

**ILLINOIS COMMERCE COMMISSION  
ICC DOCKET NOS. 07-0585 – 07-0590 (CONS.)**

**SURREBUTTAL TESTIMONY**

**OF**

**WILLIAM M. WARWICK**

**Submitted On Behalf**

**Of**

**CENTRAL ILLINOIS LIGHT COMPANY d/b/a AmerenCILCO  
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AmerenCIPS  
ILLINOIS POWER COMPANY d/b/a AmerenIP  
(The Ameren Illinois Utilities)**

**May 27, 2008**

**TABLE OF CONTENTS**

	<b>Page</b>
I. INTRODUCTION .....	1
A. Witness Identification .....	1
B. Purpose and Scope .....	1
II. CLASS REVENUE REQUIREMENT .....	3
III. RATE DESIGN .....	4
IV. OTHER TARIFF CHANGES.....	15
V. CONCLUSION.....	15

1                                   **ILLINOIS COMMERCE COMMISSION**  
2                                   **SURREBUTTAL TESTIMONY**  
3                                   **OF**  
4                                   **WILLIAM M. WARWICK**

5   **I.    INTRODUCTION**

6       **A.    Witness Identification**

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

8       A.    My name is William M. Warwick. My business address is One Ameren Plaza,  
9            1901 Chouteau Avenue, St. Louis, Missouri 63103.

10   **Q.    Are you the same William M. Warwick that previously filed testimony in this**  
11           **proceeding?**

12    A.    Yes.

13       **B.    Purpose and Scope**

14   **Q.    What is the purpose of your surrebuttal testimony?**

15    A.    I have reviewed certain Staff and intervenor witnesses testimonies and positions  
16            as they relate to my rebuttal testimony in these dockets. Principally, I am  
17            responding to Staff witnesses Harden and Sackett, IIEC witness Chalfant, and  
18            GFAI witness Adkisson as their testimony relates to class revenue requirement  
19            allocation, Gas Delivery Service (GDS) rate design and other tariff changes.

20   **Q.    Please summarize the conclusions in your surrebuttal testimony.**

21    A.    My conclusions are as follows:

- 22           • Approve the proposed new Schedules of Rates for Gas Service, the new rate  
23           designations for service and conform all other tariff sheets/provisions that  
24           would provide uniformity of rate schedules among the Ameren Illinois  
25           Utilities (AIU).
- 26           • Employ an across-the-board equal percentage (ATB) revenue allocation in  
27           this case.
- 28           • Retain AmerenCIPS-ME as a separate rate area of AmerenCIPS, retain the  
29           AmerenCIPS-ME declining block residential rate design, applying the average  
30           AmerenCIPS ATB percent increase to each rate component.
- 31           • Eliminate AmerenIP's Rider OT and retain the pricing features of the existing  
32           Rate OT in the proposed non-residential GDS-2 through GDS-6 for Rider OT  
33           customers that are taking such service at the time Rider OT is cancelled. The  
34           Rider OT pricing components will be adjusted by the ATB method. Finally,  
35           the applicable transportation terms and conditions will be consistent with  
36           those ultimately approved for AmerenIP Rider T service.
- 37           • Eliminate AmerenIP's stand alone Rate 76 for transportation service and  
38           unbundle into separate Rider T and GDS tariffs to be uniform with the other  
39           AIUs .

- 40           ▪ Embed the AmerenIP stand alone Facilities Charges for GDS-4, GDS-5 and  
41           Rider T into the applicable Customer Charges of respective tariffs to conform  
42           with the other AIUs.
- 43           • Eliminate AmerenIP's Rider H-Adjustment for Pipeline Transition Surcharge.  
44           There has not been activity under Rider H for quite some time, nor is it  
45           contemplated that there will be such activity in the future and therefore, it is  
46           no longer needed.
- 47           • Accept revised language regarding more flexible deposit requirements for  
48           main extensions.
- 49           • Calculate the ATB percentage increases for the approved rate increase  
50           amounts based on Total Service Revenue of each AIU (excluding Other  
51           Revenue and Special Contracts), absent such, the resulting ATB percent  
52           increases will under-collect the Commission approved revenue requirement.

53   **Q. In addition to your surrebuttal testimony, do you sponsor any other exhibits?**

54   A. Yes, I sponsor Ameren Exhibit 51.1 summarizing, at a high level, the revenue  
55   allocation, GDS rate design and other tariff revision positions of the various  
56   parties.

57   **II. CLASS REVENUE REQUIREMENT**

58   **Q. Mr. Chalfant claims with the departure from cost of service corrections for**  
59   **subsidies in future cases will only be more painful for customers because it**

60 **will require not only correcting existing subsidies, but also the “additional**  
61 **subsidies” created under the AIU’ proposal in this case. Do you agree?**

62 A. Mr. Chalfant has not provided any evidence that supports this statement.  
63 Therefore, I can not agree with him. Mr. Chalfant assumes that future class cost  
64 of service studies of all intervening parties will bear similar results as those  
65 provided by the AIU in Schedule E-6. Future class studies provided by other  
66 parties may, and probably will, have differing results and the Commission may  
67 ultimately agree with the results of another parties’ cost study.

68 **III. RATE DESIGN**

69 **Q. Ms. Harden claims there are two areas where the AIU propose exceptions to**  
70 **her recommendation, to adjust each rate element on an ATB basis. The first**  
71 **being conforming AmerenCIPS and AmerenCIPS-Metro East GDS rates. Is**  
72 **that your understanding?**

73 A. Yes.

74 **Q. Ms. Harden continues to disagree that AmerenCIPS and AmerenCIPS Metro**  
75 **East’s rates should be conformed. How do you respond?**

76 A. The AIU continue to believe, for reasons stated in rebuttal, that it is appropriate to  
77 conform AmerenCIPS and AmerenCIPS-Metro East GDS rates. In summary, my  
78 rebuttal testimony stated AmerenCIPS Metro East no longer exists as a legal  
79 entity; plant and expenses are no longer kept separately; cost of service (revenue  
80 requirement) can no longer be split; separate class cost of service studies can no  
81 longer be developed; and rate structures are virtually identical. Therefore, my

82 position has been to oppose the continued separation of rate areas. However, as a  
83 matter of compromise and not conceding my position is without merit, the AIU  
84 would be agreeable to keeping the AmerenCIPS and AmerenCIPS-ME proposed  
85 GDS rates separate and increase each by the ATB percentage increase, if that is  
86 the Commission's preference. I note that most AmerenCIPS-ME customers would  
87 actually be better off under my proposal to merge AmerenCIPS and  
88 AmerenCIPS-ME rates rather than keeping them separate. For the reasons stated  
89 above, AmerenCIPS will again propose elimination of the separate rate areas at  
90 that time of its next rate case.

91 **Q. Ms. Harden discusses the second exception as being a proposal to merge the**  
92 **small volumetric Distribution Charge for Rates GDS-4 and GDS-6 of**  
93 **AmerenCILCO and Rate GDS-4 of AmerenIP into the proposed Customer**  
94 **Charges. Is this assessment correct?**

95 A. No. In rebuttal I stated we were agreeable to maintaining the current small  
96 volumetric Distribution Charges of AmerenCILCO's GDS-4 and GDS-6 and  
97 AmerenIP's GDS-4. I assume the exception Ms. Harden meant to refer to was the  
98 AIU' disagreement with her opposition to merge the AmerenIP Facilities Charges  
99 for GDS-4, GDS-5 and Rider T into the applicable Customer Charges. As stated  
100 in my rebuttal testimony the resulting Facilities Charge is the same whether it is a  
101 separate charge or embedded in the proposed Customer Charge.

102 **Q. Are the AIU in agreement with Ms. Harden's Exhibit 19.0, Attachment A**  
103 **which contains revised tariff language pertaining to System Gas Charges for**  
104 **AmerenCIPS Inadequate Capacity customers?**

105 A. Yes, the AIU agree to the language as set forth in ICC Staff Exhibit 19.0,  
106 Attachment A.

107 **Q. Did Ms. Harden respond to the AIU concerns regarding using the overall**  
108 **percentage increase from Ms. Ebery's ICC Staff Exhibit 1.0 Schedule 1.01**  
109 **when developing GDS rates?**

110 A. No, Ms. Harden did not address the AIU's concerns regarding using the overall  
111 percentage increase from ICC Staff Exhibit 1.0 Schedule 1.01. Perhaps she  
112 continues to disagree.

113 **Q. How should the ATB percentage increase used to develop final GDS rates in**  
114 **these proceedings be developed?**

115 A. As I stated in rebuttal, the ATB percentage increase used to develop final GDS  
116 rates should be derived following the method reflected on Ameren Exhibit 12.1G.  
117 That is, the development of the proposed ATB increase target should exclude  
118 Other Revenues (as adjusted for changes to miscellaneous charges) and Special  
119 Contract Revenues. Otherwise the resulting AIU' GDS rates will fall short of  
120 producing the proposed revenue requirement authorized in the cases.

121 **Q. Please explain how this could occur.**

122 A. For illustrative purposes only, using Staff’s revenue requirement increase  
 123 recommendation for AmerenCIPS (ICC Staff Exhibit 13.0 Schedule 13.01 CIPS-  
 124 G) it shows Staff ProForma Present Revenues to be \$65,220,000 and ProForma  
 125 Proposed Revenues of \$68,450,000 for an increase in total operating revenue of  
 126 \$3,230,000 (column (i) line 24) or 4.95% (column (i) line 25). The table below  
 127 reflects the results of applying the 4.95% increase to present rate values for each  
 128 rate class:

	Staff Proforma <u>Present</u>	A-T-B % <u>Multiplier</u>	Resulting Operating <u>Revenue</u>
GDS-1	\$ 41,324	1.0495	\$ 43,370
GDS-2	\$ 6,062	1.0495	\$ 6,362
GDS-3	\$ 7,983	1.0495	\$ 8,379
GDS-4	\$ 6,259	1.0495	\$ 6,569
GDS-5	<u>\$ 186</u>	1.0495	<u>\$ 195</u>
Subtotal	\$ 61,814		\$ 64,874
GDS-7	<u>\$ 977</u>		<u>\$ 977</u>
Total Service Revenue	\$ 62,791		\$ 65,851
Other Revenue	<u>\$ 2,429</u>		<u>\$ 2,427</u>
Total Operating Revenue	\$ 65,220		\$ 68,278
Staff Proforma Proposed Total Operating Revenue			\$ 68,450
Shortfall			\$ (172)

129  
 130 As can be seen from the table above, application of the percentage change from  
 131 Ms. Ebrey’s ICC Staff Exhibit 13.0 Schedule 13.01 CIPS-G to the GDS present  
 132 rate values will result in an annual revenue shortfall of \$172,000. In summation,  
 133 the entire increase in revenue requirement is being recovered from the GDS rate  
 134 classes, the derivation of the ATB percentage multiplier must be based on Service  
 135 Revenue (before Other Revenue and Special Contracts) or, the AIU’ will not have

136 an opportunity to recover its Commission authorized revenue requirement. In the  
137 example above, the correct ATB percent multiplier should have been 1.0523  
138  $(1 + (((\$68,450 - \$977 - \$2,427) - \$61,814) / \$61,814))$ . Ms. Harden never explains why  
139 the revenue shortfall is justified from a rate design standpoint.

140 **Q. Do you agree with Mr. Sackett's explanation that the total allocation of**  
141 **storage costs for AmerenCILCO's transportation customer in ICC Docket**  
142 **No. 02-0837 must have been some percentage greater than 40%?**

143 A. No. I reviewed both Mr. Sackett's response to the AIU' data request 19.01 and  
144 the Commission's order in Docket No. 02-0837, and I did find any clear and  
145 convincing evidence to support Mr. Sackett's claim. Regardless, as stated in my  
146 direct and rebuttal testimony, the AIU are not proposing to follow class cost of  
147 service results but, rather, are proposing an equal ATB percentage increase.  
148 Therefore, the correctness of Mr. Sackett's claim that AmerenCILCO's reduced  
149 its storage allocator by more than 75% is irrelevant from a delivery service  
150 perspective.

151 **Q. Mr. Sackett takes exception to the claim that small customers are not**  
152 **deterred from transportation service by the metering differential. How do**  
153 **you respond?**

154 A. Mr. Sackett has not provided any evidence in direct or rebuttal to support his  
155 allegation. An examination of the number of small transportation customers on  
156 AmerenCILCO's currently effective rates 550 and 600, which do not assess a

157 telemetry charge for transportation service, reveals less than 1% (51 out of  
158 17,442) of the eligible customers opt for transportation service. This leads me to  
159 assume there are factors other than charges for telemetry which contribute to a  
160 customer's decision to transport.

161 Mr. Sackett claims the magnitude of the increase in telemetry charges may make  
162 the metering differential more of a barrier are unsupported. With the ATB  
163 approach each rate value including the telemetry charges are being changed  
164 equally by the ATB percentage change. The economics (usage cross-over or  
165 breakeven point at which a customer's delivery service bill is the same under  
166 either the sales or transport option) are the same under the proposed rates as they  
167 are under the current rates. Mr. Sackett's third objection is that the AIU  
168 conclusion is not valid because they extrapolate to all smaller customers.

169 Actually, the same argument can also be made to Mr. Sackett's claim that the  
170 differential is an economic barrier for smaller customers, that is it extrapolates to  
171 all small customers. Excepting the AmerenCILCO data above, neither Mr. Sackett  
172 nor I have any quantitative evidence to support whether the incremental charge  
173 for telemetry is a barrier to transportation service for small customers. And lastly  
174 Mr. Sackett claims even if all customers at this time can make it work  
175 economically, in the future this may keep marginal customers from benefiting  
176 from transportations services. The AIU response is that Mr. Sackett's claim is  
177 speculative, the small percentage of AmerenCILCO customers taking  
178 transportation service today would seem to suggest telemetry charges in and of

179 themselves do not necessarily drive the economics of customers taking  
180 transportation service.

181 **Q. Mr. Sackett recommends retention of AmerenIP's Rider OT. Please**  
182 **comment.**

183 A. In an attempt to promote consistency between Mr. Sackett's recommendation and  
184 Ms. Harden's ATB change to each rate value recommendation the AIU propose to  
185 grandfather the current AmerenIP applicable Rider OT rate structure (i.e.  
186 customer charge, delivery charge, demand charge, facilities charge, and excess  
187 delivery charge) and increase each rate component by the ATB percentage  
188 increase. This applies to the monthly rate values only, all other terms and  
189 conditions will be pursuant to the proposed Rider T provisions. This rate  
190 structure will also be limited to those customers on Rider OT immediately prior to  
191 its cancellation. The benefit of grandfathering is the ability to satisfy existing  
192 customers on the rate while not allowing additional customers to be added to the  
193 rate. The limitation grants existing OT customers the AIU recommended ATB  
194 percentage change and at the same time provides a transition mechanism  
195 consistent with Mr. Glaeser's testimony to eliminate Rider OT. The retained OT  
196 rate structures will be located within each non-residential GDS classification,  
197 GDS-2 through GDS-6.

198 **Q. Have you reviewed Mr. Adkisson's rebuttal testimony and his**  
199 **recommendation as they pertain to rate design?**

200 A. Yes.

201 **Q. How do you respond?**

202 A. Mr. Adkisson's recommendations on rebuttal are consistent with his  
203 recommendations on direct and my responses would be the same as those in my  
204 rebuttal so I will limit my response. The AIU continue to recommend that Mr.  
205 Adkisson's recommendations be rejected by the Commission for several reasons.  
206 Mr. Adkisson provides no analysis of the effects (i.e. customer rate migration,  
207 revenue instability, customer bill impacts, cost analysis, class billing  
208 determinants) of his proposed recommendations. Without thorough analysis, to  
209 construct a different rate design would inappropriately expose the AIU to possible  
210 revenue erosion and run counter to the way rate classifications are set today. His  
211 recommendations will require a complete analysis of the affected service  
212 classifications to determine realignment of class billing determinants, and also  
213 require estimates and assumptions made for expected customer migration. He has  
214 not performed any analysis along these lines.

215 **Q. Mr. Adkisson claims the proposed transportation tariffs are so onerous for**  
216 **small and intermediate seasonal customers as to discriminate in favor of the**  
217 **AIU's gas supply, that most grain dryers will be forced to sales service and**  
218 **supply. Do you agree?**

219 A. As stated earlier, the AIU' proposal to increase/decrease each rate value by the  
220 ATB percentage increase/decrease resulting from the cases has no impact on the

221 breakeven usage point between proposed sales and transportation delivery service  
222 rates. If there is migration back to system gas, it will be the result of factors other  
223 than the price differential between sales and transport GDS rates.

224 **Q. Mr. Adkisson suggests that an AmerenIP GDS-2, 3, and 4 customer will pay**  
225 **\$666, \$1,345, and \$ 5,211 respectively, more annually for transport service**  
226 **than sales service. Do you agree?**

227 A. I do not agree. Mr. Adkisson's calculations fail to consider the existing bill  
228 differential which exists today for the classes in his example. The magnitude of  
229 the increases are overstated. Under the AIU' recommended ATB, a current grain  
230 dryer on GDS-2, GDS-3, or GDS-4 taking transportation service pursuant to  
231 Rider OT, will realize the same ATB percent increase in GDS rates as customers  
232 receiving sales service. Additionally, a current grain dryer taking transportation  
233 service pursuant to Rate 76 (proposed Rider T) will realize the same ATB percent  
234 increase/decrease in GDS rates as customers receiving sales service. What this  
235 means is the proposed relative GDS rate differential between sales and  
236 transportation service will be identical as it is exists today.

237 **Q. Mr. Adkisson claims the AIU natural gas tariffs need to reflect seasonal**  
238 **costs. How do you respond?**

239 A. Under the ATB increase/decrease approach, preserving present rate structures, the  
240 AIU proposed natural gas GDS rates reflect seasonal costs to the same extent as  
241 today. The currently effective Seasonal Rate/Minimum Winter Use options

242 available to customers were developed using the Peak and Average allocation  
243 method with seasonal type customers benefiting from the inherent lower usage  
244 during periods of the AIU peak demand. These rates were developed within the  
245 context of rate hearings and ultimately found to be just and reasonable by this  
246 Commission for these type customers.

247 **Q. Mr. Adkisson recommends that GDS-5 Seasonal Service Customer Charges**  
248 **and Distribution Delivery Charges be specified to equal the respective**  
249 **transport and non-transport GDS-2, GDS-3 or GDS-4 rate schedules for**  
250 **which the customer qualifies. Are you in agreement?**

251 A. No. Mr. Adkisson's proposal should be rejected by the Commission for the same  
252 reasons stated above, That is, Mr. Adkisson provides no analysis of the effects of  
253 his proposed recommendations. Mr. Adkisson provides no cost analysis, no  
254 customer migration analysis, no analysis of the revenue shortfall of his proposal,  
255 and the impact on other customers. This proposal would also conflict with the  
256 ATB methodology being proposed in this proceeding Further, GDS-5 provides  
257 the seasonal rate discount found to be just and reasonable by this Commission,  
258 based on cost of service, in the AIU' prior rate cases, Docket Nos. 04-0476, 02-  
259 0837, 02-0798, 03-0008 and 03-0009.

260 **Q. Referring to GFAI Exhibit No. 2.07, page 6 of 8, which is a response to Staff**  
261 **data request POL-11.05, do you have issues with the response?**

262 A. Yes. The expanded GFA Exhibit 1.4 referred to as an attachment contains errors  
263 and inaccuracies. For instance, AmerenCILCO and AmerenCIPS GDS-5  
264 calculations are based on AmerenIP's GDS-5 rates and are being compared to  
265 AmerenIP's GDS-2 and GDS-3 Rider S results. It's the proverbial apples to  
266 oranges comparison. Nothing meaningful can be gleaned from comparing rates  
267 based on different cost structures. In addition, the calculations for AmerenCIPS  
268 GDS-2 are inaccurately utilizing AmerenCIPS GDS-3 rates. Considering the  
269 above, the Commission should not rely on the results of the calculations within  
270 this exhibit.

271 **Q. Mr. Warwick, should the Commission ultimately agree with a GDS rate**  
272 **design recommendation of Mr. Adkisson's, how will the final rates need to be**  
273 **developed?**

274 A. A detailed analysis of Mr. Adkisson's recommendation will be required so as to  
275 determine the respective billing units for each affected service classification. The  
276 determination of billing units would also need to take into consideration the  
277 affects of rate migration, if any. This process would be necessary to ensure, at the  
278 end of the day, the compliance rates filed in the case provide the AIU with a  
279 reasonable opportunity to earn the rate of return granted in this case. What Mr.  
280 Adkisson is proposing will simply lower rates for GFAI customers without an  
281 offsetting increase to other rates to make up for the difference in revenue  
282 requirement. The Commission would have to allow adjustments to other rates in  
283 order for the AIUs to make-up any revenue shortfall created by his proposal.

284 **IV. OTHER TARIFF CHANGES**

285 **Q. Mr. Lounsberry recommends that the Commission require the AIU to use**  
286 **the alternative language that the AIU provided in response to Staff data**  
287 **request ENG 2.202 concerning deposits for gas main extensions. Do the AIU**  
288 **agree with this recommendation?**

289 **A.** Yes, the AIU agree to the language provided in response to ENG 2.202 and will  
290 reflect such changes in its compliance tariffs.

291 **V. CONCLUSION**

292 **Q. Does this conclude your rebuttal testimony?**

293 **A.** Yes, it does.