

**REBUTTAL TESTIMONY**

of

**DANIEL G. KAHLE**

**Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission**

**Illinois Power Company d/b/a AmerenIP and  
Ameren Illinois Transmission Company**

**Petition for a Certificate of Public Convenience and Necessity, pursuant to  
Section 8-406 of the Illinois Public Utilities Act, to construct, operate and  
maintain new 138,000 volt electric lines in LaSalle County, Illinois.**

**Docket No. 06-0706**

**September 5, 2007**

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1 **Witness Identification**

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

3 A. My name is Daniel G. Kahle. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. Are you the same Daniel G. Kahle who previously filed testimony in  
6 this proceeding?**

7 A. Yes, my direct testimony was filed as ICC Staff Exhibit 3.0 on March 30,  
8 2007.

9 **Purpose of Testimony**

10 **Q. What is the purpose of your rebuttal testimony in this proceeding?**

11 A. The purpose of my rebuttal testimony is to:

- 12 • Identify certain issues contained in my direct testimony that Illinois  
13 Power Company ("AmerenIP") and Ameren Illinois Transmission  
14 Company ("Ameren Transco" or "AITC") (together the  
15 "Companies") do not contest.
- 16 • Respond to the two solutions to clarify the method of sharing O&M  
17 Expenses proposed in the rebuttal testimony of Mr. Gary S. Weiss  
18 filed on behalf of the Companies. Staff's preferred solution is to  
19 modify Article VI §6.3 of the Joint Operating Agreement ("JOA") to  
20 state how O&M Expenses will be shared by the Companies.

21           •       Respond to the rebuttal testimony of Mr. Darrell E. Hughes filed on  
22                    behalf of the Companies concerning AITC's ability to borrow funds  
23                    under Ameren's non-state-regulated subsidiary money pool. Staff  
24                    believes that AITC currently does not have the required  
25                    Commission approval to borrow funds from its affiliate Ameren.

26   **Q.    Do you make a recommendation regarding whether AITC should be**  
27           **allowed to finance 90% of the project?**

28   A.    No. Rochelle Phipps recommends against allowing AITC to finance a  
29           portion of the project in her rebuttal testimony (Staff Ex. 6.0). My rebuttal  
30           testimony which addresses AITC and the JOA is offered for the  
31           Commission's consideration in the event that it does not adopt Ms.  
32           Phipps' recommendation.

33   **Schedule Identification**

34   **Q.    Are you sponsoring any schedules as part of your rebuttal testimony,**  
35           **ICC Staff Exhibit 8.0?**

36   A.    No.

37   **Uncontested Issues**

38   **Q.    Please identify the recommendations or issues contained or**  
39           **identified in your direct testimony that are not contested by the**  
40           **Companies at this time.**

41 A. The rebuttal testimony of the Companies' witness, Mr. Gary S. Weiss,  
42 (AmerenIP Exhibit 14.0, Lines 157 – 177) indicates that the Companies  
43 have decided to accept the following recommendations that I proposed in  
44 my direct testimony:

- 45 • Amend the JOA to include the facilities which are the subject of this  
46 Docket
- 47 • Amend the JOA to include the owners and ownership interest for  
48 these facilities which are the subject of this Docket

49 Mr. Weiss proposed that the amended JOA be provided as a compliance  
50 filing after the Commission enters its order. Staff agrees with this  
51 proposal. Staff also finds the proposed language, set forth on lines 165  
52 through 177 of Mr. Weiss' rebuttal testimony, that adds the facilities which  
53 are the subject of this Docket to Exhibit A, is acceptable.

54 Also in his rebuttal testimony, Mr. Weiss indicated that the Companies  
55 agreed to accept certain conditions regarding accounting records  
56 recommended in lines 67 – 88 of my direct testimony.

57 **Q. Are there any other issues which are no longer contested?**

58 A. Yes. In my direct testimony, I recommended that the Commission not  
59 approve the Companies' request for approval of a Certificate of Public  
60 Convenience and Necessity ("Certificate") in this Docket if Ameren  
61 Transco was not authorized to operate as a public utility in Docket No. 06-  
62 0179 and if the JOA was not approved in Docket No. 06-0179. As  
63 Ameren Transco has been authorized to operate as a public utility, and

64 the JOA has been approved in Docket No. 06-0179, this recommendation  
65 is no longer an issue.

66 **Treatment of Operations and Maintenance (“O&M”) Expenses**

67 **Q. Did the Companies agree to your recommendation regarding**  
68 **clarifying the sharing of O&M expenses by the Companies?**

69 A. Yes. However, the Companies offered alternative solutions in lines 178 –  
70 186 of Mr. Weiss’ rebuttal testimony:

- 71 1) To re-title Exhibit A of the JOA from “Ownership Interests ...” to  
72 “Ownership and O&M Interests ...”  
73 2) To amend Article VI §6.3 of the JOA to reference the JOA’s Exhibit  
74 A (where the ownership interests are defined).

75 Mr. Weiss stated a preference for the first alternative; to change the title of  
76 Exhibit A of the JOA from “Ownership Interests ...” to “Ownership and  
77 O&M Interests ...”

78 **Q. Which of these two alternatives do you recommend?**

79 A. While both solutions would achieve the desired result, my  
80 recommendation, to clarify Article VI §6.3 of the JOA to state how O&M  
81 Expenses will be shared by the Companies, is more consistent with the  
82 other sections of Article VI. Sections 6.1 & 6.2 state that expenditures or  
83 charges shall be “in proportion to their respective Ownership Interests”  
84 and §6.4 states that tax payments shall be (a) “based on such Owner’s  
85 Ownership Interests” or (b) “based on their Ownership Interests”.

86 The Companies second alternative solution, to amend §6.3, is more clear  
87 than their preferred solution since it does not require a reader to find the  
88 responsibility for O&M expenses in Exhibit A while all other expenses and  
89 charges have that reference in Article VI. As the Companies found either  
90 alternative acceptable (AmerenIP Exhibit 14.0, Line 184), the Commission  
91 should order the following sentence to be added to the end of Article VI  
92 §6.3 of the JOA:

93 "O&M Expenses shall be allocated to and paid by the Owners in  
94 proportion to their respective Ownership Interests."

95 **Ameren Transco's Funding**

96 **Q. In his rebuttal testimony (AmerenIP Exhibit 12.0, Lines 156 – 157), Mr.**  
97 **Hughes indicated that Ameren Transco could obtain funds under**  
98 **Ameren's non-state-regulated subsidiary money pool. Is Ameren**  
99 **Transco authorized to borrow from Ameren's non-state-regulated**  
100 **subsidiary money pool?**

101 A. No. It is my understanding that Ameren Transco does not have a  
102 Commission-approved affiliate agreement in place that would allow it to  
103 borrow funds from Ameren's non-state-regulated subsidiary money pool.  
104 Ameren Transco is now deemed to be a public utility (Docket No. 06-  
105 0179, Order entered May 16, 2007, Section VIII (4), p. 41). It is my  
106 understanding that, as a regulated public utility, without such an affiliate  
107 agreement, Ameren Transco would be required to obtain Commission  
108 approval for each instance of borrowing from an affiliated interest. In

109 Docket No. 06-0633, AITC filed a petition for approval of amendments to  
110 the General Services Agreement pursuant to which certain services are  
111 provided by Ameren Services Company. Ameren Services Company was  
112 formed by Ameren Corporation (“Ameren”) to provide various  
113 administrative and corporate support services for Ameren system  
114 companies, including AITC. The General Services Agreement does not  
115 address borrowing funds from Ameren's non-state-regulated subsidiary  
116 money pool.

117 Subsequent to filing his rebuttal testimony, Mr. Hughes provided a  
118 response to Staff data request FD-7.01 which stated that AITC would not  
119 seek Commission authority to borrow from Ameren's non-state-regulated  
120 subsidiary money pool. Mr. Hughes stated that “... AITC will seek  
121 Commission authority to borrow from Ameren Corporation’s regulated  
122 money pool. The Company would seek commission authority pending  
123 approval of Case 06-0706”. Regardless of whether AITC seeks to borrow  
124 from the non-state-regulated money pool or the regulated money pool, it  
125 cannot do so without Commission approval.

126 Before AITC may borrow from any affiliated money pool to fund this  
127 project, it must demonstrate and obtain Commission approval that a  
128 money pool is an appropriate funding mechanism for this type of project.  
129 AITC must also obtain Commission approval to participate in the affiliated  
130 money pool. AITC has not done this.

131 **Recommendations**

132 **Q. What are your recommendations?**

133 A. In the event that the Commission allows AITC to finance a portion of the  
134 project, I recommend that the Commission's order:

135 1) Require the following sentence to be added to the end of Article VI  
136 §6.3 of the JOA:

137 "O&M Expenses shall be allocated to and paid by the Owners in  
138 proportion to their respective Ownership Interests."

139 2) Require the Companies to file an executed copy of the amended JOA  
140 with the Chief Clerk's office, and provide a copy to the Commission's  
141 Manager of Accounting, within 60 days following the date of this order.

142 3) Find that Ameren Transco is not authorized to borrow funds from an  
143 affiliated interest until it has received approval under Section 7-101 of  
144 the Public Utilities Act.

145 **Conclusion**

146 **Q. Does this conclude your prepared direct testimony?**

147 A. Yes, it does.