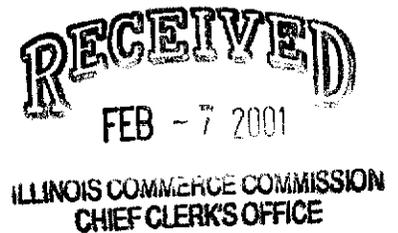


**PREPARED SUPPLEMENTAL REBUTTAL TESTIMONY  
OF  
WILLIAM G. LIVINGSTONE  
AND  
GLENN L. DAVIDSON  
ON BEHALF OF  
CENTRAL ILLINOIS LIGHT COMPANY  
DOCKET NO. 00-0579**



- 1 Q1: Please state your names and addresses.
- 2 A1: My name is William G. Livingstone and my business address is 300 Liberty Street, Peoria,  
3 Illinois 61602.
- 4 A1: My name is Glenn L. Davidson and my business address is 300 Liberty Street, Peoria,  
5 Illinois 61602.
- 6 Q2: Are you the same William G. Livingstone and Glenn L. Davidson who previously submitted  
7 testimony in this docket?
- 8 A2: Yes, we are.
- 9 Q3: What is the purpose of your supplemental rebuttal testimony?
- 10 A3: We will respond to the additional testimony of Staff Witnesses Christ and Larson.
- 11 Q4: What is Mr. Christ's position in his additional testimony?
- 12 A4: Mr. Christ is critical of the base case CILCO used for the projected year in Supplemental  
13 Exhibit 10.1
- 14 Q5: What is your response?
- 15 A5: CILCO used its original filing, without the 5-year average, to prepare the base case, based  
16 on CILCO's understanding of what the Hearing Examiner directed CILCO to do. There was

17 no other base case available because the Hearing Examiner rejected CILCO's proposed  
18 Supplemental Exhibit 9.1, which was intended to provide updated information.

19 Mr. Christ contends that the futures prices used by CILCO are subject to greater variability  
20 because they are recorded on only one day in June 2000. CILCO's filing was based upon  
21 the best information available at the time. The CINERGY futures price represents where  
22 informed traders would be willing to buy and sell power. Electricity is one of the most  
23 volatile commodities traded today. Our "forward" based filing is intended to capture the  
24 purchased power costs expected to be incurred.

25 Mr. Christ also complains that CILCO used the futures prices instead of forward and spot  
26 prices. Mr. Christ testified earlier that there is no real difference between futures prices and  
27 forward prices, so there is no basis for his complaint on that issue. Additionally, in cases  
28 where futures contracts are not traded, the NYMEX settlement committee polls the forward  
29 "over-the-counter" market and incorporates this trading activity into the futures daily  
30 contract settlement. It is not a coincidence that there is little variance between the forward  
31 price and the futures contract. Mr. Christ argues in favor of spot prices for months that are  
32 now historical, because they represent actual known prices, yet Mr. Christ fails to update his  
33 information to include the latest "actual known" prices. The Hearing Examiner's directive  
34 to Staff to provide updated information will resolve that issue. It should also be noted that  
35 Mr. Christ's position that his methodology as detailed in his direct testimony is "more  
36 accurate" is not supportable. The Commission itself in Docket No. 98-0279 relied upon the

37 NYMEX futures market because that forward curve represented prices “educated” traders  
38 were willing to transact business with their own money on the line.

39 Q6: Mr. Christ continues to argue that July of 2000 should not be the starting point in the  
40 projected test period. What is your response?

41 A6: The point is moot. CILCO is not required by the statute to propose more than one twelve-  
42 month projected period out of the fifteen future months. CILCO has indicated that it will  
43 rely upon the twelve months ending August 31, 2001.

44 Q7: Mr. Larson contends that the correct price for Freeman Crown II coal is \$32.376 per ton for  
45 the entire projected period. He bases this upon the elimination of what he refers to as a  
46 plugged figure for the quarterly adjustment, plus the elimination of the recovery of the 1999  
47 overbilling during 2000. What is your response?

48 A7: Mr. Larson’s position is flawed for many reasons. First, as previously disclosed by CILCO  
49 in response to Staff Data Request ENG 19, the cost of coal during 1999 was \$ 36.30 per ton  
50 before taxes. Mr. Larson’s contention that during 2000 and 2001 the price will be lower than  
51 the cost in 1999 is unreasonable. Second, if the quarterly adjustment is a “fudged” figure,  
52 then it was a “fudged” figure at the end of the third quarter as well as at the end of the fourth  
53 quarter. It is again unreasonable to assume that the cost of production will fall by almost \$25  
54 per ton for the third quarter to the fourth quarter. This huge discrepancy in production costs  
55 occurs because of Mr. Larson’s reliance upon the fourth quarter figures, which are merely  
56 estimates of prices that might be in effect during the first quarter of 2001. Finally, Mr.  
57 Larson carries his \$32.376 per ton price into 2001. Even under Mr. Larson’s theory, this

58 cannot be correct, because it ignores that the underrecovery from 1999 disappears at the end  
59 of 2000, and the 2001 price would be at least \$4.58 per ton higher. Mr. Larson also ignores  
60 that the \$40 per ton price projected by CILCO for 2001 includes an adjustment to reflect the  
61 termination of the collection of a prior underbilling. Mr. Larson's approach would double-  
62 count this adjustment. In sum, Mr. Larson's arguments are based upon speculation, as  
63 contrasted with the "actual known" price of \$43 per ton CILCO is paying to Freeman.

64 Q8: Do you have any response to IIEC's contention that there is no opportunity to investigate and  
65 understand the newly surfaced issues relating to the Crown II mine?

66 A8: Yes. IIEC erroneously assumes that there was something to investigate and understand that  
67 could have been shown as evidence in the record. I have already indicated that it is not  
68 possible to predict what is going to happen in the future with respect to Freeman's recent  
69 threat to close the Crown II mine. IIEC's contention that with more time to investigate there  
70 would have been a better record is not reasonable, and the order must be entered March 28,  
71 2001. At the time CILCO gave notice to Freeman, CILCO could not have predicted with a  
72 reasonable degree of certainty the ultimate economic consequences. The outcome is still not  
73 known and may not be known for several years. The parties to this proceeding were aware  
74 at the outset of the continuing arbitration disputes with Freeman, and IIEC witness  
75 Dauphanais discussed in his testimony the possibility that there would be arbitration  
76 proceedings after the FAC is eliminated. IIEC could have submitted multiple data requests  
77 about those matters starting many months ago, but they would have produced no substantive  
78 evidence because there was even less information available then than there is now.

79 Q9: Does this complete your prepared supplemental rebuttal testimony?

80 A9: Yes, it does.