

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Commerce Commission)	
On its own motion)	
v.)	
Central Illinois Light Company,)	
d/b/a AmerenCILCO;)	
Central Illinois Public Service Company,)	Docket No. 07-0165
d/b/a AmerenCIPS;)	
and Illinois Power Company d/b/a AmerenIP)	
)	
Investigation pursuant to Section)	
9-250 of the Public Utilities Act of)	
Electric Rate Design.)	
)	

BRIEF ON EXCEPTIONS OF THE AMEREN ILLINOIS UTILITIES

August 8, 2007

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INTRODUCTION

Pursuant to 83 Ill. Adm. Code 200.830, the Ameren Illinois Utilities¹ submit this brief on exceptions to the Administrative Law Judge's Proposed Order in this matter dated July 31, 2007 ("Proposed Order"). The Ameren Illinois Utilities take exception to the Proposed Order with respect to the following points:

Exception No. 1 – The Proposed Order's implementation date of October 1, 2007, is not needed to provide rate relief; and, combined with pending legislation (when signed by the Governor, as expected), would create the unintended result of reducing electricity prices in the near term to levels *below* 2006 rates. In fact, some customers would experience *negative* electricity rates, i.e., those customers would receive a bill with a credit balance. With even higher usage, those customers would see an even larger credit amount. In effect, the Ameren Illinois Utilities would be paying the customers to buy electricity. This absurd and surely unintended rate anomaly would, in turn, result in a January 2008 rate shock to these customers, one more severe than the one felt in January 2007. Moreover, with an earlier than needed rate redesign coupled with significant rate relief, many customers will see a price signal that bears no relation to cost causation and consequently any consideration given to energy conservation or energy efficiency measures becomes remote.

Understandably, the Proposed Order's goal of implementing an earlier rate redesign to facilitate rate relief has some merit, but is now completely unnecessary and, indeed, counterproductive in the face of the new legislation. For the reasons stated herein, the Proposed Order should be amended to change the implementation date to January 1, 2008.

¹The Ameren Illinois Utilities are 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."

Exception No. 2 – The Proposed Order contains certain miscellaneous errors noted below, that should be corrected.

I. Exception No. 1 – The Commission Should Change the Proposed Order’s Implementation Date to January 1, 2008 To Avoid Duplicative Rate Relief and Future Rate Shock.

The Proposed Order’s implementation date of October 1, 2007 could result in extremely problematic and unnecessary duplication of rate relief efforts, and is wholly at odds with the Commission’s Order Initiating Investigation (“Initiating Order”) in this docket. As detailed below, an October 1 implementation date would undermine the Commission’s intent of giving due consideration to the “historic rate structures” it sought to preserve and bring about other unintended, detrimental, consequences.

In the Initiating Order, the Commission noted that it had received complaints from customers that the bills were much higher than anticipated and noted the hardships being created. The Commission found that “an investigation should be initiated ... with a view toward ordering any changes in rate design the Commission determines on the basis of the record to be necessary to make the rate structure of each of these utilities, with appropriate consideration of historic rate structures of the companies, more just and reasonable than the rate structure in effect as of March 2, 2007.” (Initiating Order, p. 4.) In substantial part, the Proposed Order addressed these concerns and set forth well-planned, equitable, rate redesign relief.

Concurrently with the Commission’s initiation of this Docket, all interested stakeholders began negotiations through the legislative process to attempt to address the same issues mentioned in the Initiating Order. The result of these negotiations is SB1592 (available at www.ilga.gov), which has been passed by both houses of the Illinois General Assembly and provides for specific credit amounts to be distributed to Ameren Illinois customers in 2007,

2008, and 2009. Illinois electric customers of Commonwealth Edison and the Ameren Illinois Utilities will be the beneficiaries of over \$1 billion in rate relief and credits, with millions of dollars targeted directly to residential space heat customers in 2007.

A summary description of the Ameren Illinois Utilities' Rate Relief Program has been filed with the Secretary of State, and is attached for the Commission's convenience and reference as Exhibit A. The Ameren Illinois Utilities' customers will receive \$488,000,000.00 in rate relief during the next three years. Credits to residential customers are primarily concentrated for distribution for the latter part of this year, totaling \$213,000,000.00. In fact, over half of the allotment of funds established for Ameren Illinois customers will be distributed prior to the end of 2007. (SB 1592, pp. 196-97.) Further, Ameren Illinois Utilities' Exhibit 4.1 ("AIU Exhibit 4.1," which charts comparisons between expected legislative and rate redesign relief, and combined relief, by both percentage and dollar amounts) shows that these rate relief refunds would provide sufficient relief to address the same rate design issues as those addressed in this Docket.

However, combining rate relief refunds associated with SB 1592 with rate realignment resulting from this docket, could result in the creation of another unintended rate shock situation. As AIU Exhibit 4.1 demonstrates, implementation of rate redesign at any date prior to January 1, 2008 would result in conflict with the purpose behind the rate relief legislation and this docket by effectuating an unjustifiably large reduction in October, November, and December residential customer bills. This would result in deferrals to be collected in 2008 through Rider MV, and could result in hardship and rate shock to home or space heating customers this January 2008. The Commission may thus unintentionally cause the undesirable irony of repeating the January

rate shock felt in early 2007 and give rise to the reoccurrence of the very circumstances it was seeking to mitigate by initiating this docket.

Ameren Illinois Utilities Exhibit 4.1 shows that, if the new rate structure is implemented prior to January 1, 2008, and SB 1592 is signed into law in the near future, rates for home heating customers this fall and December could be reduced below the 2006 discounted rates. The far right-hand column shows that implementing both the legislative rate relief and rate redesign in the same time frame would discount the rates charged to home heating customers in December to a discounted level that, on average, would drop significantly *below* 2006 rates (which reflected below-market power contracts). In fact, an AmerenCIPS-Metro large single family customer would actually experience a *negative* electricity rate, and could thus actually *earn greater compensation* through increased electricity usage. For example, an AmerenCIPS-Metro home heating customer using 6,000 kWh this December would receive a credit of \$14.61. Essentially, that customer would receive credits for using more electricity. In another example, an AmerenIP home heating customer that used 4000 kWh this December will pay \$53.12, but would have paid more than three times that amount, or \$161.00, in 2006. We do not believe the Commission intended this to be the resultant outcome of its investigation.

This dramatic drop in rates would not serve to phase out home heating discounts and relieve rate impacts gradually, but would, rather, *increase* home heating discounts for the first part of the coming winter. These same customers would then be exposed to a January bill with a substantially lesser amount of legislative relief pursuant to the terms of SB 1592. It is also important to note that the dollars not collected this fall due to the early implementation of the new rate design will be collected from Ameren Illinois customers later through Rider MV, thereby further increasing rates paid in 2008 in a counterproductive manner. It is likely that most

customers will not understand the resulting dramatic volatility they will experience in their bills between 2007 and 2008. Duplicating rate relief efforts in the manner described would give customers inconsistent and unclear pricing signals, and would quite possibly create the same rate shock issues that were experienced in January 2007. Price signals would be severely distorted and, consequently, many customers would have no incentive to conserve or give consideration to energy efficiency measures.

Furthermore, there is an unnecessary cost burden that will be imposed on other customers by duplicating rate relief during the fourth quarter of 2007 when it is not needed to mitigate 2007 rate increases. Rate relief offered through rate redesign will unnecessarily require other utility supplied bundled customers to pay higher rates in subsequent months to offset these extra rate discounts offered through rate redesign. We do not believe that to be prudent.

These results would run directly contrary to one of the Commission's primary motivations for initiating this docket, i.e., mitigating rate impacts associated with the January 2007 rate increases for the residential space heating customers. (Initiating Order, pp. 2-4.) If the Proposed Order's implementation date is accepted by the Commission, the Ameren Illinois Utilities fear that the opposite result will occur, and instead of eliminating negative rate impacts, additional negative impacts will be created in January of 2008.

In addition to rate shock concerns, due consideration must be given to what is necessary in terms of equitable rate relief. Where the Proposed Order intends to afford space heat customers the benefit of rate redesign relief this fall and in 2007, the rate relief legislation excuses the need for an early implementation date. Coupling an early implementation date with significant monetary relief is unnecessarily excessive.

The Proposed Order indicated that Staff's proposal to implement an October 2007 start date for the new rate design was appropriate but only "...to the extent it is not in conflict with any legislation as may be enacted." (Proposed Order, p. 45.) In order to ensure that a severe rate impact situation is avoided and to provide a fair and equitable amount of relief in light of SB 1592, the Ameren Illinois Utilities request that the Administrative Law Judge revise the Proposed Order at pages 44-45 to provide for a January 2008 implementation date, as follows:

C. Commission Analysis and Conclusions

As explained above, Ameren presented evidence that ~~argues that~~ the rate design changes approved in this docket should not be implemented prior to January, 2008. In briefing, Ameren noted that legislative rate relief would likely be on the way for customers who most need it, by the end of the year 2007. (AIU Initial Brief, pp. 31-32; AIU Reply Brief, pp. 7-9.) In its brief on exceptions, Ameren noted that Senate Bill 1592 had passed both houses of the Illinois General Assembly and was awaiting signature by the governor. Further, Ameren provided updated data to show what impacts the combined effect of the legislative rate relief and an implementation date of October 1, 2007 would have on customer bills.

The Commission finds that the rate relief Ameren customers will experience in Fall 2007 will be sufficient to mitigate the bill impacts that led the Commission to initiate this Docket. Additionally, the Commission finds that, if Staff's early implementation date were adopted, the combined effects of new legislation would have an undesired, negative effect. The data shows that Ameren Illinois Utilities' customers could experience rate relief at a level below 2006 rates if rate redesign is coupled with rate relief this year. (AIU Ex 4.1.) Some customers would even experience a negative billing impact with the combined effects of the relief, such that, the customer could accumulate a higher negative balance through higher electricity use. The Commission does not wish to encourage energy inefficiency and send inconsistent and uneconomic price signals in this way. Further, providing rate relief beyond what is necessary to mitigate bill impact issues in Fall 2007 might produce the unintended consequence of creating a rate shock crisis in January 2008. For all of these reasons, the Commission agrees that a January 1, 2008 implementation date for rate relief in this Docket is more appropriate. Among other things, Ameren claims an earlier implementation date as described in Staff's two-step proposal would result in an under-recovery of revenues.

~~Staff proposes a two-step process. On October 1, 2007, the rate design changes necessary to revise per kWh charges would be reflected in revisions to supply charges. Beginning January 1, 2008, the changes proposed for delivery service charges would become effective and supply charges would be adjusted accordingly to ensure that the overall per kWh charges remain the same.~~

~~Having reviewed the record, the Commission finds that Staff's bifurcated proposal is reasonable and it should be approved.~~

~~The first step, effective October 1, would apply to pass through supply charges. In the event of cold weather after that date, it would help protect electric space heating customers from the magnitude of rate increases some faced after January 1, 2007. To delay it until January 1, 2008 would expose customers to a possible repeat of such bill impacts, which is not an acceptable risk. In the event Ameren deems it necessary to propose additional revisions to the supply charge adjustment mechanism in Rider MVA, outside the instant proceeding, such filings will be duly considered.~~

~~The second step would become effective January 1, 2008. At that time, the changes proposed for delivery service charges would become effective and supply charges would be adjusted accordingly to ensure that the overall per kWh charges remain the same. This step is intended to avoid a shortfall in delivery service revenues.~~

~~As such, the Staff proposal strikes an appropriate balance. It should be implemented to the extent it is not in conflict with any legislation as may be enacted. This approval is also subject to determinations made elsewhere in this order regarding the effective date of the rate limiter applicable to Rates DS-3 and DS-4.~~

II. Exception No. 2 – Miscellaneous Proposed Corrections.

1. The last paragraph, on page 6, should be changed to read:

The Staff and Ameren rate redesign approaches maintain the levels of both supply and delivery service revenues collected from the DS-3/BGS-3 and DS-4/BGS-4~~DS-4/BGD-4~~ customer classes at current levels. There would be no shifting of class revenue responsibility between DS-3/BGS-3 and DS-4/BGS-4~~DS-4/BGD-4~~, or between either of these two classes and other classes.

2. Page 11-12, all references to “Staff Ex. 2.01, Schedule 2.01” should be changed to “Staff Ex. 2.0, Schedule 2.01.”

3. Page 11, fourth paragraph describes rates for a general use customer, where the intent appears instead to describe rates for a space heat customer, related to the table of percentages on page 12. The sentence should be changed as follows:

For AmerenCIPS, the 2006 monthly customer charge was assumed to be \$4.75 and the usage rate was assumed to be billed at \$0.06988 cents per kWh for the first 400 kWh, 4.974 cents per kWh for the next 400 kWh, and 3.350 cents per kWh for all remaining usage~~all usage~~.

4. On pages 11 and 12, the proposed customer charge under the staff/Ameren proposal should reflect no change from present rates. The difference between 2007 status quo rates (\$5.79) and redesigned rates (\$6.24) is \$0.45, exactly the amount of the Supplemental

Customer Charge for 1) Renewable Energy Resources and Coal Technology Development Assistance and 2) Supplemental Low-Income Energy Assistance. Such charge is not changing, and the underlying base Customer Charge is not changing. Thus, references to \$6.24 should be changed to \$5.79 for each utility, as follows:

The Staff/Ameren proposal was assumed to have a monthly customer charge of ~~\$6.24~~\$5.79, and a monthly meter charge of \$3.62...

5. On page 12, the description of the AmerenIP 2006 rate calculation is incorrect, in accordance with the table on page 12 in the Proposed Order. The first sentence of the first full paragraph on page 12 should read:

For AmerenIP, the 2006 monthly customer charge was assumed to be \$7.96 and the usage rate for the first 300 kWh was assumed to be billed at \$0.07707 cents per kWh; usage between 300 kWh and the next 500 kWh~~5000 kWh~~ was assumed to be billed at \$0.05947 cents per kWh, and usage in excess of 800~~5000~~ kWh (the space heat block assumption) was assumed to be billed at \$0.02499 cents per kWh.

This adjustment would be necessary to achieve the percentages listed in the table on page 12.

6. Further, continuing with this AmerenIP 2006 calculation, the hypothetical on page 12 of the PO needs adjustments to fully reflect the complexity of the AmerenIP space-heat calculation. The 2006 rate within Service Classification 2 contained a determination of an individual customer's base (or non-space heat) kWh and space-heat kWh. The calculation established non-space heat use to be the average usage from the two billing periods with the lowest non-zero kWh use per day occurring during the twelve consecutive billing periods ended with the current billing period multiplied by the number of days in the current billing period, but not less than 13 kWh per day. All use over the non-space heat amount would qualify for the 2.499 cents per kWh rate. Thus, the space heat amount could occur at a usage amount above, at, or below the 800 kWh assumed in the PO example. For example, assuming data provided in Ameren Exhibit 2.1, page 13 (also provided in Staff Exhibit 1.0, Schedule 1.01, page 9), a

customer with a January use of 6,003 kWh would have a non-space heat base amount of about 1,380 kWh. The Proposed Order could be modified as follows, to fully reflect the variance of rates in the AmerenIP space-heat class:

For AmerenIP, the 2006 monthly customer charge was assumed to be \$7.96 and the usage rate for the first 300 kWh was assumed to be billed at \$0.07707 cents per kWh; usage between 300 kWh and ~~the next 1080 kWh~~^{5000 kWh} was assumed to be billed at \$0.05947 cents per kWh, and usage in excess of 1380~~5000~~ kWh (the space heat block assumption) was assumed to be billed at \$0.02499 cents per kWh.

This example could be further clarified with a footnote:

[Footnote:] The 2006 AmerenIP rate within Service Classification 2 contained a determination of an individual customer's base (or non-space heat) kWh and space-heat kWh. The calculation established non-space heat use to be the average usage from the two billing periods with the lowest non-zero kWh use per day occurring during the twelve consecutive billing periods ended with the current billing period multiplied by the number of days in the current billing period, but not less than 13 kWh per day. All use over the non-space heat amount would qualify for the 2.499 cents per kWh rate. Thus, the non-space heat base rate would vary based on usage, according to this formula. Ameren Ex. 2.1, page 13-14 shows an example of monthly usage necessary to get a 1,380 kWh base, under the IP SC 2 tariff for a customer using about 6,000 kwh in a non-summer heating month.

7. If change number 6 is implemented, the table on page 12 would need to be updated, such that the value for “2007 increase over 2006 bundled rates” for AmerenIP should be 155.9% (not 182.7%). The corresponding values for AmerenCILCO, AmerenCIPS, and AmerenCIPS-ME are correct.

8. All values would change slightly in the “Staff/Ameren proposal increase over 2006 bundled rates” row of the table on page 12, to reflect elimination of the \$0.45 adder to the redesigned customer charge. Specifically, the values become 51.5% for AmerenCILCO (not 51.7%), 45.7% for AmerenCIPS (not 45.8%), 56.5% for AmerenCIPS-ME (not 56.8%), and 25.4% for AmerenIP (not 38.8%), assuming the non-space heat base amount is also changed to

1,380 kWh. If the non-space heat base amount is held at 800 kWh for AmerenIP, the percentage would change to 38.6%.

9. The last sentence of the second full paragraph of page 25 and the first full sentence of page 26 should read “approximately 0.40 cents/kWh” instead of simply “0.40 cents/kWh.” The actual values will vary slightly by utility (0.417 for AmerenCILCO, 0.403 for AmerenCIPS and AmerenCIPS-ME, and 0.455 for AmerenIP).

10. The first full paragraph on page 30 should be deleted, as it duplicates points that are later repeated and expanded upon in the 3rd and 4th paragraphs.

11. On page 38, the last line of 3rd full paragraph, the word “to” after “from” should be deleted.

12. Page 40, the second full paragraph, is not an accurate summary of the Ameren Illinois Utilities’ position in the Initial Brief, and should be corrected as follows:

In addition to resolving the revenue neutrality issue, Ameren notes that, with regard to the inter-class shifting of Basic Generation Service revenue responsibility from the residential class to the small general service class, a re-balancing is required not only to reflect historical rate structures, but also to reflect that the Ameren Illinois Utilities have experienced small general service customers switching to third party supply for power and energy since January 2, 2007. (AIU Ex. 1.0, p. 10.) As of March 31, 2007, at least 13% of the Ameren Illinois Utilities’ small general service load was taking power and energy supply from an ARES. The actual data indicates the real possibility that, if too much residential Basic Generation Service responsibility is shifted to the small general class, this would result in additional switching of small general service customers to third party power and energy supply. If these customers switch to third-party supply, there would be even fewer small general service customers from which to recoup the reduced residential Basic Generation Service revenue requirement. In the extreme, all small general service customers could potentially switch due to increasing Basic Generation Service prices resulting from this imbalance. And, if this were to occur, residential customers would effectively revert back to status quo rates and the current bill impacts issues would re-emerge. (Ameren Initial Brief at 8)

Further, the Ameren Illinois Utilities’ administrative, billing, and accounting systems have undergone significant changes to accommodate the transition from essentially pre-2007 vertically integrated billing to 2007 billing

consisting of delivery service charges, transmission charges, and power and energy supply charges. (AIU Ex. 3.0, pp. 11-12.) The current tariff provisions for administration and billing of these services are provided under the individual utility's delivery service, transmission service, and BGS tariffs, including Rider Market Value ("Rider MV") that contains provisions for monthly "tracking" adjustments to BGS charges to reflect the difference between payments to suppliers and billings to customers. Several of the Ameren Illinois Utilities' rate design scenarios involve a shifting of BGS revenue responsibility from the residential class to the small general service class. If these changes were adopted by the Commission, tariff modifications along with additional administration and programming of the individual utility's billing and accounting systems would be necessary. For example, accounting data for the Rider MV tariff and its billing tracking mechanism mentioned above would have to be re-designed to track the shift of residential BGS revenue responsibility to the small general service class so as to prevent the negating of the shift via the existing tracking mechanism within Rider MV. While these changes would not be insurmountable, they would involve considerable hours to develop, test or review, and then implement. As a result, it is imperative that any rate design changes arising from this docket allow adequate time for these changes to be completed. ~~argues that allowing a full year of the new rate structure would provide the added benefit of developing an entire year of data related to the operation and customer impacts caused by the new rates. Ameren claims this data would allow parties and the Commission access to data from an entire 12-month period in order to determine how to address future challenges in an evolving restructured environment.~~ (Ameren Initial Brief at 89)

13. Additionally, the first full paragraph of page 42 should be corrected as follows:

Ameren ~~notes~~ argues that, because the Commission has approved changes to Rider MV in Dockets 07-0350, 07-0351 and 07-0352, examining further changes to the Rider MVA mechanism is no longer necessary. While, ~~According to Ameren, that~~ these approved changes to Rider MV keep Ameren financially indifferent, customers would not be financially indifferent. In general, proposed rate changes increase charges to general use (non-space heat) customers. Implementation of rate re-redesign on October 1, 2007, would increase rates to these customers sooner. Moreover, the estimated resulting \$16.5 million BGS revenue deficit would be unnecessarily created and later amortized, and recovered from all of Ameren's customers, with interest, starting in early January 2008, increasing costs to all BGS customers. Legislative rate relief adequately addresses bill impact concerns. (AIU Ex. 4.1.)

Dated: August 8, 2007

Respectfully submitted,

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d/b/a AmerenCILCO,
CENTRAL ILLINOIS PUBLIC SERVICE
COMPANY d/b/a AmerenCIPS, and
ILLINOIS POWER COMPANY
d/b/a AmerenIP

By: /s/ Laura M. Earl

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CERTIFICATE OF SERVICE

I, Laura M. Earl, certify that on August 8, 2007, I served a copy of the foregoing Ameren Illinois Utilities' Brief on Exceptions by electronic mail to the individuals on the Commission's official Service List for Docket 07-0165.

/s/ Laura M. Earl

Laura M. Earl