

**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.)	

PETITION FOR REHEARING OF THE AMEREN ILLINOIS UTILITIES

Pursuant to 83 Ill. Admin. Code 200.880, the Ameren Illinois Utilities¹ request rehearing on the Commission’s October 12, 2007, final order (“Order”), on a single issue: the appropriate date for implementing changes to *all* components of the Ameren Illinois Utilities’ rates. The Order approves “an implementation date of December 1, 2007 . . . for *all* rate design changes to Rates 1 and 2.” (Order, p. 48 (emphasis added).) Respectfully, this sentence of the Order is incorrect, for two simple reasons:

- Implementing **all** rate design changes on December 1, 2007, will result in a revenue shortfall of approximately **\$6.5 million** for the Ameren Illinois Utilities. This fact is a part of the evidentiary record and is undisputed.
- Because of this undisputed shortfall, *no party* ultimately supported implementing *all* rate design changes earlier than January 1, 2008. Staff’s early implementation proposal would have given customers *the full effects of rate changes prior to January 1*, but in a two-step billing process that would

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.

allow the Ameren Illinois Utilities to recover their full 2007 revenue requirement. The Commission's decision to (likely inadvertently) reject both Staff's and the Ameren Illinois Utilities' proposal is thus unconstitutional, because it does not allow the Ameren Illinois Utilities to recover their currently approved revenue requirements in rates.

The Order must be clarified and/or corrected for these reasons. Three suggested, simple modifications to the Order are provided herein.

The Ameren Illinois Utilities believe, based in part on the Commission's analysis and findings in the Order, as well as guidelines set in the Commission's own Initiating Order, that the Order's revenue shortfall is simply an unintended consequence – but not a harmless one. The Order deprives the Ameren Illinois Utilities of the opportunity to recover \$6.5 million of their approved revenue requirement.

The Ameren Illinois Utilities have contributed a great deal to the mitigation of the rate changes on their customers, and appreciate the Commission's substantial efforts in this regard. The Commission has done the right thing throughout, and has suffered intense criticism from certain quarters while discharging its duties in a responsible manner. Continuing in this direction, the Ameren Illinois Utilities hope that the Commission will correct and/or clarify the Order, in accordance with the record, so that the Ameren Illinois Utilities will be allowed the opportunity to recover their full revenue requirement in rates. Additionally, the Ameren Illinois Utilities respectfully request expedited consideration of this Petition, to allow adequate time for an appeal, if necessary, and for the appropriate rate design changes to be implemented prior to December 1, 2007.²

² The rate design changes adopted by the Commission will take considerable time to develop, test and review, and then implement. (AIU Ex. 1.0, p. 12.)

I. IMPLEMENTING ALL RATE DESIGN CHANGES ON DECEMBER 1, 2007 WILL RESULT IN A \$6.5 MILLION REVENUE SHORTFALL.

The undisputed record evidence shows that the Ameren Illinois Utilities will under-recover approximately \$6.5 million if the December 1, 2007 implementation date for *all* rate changes is allowed to stand. (AIU Init. Br. p. 7; AIU Ex. 3.0, p. 9; AIU Ex. 3.06.)³

The term “all” is problematic in that it necessarily includes delivery service rates. Current delivery service rates are not seasonally differentiated (i.e, summer and non-summer delivery service rates are identical). (AIU Ex. 1.0, p. 8-9.) The rate redesign includes seasonally differentiating DS-1 and DS-2 delivery rates with a shifting of a portion of current non-summer delivery service revenue requirement to the summer. In this case, shifting dollars back to summer mid-year after summer has occurred causes a revenue shortfall for 2007. (AIU Ex. 1.0, p. 8.)

Staff accepted and agreed with the Ameren Illinois Utilities’ evidence on this issue. Staff witness Peter Lazare also testified that implementing *all* rate design changes prior to January 1, 2008, without additional efforts to protect full recovery of the revenue requirement, would result in a revenue shortfall. (Staff Ex. 1.0, p. 33.) No other party to the proceeding offered evidence to dispute the Ameren Illinois Utilities’ or Staff’s testimony. The undisputed record thus shows that implementing seasonally differentiated delivery service rates prior to January 1, 2008 will result in a revenue shortfall.

Staff advocated an October 1, 2007 implementation date, but *only* with protections to mitigate the revenue deficiency that an early shift of delivery service rates would cause. (Staff Ex. 1.0, p. 33.) Staff offered a *two-step* proposal so that customers would receive all benefits of

³ The \$6.5 million estimate reflects a slight correction in DS/BGS-2 loads for AmerenCIPS-ME in rebuttal testimony (from a \$6.6 million estimated December loss in direct testimony (*see* AIU Ex. 2.0, p. 30)).

rate design changes at once, but ultimately allow the Ameren Illinois Utilities to recover any revenue shortfall:

In the first step, on October 1, 2007, *the full effect* of the proposed rate redesign should be reflected in changes *to supply charges only*.

In the second step, on January 1, 2008, *seasonally-based delivery charges would be placed into effect and supply charges will be adjusted accordingly* so that bundled service ratepayers will see no change in the overall level of per-kWh charges on their bills.

This approach offers the advantage of producing no delivery service revenue shortfall for the Ameren Illinois utilities

(Staff Ex. 2.0, p. 22; *see also* Staff Ex. 1.0, p. 33.) In other words, Staff's proposal allowed customers to derive all of the benefits of rate redesign changes on October 1, 2007, but those changes would only be seen by customers in BGS rates (which allows full recovery through Rider MV), until the end of 2007. On January 1, 2008, all rate changes would properly be in effect, without concern of a revenue shortfall.

The Ameren Illinois Utilities agreed that this *two-step* approach would eventually allow for full cost recovery (following the Commission's approval of changes to Rider MV in Dockets 07-0350, 07-0351 and 07-0352).⁴ (AIU Surreply Br., p. 1.) *But the same is not true if Staff's two-step approach is not adopted*, or without implementing some other type of mitigation mechanism.

II. THE EVIDENTIARY RECORD DOES NOT SUPPORT RATE DESIGN CHANGES THAT WILL RESULT IN LESS THAN FULL REVENUE RECOVERY.

The Order does not provide the same revenue recovery protection Staff's two-step

⁴ The Ameren Illinois Utilities took issue with this approach (and supported a January 1, 2008 implementation date for all rates) for other reasons, namely, that the approach could lead to rate shock, confusing price signals, and unnecessary additional costs when combined with legislative relief. (*See* AIU Surreply Br.)

proposal offers. The Order provides for early implementation of *all* rate design changes at once, without mitigation – which no party’s evidence or argument supports. Even Staff did not support implementing rate design changes before January 1, 2008, without implementing the two-step approach – *because to do so would result in less than full revenue recovery*. As the Order notes, the Initiating Order intended that these proceedings should be revenue neutral:

In its Initiating Order, the Commission also noted that it did not intend, in this investigation, to review or consider any changes in the revenue requirements it has most recently determined for the Ameren companies (or which are to be determined by the Commission in the rehearing phase of Docket Nos. 06-0070, 06-0071, and 06-0072 (Consolidated). Additionally, the Commission did not intend to modify its conclusions (other than those related to rate design) in the Procurement Dockets.

(Order, p. 3.) Because of this mandate, no party supported a position that the Ameren Illinois Utilities’ revenue requirements should be reduced. The record has no evidence to support doing so; and indeed, doing so is not consistent with the Commission’s orders in 06-0070, -0071, and -0072 and in 05-0160, -0161, and -0162. The Order must be corrected to allow the utilities the full revenue requirement and cost recovery provided in those Dockets, and in accordance with the Initiating Order. *Illinois Commerce Comm’n v. N.Y. Cent. R.R. Co.*, 398 Ill. 11, 16, 75 N.E.2d 411, 414 (1947) (holding that if the Commission’s findings do not support an order, the order is void).

III. THE ORDER MUST BE CORRECTED IN ACCORDANCE WITH THE RECORD.

The Ameren Illinois Utilities offer a simple modification, which would correct the Order and allow the opportunity for full cost recovery. The final sentence of page 48 of the Order could be changed to read:

In conclusion, the Commission approves Staff’s two-step approach, with one modification. #An implementation date of

December 1, 2007 is approved for all-rate design changes to rates BGS-1 and BGS-2 Rates 1 and 2. An implementation date of January 1, 2008, is approved for rates DS-1 and DS-2.

The Ameren Illinois Utilities believe that this correction is in line with the Commission's analysis and findings and the true intent of the Order.

Alternatively, the Commission could order a December 1, 2007 implementation date, but allow the Ameren Illinois Utilities to recover any revenue requirement shortfall through Rider MV:

In conclusion, an implementation date of December 1, 2007 is approved for all rate design changes to Rates 1 and 2-rates BGS-1, DS-1, BGS-2 and DS-2. The revenue deficiency caused by implementing the rate design changes on December 1 instead of January 1 should be accounted for and recovered through the Market Value Adjustment mechanism within Rider MV.

Finally, the record also supports a Commission order implementing all BGS-1, BGS-2, DS-1, and DS-2 rate design changes on January 1, 2008, consistent with its finding that this proposal is "generally reasonable under the circumstances." (Order, p. 48.)

IV. CONCLUSION

Because the Order implements *all* rate design changes at once, prior to January 1, 2008, it will deprive the Ameren Illinois Utilities of a reasonable opportunity to fully recover their Commission-approved revenue requirement. The Ameren Illinois Utilities respectfully request an expedited decision on this important, time-sensitive issue.

Dated: October 16, 2007

Respectfully submitted,

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

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CERTIFICATE OF SERVICE

I, Laura M. Earl, certify that on October 16, 2007, I served a copy of the foregoing
Petition for Rehearing by electronic mail to the individuals on the Commission's official Service
List for Docket 07-0165.

/s/ Laura M. Earl

Laura M. Earl