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.	)	
	)	

<u>SURREPLY BRIEF ON EXCEPTIONS OF THE AMEREN ILLINOIS UTILITIES</u>

August 15, 2007

INTRODUCTION

By order of the Administrative Law Judge ("ALJ"), the Ameren Illinois Utilities[1] submit this Surreply Brief on Exceptions to the Administrative Law Judge's Proposed Order in this matter dated July 31, 2007 ("Proposed Order"). The Ameren Illinois Utilities have only one issue to address, Staff's continued objection to implementing rate design relief at the beginning of the next calendar year, January 1, 2008.

Preliminarily, it should be clear that, following the Commission's approval of changes to Rider MV in Dockets 07-0350, 07-0351 and 07-0352, long-term revenue neutrality is no longer an issue with respect to the implementation date in this Docket. (AIU Reply Br., p. 9.) The Ameren Illinois Utilities will ultimately be able to recover the $16.5 million revenue shortfall that will be created if rate design relief is implemented on October 1, 2007, and thus do not have a financial interest in opposing Staff's October 1, 2007 implementation date. The fact remains, however, that there *will be* a significant revenue shortfall associated with Staff's implementation date, as noted by Staff. (Staff RBOE, p. 8.) Ratepayers would still ultimately be responsible for repaying that shortfall, plus interest, in 2008. The Ameren Illinois Utilities can think of no reason, and Staff offers none, to make ratepayers "repay" duplicative discounts in 2008, when extra discounts are simply not necessary in 2007.

The Ameren Illinois Utilities have been working diligently to address the major issues facing Illinois electric customers after the lifting of a near 10-year rate freeze and the full implementation of market-based generation pricing for all of its customers. While there is no longer a concern regarding revenue neutrality in this Docket, the Ameren Illinois Utilities are

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[1]The 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."

extremely interested in avoiding a repeat of the rate impact problems experienced by customers in January 2007. An October 1, 2007 implementation date is simply too risky, for all of the reasons previously raised in briefing (AIU BOE, pp. 2-7) and below.

Staff recognizes that House Amendment No. 5 to SB 1592 alone will be sufficient to mitigate the rate impacts associated with the January 2007 rate increase over the last three months of 2007, in explaining the circumstances of this docket and the effects of the pending legislation, SB 1592, in pertinent part:

> The ratemaking landscape has changed significantly during the course of this proceeding. At the time the case was begun, there was only initial discussion of any possible rate relief and the amounts being discussed were a small fraction of the relief offered by the legislation that has passed the two houses of the General Assembly. If this legislation is signed by the Governor, it will enable residential space heating customers to avoid the kind of financial distress that resulted from the inordinate bill increases received in early 2007.

(Staff RBOE, p. 4.) Thus, Staff notes, *if* the legislation is signed, it will enable the space heating customers to avoid the financial distress experienced in 2007. Staff is particularly concerned that the legislation will in fact not be signed, as follows:

> Nevertheless, there are other factors to consider in the determination of the implementation date. One is that the legislation has yet to be signed and the chance exists that the rate relief plan could undergo further changes unknown at this time.

(Staff RBOE, p. 4.)

While it is true that the legislation has not yet been signed, it seems highly unlikely that the legislation providing for $488 million in dollar for dollar credits to Illinois electricity customers will be vetoed. The risk of such an unexpected contingency is strongly outweighed by the risk that the legislation will ultimately be signed as expected, and that credits reflected bills prior to January of 2008 will actually exceed the new lowered winter season rates provided for in this docket. Further, the Commission need not act precipitously. The Governor has 60 days to

act on the bill that was sent to him on July 31, 2007. Ill. Const. art. IV, § 9(b); *see also* www.ilga.gov. The Commission will thus surely know by late September whether SB 1592 will become law. Even if, for some inexplicable reason, the matter is not settled at that time, the Commission could order a rate redesign date later in the year, if necessary, noting that the utilities will need two weeks to reset their billing systems.

The Ameren Illinois Utilities have demonstrated that Staff's October 1 implementation date will actually lead to some customers being able to generate larger credit balances on their bills by using more electricity. (AIU BOE, p. 4; AIU Ex. 4.1.) For other customers, the duplicative relief will effectively reduce their bills to almost zero, and then substantial bills without duplicate credit offsets will return in January 2008, thereby creating a significant rate shock problem.

Staff argues that most customers would understand that the rate credits are a one-time "effort to correct an imbalance" in 2007, and therefore, the duplicative rate relief efforts would not pose a problem. (Staff BOE, p. 5.) But, duplicative rate relief and lowering bills well beyond what is reasonable to mitigate rate impacts should be avoided regardless of the customer's ability to understand the implications of their billing determinants, particularly where, as Staff acknowledges, the rate relief provided in SB 1592 will provide sufficient relief. While it is true that many customers will understand that their bills are reduced due to legislation intended to mitigate the price shock experienced when the rate freeze ended in 2006, many will not understand the full scope of that legislation and may believe that, in large part, rates – not bills – were generally reduced. In particular, some home heating customers who have paid particularly low historic rates, and are most at risk to experiencing the budgetary hardship associated with rate shock, may not understand why their bills would swing up in January 2007,

down (in some cases, to negative balances) in Fall 2007, and back up in January 2008, to yet another level. For these home heating customers, rate shock and budgeting for basic needs may be a serious problem and would only be exacerbated if the rate redesign and the rate mitigation credits provided pursuant to SB 1592 are provided concurrently. Our customers need to be able to estimate what their heating costs will be in the future, and plan accordingly. An October 1, 2007, implementation date would not allow them to do so.

In its RBOE, Staff raised the issue as to whether there will be checks or credits in its brief. This issue is settled: the legislative rate relief after the initial month of implementation will be provided for in the form of credits, typically not checks, as follows:

> (f) Subject to the terms, conditions, and contingencies of the Rate Relief Agreements, the Ameren Utilities will apply a total of $488,000,000 in rate relief to residential and certain nonresidential customers from 2007 through 2010. The Ameren Utilities will apply bill credits for all of their residential customers in their service territories in the following aggregate amounts: $213,000,000 in 2007, $109,000,000 in 2008, and $78,000,000 in 2009.

SB 1592, p. 195.

Finally, it is important to again recognize that any reductions implemented in October will only, unnecessarily, come back to haunt customers in 2008, leading to further upward rate pressure for Ameren Illinois Utility customers. This would run contrary to the Commission's stated purpose and intent in initiating this Docket.

The Ameren Illinois Utilities understand Staff's strong desire to implement rate design relief to customers as soon as possible. However, as SB 1592 will provide more than sufficient relief in this regard. For all of the above reasons, and for reasons previously stated (AIU BOE, pp. 2-7), the Ameren Illinois Utilities are very concerned that Staff's October 1, 2007 implementation date would only risk repeating the confusion and negative customer rate impacts experienced in January 1, 2007, and undoing the parties' exhaustive efforts to address our

customers' important concerns. The cautious and more reasonable approach, under the circumstances, would be for the Commission to implement newly designed rates resulting from this docket beginning in January 2008.

Dated: August 15, 2007

Respectfully submitted,

CENTRAL ILLINOIS LIGHT COMPANY
d/b/a AmerenCILCO,
CENTRAL ILLINOIS PUBLIC SERVICE
COMPANY d/b/a AmerenCIPS, and
ILLINOIS POWER COMPANY
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CERTIFICATE OF SERVICE

I, Laura M. Earl, certify that on August 15, 2007, I served a copy of the foregoing Ameren Illinois Utilities' Surreply 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