,377,350,961	152,268,442	239,513,588	(13,223,685)	0	226,289,903	74,021,461	48.61%
11	DS-2 (Small General)	2,466,936,800	48,118,518	74,207,664	5,257,871	0	79,465,535	31,347,017	65.15%
12	DS-3 (General)	2,124,787,845	21,563,352	36,933,032	7,965,814	0	44,898,846	23,335,494	108.22%
13	DS-1thru DS-3 Subtotal	9,969,075,606	221,950,312	350,654,284	(0)	0	350,654,284	128,703,972	57.99%
14	DS-4 (Large General)	8,286,721,692	12,756,795	26,659,511	0	0	26,659,511	13,902,716	108.98%
15	DS-5 (Lighting)	214,679,000	20,785,165	24,758,375	0	0	24,758,375	3,973,210	19.12%
16	Sub-Total	18,470,476,298	255,492,272	402,072,170	(0)	0	402,072,170	146,579,898	57.37%
17	Misc. Revenue		14,787,487	13,415,194	0	0	13,415,194	(1,372,293)	-9.28%
18	Total		270,279,759	415,487,364	(0)	0	415,487,364	145,207,605	53.72%

Data Source: Ameren Schedule 20.1, pp. 1 & 2 of 6.

**Percent Change in DS Revenue at Cost of Service (Unconstrained) and at Ameren Proposed Revenue Spread (Constrained)**

UNCONSTRAINED							
AmerenCIPS Revenue Allocation for Delivery Service Unconstrained Rate Change							
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	DS Change Amount	DS Percent Change	Overall Percent Change
1	DS-1 (Residential)	3,698,089,449	113,512,350	126,923,629	13,411,279	11.81%	3.99%
2	DS-2 (Small General)	1,853,483,410	44,048,653	45,774,974	1,726,321	3.92%	1.08%
3	DS-3 (General)	1,552,004,191	23,240,889	25,100,963	1,860,074	8.00%	1.59%
4	DS-1thru DS-3 Subtotal	7,103,577,050	180,801,892	197,799,566	16,997,674	9.40%	2.78%
5	DS-4 (Large General)	5,019,160,172	21,965,785	17,935,190	(4,030,595)	-18.35%	-1.29%
6	DS-5 (Lighting)	113,329,097	8,213,631	9,168,096	954,465	11.62%	6.90%
7	Sub-Total	12,236,066,319	210,981,308	224,902,852	13,921,544	6.60%	1.49%
8	Misc. Revenue		10,034,850	10,040,135	5,285	0.05%	
9	Total		221,016,158	234,942,987	13,926,829	6.30%	1.49%

CONSTRAINED									
AmerenCIPS Revenue Allocation for Delivery Service DS-1 to DS-3 Constrained Rate Change @ 2.78% Overall Cap DS-4 Floor Limited to 5% Overall									
DS-4 Test (Unconstr.) =		-18.35%		DS-4 Switch ==>		1		(0 = Floor Not Applicable; 1 = Floor Applicable)	
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	Overall Cap Change Required	DS-4 Floor Change	Proposed Constrained DS Revenue	DS Change Amount	DS Percent Change
10	DS-1 (Residential)	3,698,089,449	113,512,350	126,923,629	(4,081,496)	0	122,842,133	9,329,783	8.22%
11	DS-2 (Small General)	1,853,483,410	44,048,653	45,774,974	2,694,894	0	48,469,868	4,421,215	10.04%
12	DS-3 (General)	1,552,004,191	23,240,889	25,100,963	1,386,603	0	26,487,566	3,246,677	13.97%
13	DS-1thru DS-3 Subtotal	7,103,577,050	180,801,892	197,799,566	0	0	197,799,566	16,997,674	9.40%
14	DS-4 (Large General)	5,019,160,172	21,965,785	17,935,190	0	0	17,935,190	(4,030,595)	-18.35%
15	DS-5 (Lighting)	113,329,097	8,213,631	9,168,096	0	0	9,168,096	954,465	11.62%
16	Sub-Total	12,236,066,319	210,981,308	224,902,852	0	0	224,902,852	13,921,544	6.60%
17	Misc. Revenue		10,034,850	10,040,135	0	0	10,040,135	5,285	0.05%
18	Total		221,016,158	234,942,987	0	0	234,942,987	13,926,829	6.30%

Data Source: Ameren Schedule 20.1, pp. 3 & 4 of 6.

**Percent Change in DS Revenue at Cost of Service (Unconstrained) and at Ameren Proposed Revenue Spread (Constrained)**

UNCONSTRAINED							
AmerenCILCO Revenue Allocation for Delivery Service Unconstrained Rate Change							
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	DS Change Amount	DS Percent Change	Overall Percent Change
1	DS-1 (Residential)	1,931,327,078	55,254,246	86,760,753	31,506,507	57.02%	18.38%
2	DS-2 (Small General)	879,051,457	23,383,019	24,808,545	1,425,526	6.10%	1.83%
3	DS-3 (General)	750,145,633	8,684,480	15,246,444	6,561,964	75.56%	12.16%
4	DS-1thru DS-3 Subtotal	3,560,524,168	87,321,745	126,815,742	39,493,997	45.23%	13.02%
5	DS-4 (Large General)	2,565,013,993	7,370,306	9,727,347	2,357,041	31.98%	1.53%
6	DS-5 (Lighting)	32,885,962	2,636,256	3,850,784	1,214,528	46.07%	28.43%
7	Sub-Total	6,158,424,123	97,328,307	140,393,873	43,065,566	44.25%	9.33%
8	Misc. Revenue		2,211,113	2,212,548	1,435	0.06%	
9	Total		99,539,420	142,606,421	43,067,001	43.27%	9.33%

CONSTRAINED									
AmerenCILCO Revenue Allocation for Delivery Service DS-1 to DS-3 Constrained Rate Change @ 13.02% Overall Cap DS-4 Floor Limited to 5% Overall									
DS-4 Test (Unconstr.) =		31.98%		DS-4 Switch ==>		0		(0 = Floor Not Applicable; 1 = Floor Applicable)	
Ln.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
No.	Class	Delivered kWh Sales	Present DS Revenue	DS Revenue @ Equal ROR	13.02% Overall Cap Change Required	5.00% DS-4 Floor Change	Proposed Constrained DS Revenue	DS Change Amount	DS Percent Change
10	DS-1 (Residential)	1,931,327,078	55,254,246	86,760,753	(9,190,865)	0	77,569,888	22,315,642	40.39%
11	DS-2 (Small General)	879,051,457	23,383,019	24,808,545	8,728,190	0	33,536,735	10,153,716	43.42%
12	DS-3 (General)	750,145,633	8,684,480	15,246,444	462,674	0	15,709,118	7,024,638	80.89%
13	DS-1thru DS-3 Subtotal	3,560,524,168	87,321,745	126,815,742	0	0	126,815,742	39,493,997	45.23%
14	DS-4 (Large General)	2,565,013,993	7,370,306	9,727,347	0	0	9,727,347	2,357,041	31.98%
15	DS-5 (Lighting)	32,885,962	2,636,256	3,850,784	0	0	3,850,784	1,214,528	46.07%
16	Sub-Total	6,158,424,123	97,328,307	140,393,873	0	0	140,393,873	43,065,566	44.25%
17	Misc. Revenue		2,211,113	2,212,548	0	0	2,212,548	1,435	0.06%
18	Total		99,539,420	142,606,421	0	0	142,606,421	43,067,001	43.27%

Data Source: Ameren Schedule 20.1, pp. 5 & 6 of 6.