

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 07-_____

DIRECT TESTIMONY

OF

WILBON L. COOPER

Submitted On Behalf

Of

CENTRAL ILLINOIS LIGHT COMPANY d/b/a AMERENCILCO

NOVEMBER 2, 2007

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I. INTRODUCTION AND QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Wilbon L. Cooper. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom are you employed and in what capacity?

A. I am employed by Ameren Services Company as a Manager of Rate Engineering and Analysis - Regulatory Policy and Planning.

Q. Please describe your education and work experience.

A. Please see Appendix A.

II. PURPOSE AND SCOPE

Q. What is the purpose of your direct testimony in this proceeding?

A. The purpose of this testimony is to introduce and explain the regulatory functioning and accounting mechanics of two of the riders proposed as part of Ameren Illinois Utilities' rate application in the instant proceeding: the Volume Balancing Adjustment Rider or Rider VBA and the Uncollectibles Balancing Adjustment Rider or

23 Rider UBA. The policy rationale for each of these riders is discussed in the testimony of
24 Ameren witness Craig Nelson.

25 **III. RIDER VBA – VOLUME BALANCING ADJUSTMENT RIDER**

26 **Q. Please provide a general explanation of the Company’s proposed Rider VBA**
27 **– Volume Balancing Adjustment Rider.**

28 A. Rider VBA, attached hereto as Ameren Exhibit 9.1G-CILCO, Ameren Exhibit
29 9.1G-CIPS, and Ameren Exhibit 9.1G-IP, is a mechanism to stabilize recovery of the
30 distribution revenue requirement approved by the Commission for two of the Company’s
31 Rate Classes (i.e., Residential General Delivery Service (GDS1) and Small Commercial
32 Delivery Service (GDS2)) that have historically experienced noticeable changes in use
33 per customer due to changes in weather and energy conservation activities. Combined,
34 these classes comprise 98%, 98%, and 99% of total customers for AmerenCILCO,
35 AmerenCIPS, and AmerenIP, respectively.

36 **Q. What was the starting point for the development of Rider VBA?**

37 A. The Company reviewed The Peoples Gas and Light and Coke Company’s
38 (Peoples) proposed Rider Volume Balancing Adjustment in Docket No. 07-0242 and
39 utilized said rider as a template in the development of its proposed Rider VBA. Over the
40 years, the Commission has promoted uniformity of common riders (e.g., Purchased Gas
41 Adjustment (PGA), Gas Environmental Adjustment Clause, and Electric Environmental
42 Adjustment Clause Riders) among Illinois utilities and the Company’s approach supports
43 the Commission’s uniformity efforts. Said uniformity supports ease of rider audits by the
44 Commission Staff and, also consistent application of similar utility provisions across the
45 entire state of Illinois.

46 Of course, adaptations were made to the People's rider to tailor it to the Ameren
47 Illinois Utilities' use, and, also to reflect certain recommendations from testimony filed
48 on behalf of the Commission Staff in Docket No. 07-0242, including Staff's
49 recommendations in Attachment C, Staff Revised VBA, to ICC Staff Exhibit 1.0 that
50 received no opposition from Peoples. The Ameren Illinois Utilities believe Rider VBA
51 provides an administratively reasonable method to recover the Commission-authorized
52 revenue requirement while retaining a variable delivery component.

53 **Q. Please provide a brief explanation of the Company's proposed GDS1 and**
54 **GDS2 rate design.**

55 A. The proposed rate structure of these classifications contains both a customer
56 charge(s) and a volumetric delivery charge to collect the **non**-natural gas supply cost base
57 rate revenue requirement of the classes. Ameren witness William Warwick's direct
58 testimony in this case provides more specifics on the development of these rates.

59 **Q. Considering this rate design, can the Company precisely estimate future**
60 **revenue resulting from the implementation of these charges?**

61 A. No. The portion of a class' revenue requirement contributed by the customer
62 charge can be reasonably predicted as existing customer counts/premises are relatively
63 stable. On the other hand, the portion of the class revenue requirement associated with
64 volumetric use cannot be reasonably or accurately predicted for customers due to
65 variations in usage due to weather, conservation or other conditions. As a result, this
66 portion of the revenue requirement may be characterized as somewhat unstable.

67 **Q. How do the mechanics of Rider VBA mitigate the instability of revenue**
68 **associated with the volumetric charge of the rate?**

69 A. The application of the mechanics of Rider VBA will support the stabilization of
70 the volumetric portion of the delivery service revenue requirements by utilizing two
71 components: 1) Effective Component and 2) Reconciliation Adjustment.

72 First, the Effective Component of the Rider is determined by utilizing: a) the
73 Commission established non customer charge rate case base rate revenue for a
74 reconciliation month (RCBR), b) the number of rate case customers for a reconciliation
75 month (RCC), c) the actual non customer charge rate case base rate revenue for a
76 reconciliation month (ABRR), d) the actual number of rate case customers for a
77 reconciliation month (AC), and e) forecasted therms for a specified period (T). The
78 following formula depicts the calculation of the Effective Component of the Rider VBA:

79
$$[(RCBR/RCC) - (ABRR/AC)] \times RCC/T \times 100.$$

80 **Q. Will the application of the Effective Component of this Rider necessarily**
81 **always produce a positive adder to customer bills?**

82 A. No. Depending on weather and other conditions (e.g., a warmer or colder than
83 normal winter season, the addition of new natural gas consuming devices at customers'
84 premises, etc.), the application of this component could result in a credit or a charge to
85 customer's bills. In other words, there is symmetry in the application of this method.

86 **Q. Can you provide examples of the application of this formula?**

87 A. Yes, I can. The following examples demonstrate the application of this formula
88 and its symmetry.

89 Example 1 – Adder to Customers Bills

90 RCBR - Rate Case Base Rate Revenue for Reconciliation Month = \$15,000

91 RCC - Rate Case Customers for the Reconciliation Month = 1,500

92 ABRR - Actual Base Rate Revenue for the Reconciliation Month = \$14,400

93 AC - Actual Customers for the Reconciliation Month = 1,600

94 T – Forecasted Therms for the specified period = 110,000

95 $[(\$15,000/1,500) - (\$14,400/1,600)] \times 1,500/110,000 \times 100 = 1.364$ cents/therm

96 This example illustrates that if the Rate Case Base Rate Revenue for the Reconciliation
97 Month is \$10/customer (\$15,000/1,500) and if the Actual Base Rate Revenue for the
98 Reconciliation Month is \$9.00/customer (\$14,400/1,600), then there would be base rate
99 revenue shortfall of \$1/customer (\$10-\$9) or a total of \$1,500 (1,500 x \$1). This \$1,500
100 base rate revenue shortfall would be collected via a 1.36 cents/therm surcharge for
101 estimated therms to be billed during the Effective Month. This example demonstrates a
102 situation where use per customer declined from test year levels. Said reduction could
103 occur due to various conditions (e.g., abnormally warm weather or energy conservation,
104 or other conditions).

105 Example 2 – Credit to Customers Bills

106 RCBR - Rate Case Base Rate Revenue for Reconciliation Month = \$15,000

107 RCC - Rate Case Customers for the Reconciliation Month = 1,500

108 ABRR - Actual Base Rate Revenue for the Reconciliation Month = \$17,600

109 AC - Actual Customers for the Reconciliation Month = 1,600

110 T – Forecasted Therms for the specified period = 110,000

111 $[(\$15,000/1,500) - (\$17,600/1,600)] \times 1,500/110,000 \times 100 = -1.364$ cents/therm

112 This example illustrates that if the Rate Case Base Rate Revenue for the Reconciliation
113 Month is \$10/customer (\$15,000/1,500) and if the Actual Base Rate Revenue for the
114 Reconciliation Month is \$11.00/customer (\$17,600/1,600), then there would be a Base
115 Rate Revenue shortfall/(overage) of -\$1/customer (\$10-\$11) or a total of -\$1,500 (1,500 x

116 -\$1). Said -\$1,500 Base Rate Revenue shortfall/(overage) would result in a 1.364
117 cents/therm credit for estimated therms to be billed during the Effective Month. This
118 example demonstrates a situation where use per customer increased from test year levels.
119 Said increase could occur due to various conditions (e.g., abnormally cold weather,
120 installations of additional gas consuming devices, or other conditions).

121 The above examples clearly illustrate the symmetrical nature of the Effective
122 Component of this rider. Also, it should be noted that in both of the above examples the
123 adjustment factor would be applicable to billed therms of all customers in the applicable
124 rate class.

125 **Q. Earlier you mentioned a second component of Rider VBA, a Reconciliation**
126 **Adjustment. Please explain.**

127 A. The Reconciliation Adjustment component of the proposed Rider VBA will be: a)
128 determined for each Rate Class, b) calculated annually and c) amortized over a ten-month
129 period. I will not provide examples of the application of the Reconciliation Adjustment
130 as the formula for this adjustment is similar to those utilized in numerous other utility
131 tariff riders approved by the Commission where estimated billing quantities are utilized
132 to collect actual costs. Basically, the Reconciliation Adjustment serves as a mechanism
133 to true-up or match “costs” with revenues with an interest component to reflect the time
134 value of money.

135 **IV. RIDER UBBA - UNCOLLECTIBLES BALANCING ADJUSTMENT**

136 **Q. Please provide a general explanation of the Company’s proposed Rider UBA**
137 **– Uncollectibles Balancing Adjustment Rider.**

138 A. Rider UBA, attached hereto as Ameren Exhibit 9.2G-CILCO, Ameren Exhibit
139 9.2G-CIPS, and Ameren Exhibit 9.2G-IP, is a mechanism to ensure a better match
140 between the level of uncollectibles approved by the Commission in the Company's most
141 recent Delivery Service rate cases and the actual levels of uncollectibles incurred by the
142 Company subsequent to the Commission's decision in these cases.

143 **Q. Please explain the historical manner in which the Company has recovered**
144 **uncollectibles.**

145 A. Historically, the Company has embedded the Commission approved level of
146 uncollectibles as established in its most recent Delivery Service rate cases in its base
147 rates. This level included uncollectibles associated with revenues attributable to gas
148 Delivery Service and, also, revenues attributable to the Company's Purchased Gas
149 Adjustments. It should be noted that there was no true-up mechanism to reconcile
150 uncollectibles to customer billings, so if uncollectibles were greater than or less than
151 those established for the test year, then the Company would under or over recover this
152 element of its costs of service.

153 **Q. What was the starting point for the development of Rider UBA?**

154 A. The Company reviewed the Peoples' proposed Uncollectibles Balancing
155 Adjustment in Docket No. 07-0242 and utilized said rider as a template in the
156 development of its proposed Rider UBA. As stated above, over the years, the
157 Commission has promoted uniformity of common riders among Illinois utilities and the
158 Company's approach continues to support the Commission's uniformity efforts. Said
159 uniformity supports ease of rider audits by the Commission Staff and also consistent
160 application of similar utility provisions across the entire state of Illinois.

161 However, unlike Peoples, the Ameren Illinois Utilities have elected to reflect all
162 uncollectibles (i.e., Delivery Service and Purchased Gas Adjustment revenue) in the
163 proposed Rider UBA. Additionally, other adaptations were made to the People's rider to
164 tailor it for the Ameren Illinois Utilities use.

165 **Q. How do the mechanics of Rider UBA ensure a better match between the level**
166 **of uncollectibles approved by the Commission in the Company's most recent**
167 **Delivery Service rate case to the actual levels of uncollectibles incurred by the**
168 **Company subsequent to the Commission's decision in these cases?**

169 A. Like Rider VBA, the mechanics of Rider UBA ensure a better match between
170 uncollectibles revenue requirement and actual uncollectibles by utilizing two
171 components: 1) Effective Component and 2) Reconciliation Adjustment.

172 First, the Effective Component of the Rider UBA is determined by utilizing: a)
173 the Commission established Uncollectibles Percentage approved in the Company's most
174 recent rate case (UP), b) the Actual Base Rate Revenue during the Fiscal Year (ABRR),
175 c) the Actual Uncollectibles during the Fiscal year (AU), and d) a Reconciliation
176 Adjustment (RA). The following formula depicts the calculation of the Effective
177 Component of the Rider UBA:

178
$$[((AU+RA)/ABRR) \times 100 - UP] \times 1.2$$

179 Application of the Effective Component of Rider UBA results in a comparison of
180 the actual percentage of uncollectibles during a fiscal year to the percentage of
181 uncollectibles established by the Commission in the Company's most recent rate
182 proceeding. The difference in these percentages (either positive or negative) is multiplied
183 by 1.2 and applied to customers' Delivery Service rate billings during the months of

184 March through December of the subsequent or Effective Year. The 1.2 factor simply
185 reflects the need to recover or refund Rider UBA adjustments over a 10 month period
186 (March –December).

187 **Q. Will the application of the Effective Component of Rider UBA necessarily**
188 **always produce a positive adder to customer bills?**

189 A. No. Depending on the difference between actual uncollectibles and uncollectibles
190 established by the Commission in the Companies' most recent rate cases, the application
191 of this component could result in a credit or a charge to customer bills. In other words,
192 there is symmetry in the application of this method.

193 **Q. Can you provide examples of the application of this formula?**

194 A. Yes, I can. The following examples demonstrate the application of this formula
195 and its symmetry.

196 Example 1 – Adder to Customers Bills

197 AU – represents sum of dollar amounts of Actual Uncollectibles - \$1,300

198 ABRR – Represents Actual Base Rate Revenue - \$120,000

199 RA – Reconciliation Adjustment \$0

200 UP – represents the Uncollectibles Percentage established by the Commission
201 during the Company's most recent rate case and reflected in base rates – 1.00%.

202
$$[((\$1,300 + 0)/120,000) \times 100 - 1.00\%] \times 1.2 = 0.100\%$$

203 This example illustrates that if the Uncollectibles Balancing Adjustment for the Fiscal
204 Year is 1.083% $[(\$1,300+0)/ 120,000) \times 100]$ and if the Commission established
205 Uncollectibles is 1.00%, then there is a 0.083% (1.083-1.00) difference between the two.
206 A factor of 0.1% (1.2 X 0.083%) would be applied to customers' Delivery Service Rate
207 billings over the period of March through December of the Effective Year. This example

208 demonstrates a situation where the Uncollectibles ratio would increase from test year
209 levels.

210 Example 2 – Credit to Customers Bills

211 AU – represents sum of dollar amounts of Actual Uncollectibles - \$1,100

212 ABRR – Represents Actual Base Rate Revenue - \$120,000

213 RA – Reconciliation Adjustment \$0

214 UP – represents the Uncollectibles Percentage established by the Commission
215 during the Company’s most recent rate case and reflected in base rates – 1.00%.

216
$$[(\$1,100 + 0)/120,000] \times 100 - 1.00\% \times 1.2 = 0.100\%$$

217 This example illustrates that if the Uncollectibles Balancing Adjustment for the Fiscal
218 Year is 0.9167% $[(\$1,100+0) / (120,000)) \times 100]$ and if the Commission established
219 Uncollectibles is 1.00%, then there is a -0.083% (.0.9167-1.00) difference between the
220 two. A factor of -0.1% (1.2 X -0.083%) would be applied to customers’ Delivery Service
221 Rate billings over the period of March through December of the Effective Year. This
222 example demonstrates a situation where the Uncollectibles ratio would decrease from test
223 year levels.

224 The above examples clearly illustrate the symmetrical nature of the Effective
225 Component of this Rider. Also, it should be noted that in both of the above examples, the
226 adjustment factor would be applicable to total delivery service rate billings excluding
227 add-on taxes, any revenues attributable Purchased Gas Adjustments, or any other
228 revenues not recorded as base rate revenues of all customers in the applicable Rate Class.

229 **Q. Earlier you mentioned a second component of the Rider, a Reconciliation**
230 **Adjustment. Please explain.**

231 A. The Reconciliation Adjustment component of the proposed Rider will be: a)
232 determined for each Rate Class, b) calculated annually and c) amortized over a ten-month
233 period. It is not necessary to provide examples of the application of the Reconciliation
234 Adjustment as the formula for this adjustment is similar to those utilized in numerous
235 other utility tariff riders approved by the Commission where estimated billing quantities
236 are utilized to collect actual costs. Basically, the Reconciliation Adjustment serves as a
237 mechanism to true-up or match “costs” with revenues with an interest component to
238 reflect the time value of money.

239 **Q. The Company’s Rider UBA proposal continues to adopt the historical**
240 **methodology previously accepted by the ICC for recovering uncollectibles**
241 **associated with natural gas supplied under Rider PGA through the gas Delivery**
242 **Service rates. Would the Company be agreeable to unbundling the gas**
243 **uncollectibles between the PGA and Delivery Service?**

244 A. Yes, if that is desired by the Commission. In the electric Delivery Services rate
245 case, the Company is proposing two separate UBA mechanisms--one rider for recovering
246 uncollectibles associated with power supplied by the Company and a second rider
247 applicable only to Delivery Service uncollectibles. This same approach could be utilized
248 for the Company’s gas operations.

249 **Q. Does this conclude your direct testimony?**

250 A. Yes.

APPENDIX

STATEMENT OF QUALIFICATIONS of WILBON L. COOPER

I am employed by Ameren Services Company (“Ameren Services”) as Manager – Rate Engineering and Analysis – Regulatory Policy and Planning.

I earned a Bachelor of Science degree in electrical engineering in 1980 from the University of Missouri – Rolla.

I was employed as an Assistant Engineer in the Rate Engineering Department of Union Electric Company in June 1980. My work included assignments relating to the general analyses and administration of various aspects of Union Electric Company’s electric, gas, and steam rates. In October 1989, I was appointed Supervising Engineer – Rate Analysis in the Rate Engineering Department of Corporate Planning at Ameren Services Company. In the latter position, I was responsible for meeting the analytical requirements of Union Electric Company’s d/b/a AmerenUE (“AmerenUE”) retail gas and electric rates and wholesale electric rates, including load research and various cost of service and rate design studies, as assigned. I was appointed to my present position of Manager of Rate Engineering and Analysis - Regulatory Policy and Planning in March 2003.

I currently have responsibility for the general policies and practices associated with the day-to-day administration and design of the Ameren Illinois Utilities’ electric and gas rate tariffs, riders and rules and regulations tariffs on file with the Illinois Commerce Commission and, also, similar responsibilities for AmerenUE’s Missouri operations. In addition, Rate Engineering and Analysis is responsible for conducting class cost-of-service and rate design studies and the participation in other projects of a general corporate nature, as requested by the Director of Regulatory Policy and Planning.

Over the years I have provided testimony in numerous dockets before the Commission. Most recently, I provided testimony on Basic Generation Service pricing in the ICC Docket Nos. 05-0160, 05-0161, and 05-0162 (consolidated), and also ICC Docket Nos. 06-0070/06-0071/06-0072 consolidated (“Ameren DST Dockets”) regarding electric delivery service tariff rate design and related matters.