

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Central Illinois Light Company	:	
d/b/a AmerenCILCO	:	
Central Illinois Public Service Company	:	
d/b/a AmerenCIPS	:	
Illinois Power Company	:	DOCKET NOS. 07-0585
d/b/a AmerenIP	:	THROUGH 07-0590
(Consol.)	:	
Proposed general increase in	:	
electric delivery service rates.	:	
Central Illinois Light Company	:	
d/b/a AmerenCILCO	:	
Central Illinois Public Service Company	:	
d/b/a AmerenCIPS	:	
Illinois Power Company	:	
d/b/a AmerenIP	:	
Proposed general increase in gas	:	
delivery service rates.	:	

**CITIES OF CHAMPAIGN, URBANA, DECATUR,
BLOOMINGTON AND MONTICELLO'S
AND THE TOWN OF NORMAL'S
REPLY HEARINGS BRIEF**

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**CITIES OF CHAMPAIGN, URBANA, DECATUR,
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I. Introduction.

This Reply Hearings Brief is filed by the Cities of Champaign, Urbana, Decatur, Bloomington, and Monticello and the Town of Normal, Illinois (Cities).

As with their Initial Brief, the Cities will only address two issues: Street Lighting Fixture Charges and Rider QIP. Addressing only these two issues should not be viewed as a waiver by the Cities on any other issue and should not be construed as agreeing with Ameren or any other party on any issue not addressed.

II. Ameren Has Not Provided Justification for the Commission to Approve Rider QIP.¹

In its initial hearings brief, Ameren has made two discoveries. First, the Company finds that there is a regulatory lag between when the utility places an asset into service and when the cost of the asset is recovered. Ameren Brief at 286. Second, the Company finds that it must spend money to “harden” its system; that is, make it stronger and more durable and to replace worn out facilities. Ameren Brief at 286-287. As a result of these discoveries, Ameren requests that the Commission approve Rider QIP (Qualifying Infrastructure Plant) to immediately recover new facilities expenses from ratepayers.

Unfortunately for Ameren, regulatory lag is not new. It is part of the regulatory compact that allows utilities to maintain a monopoly for services in return for regulation

¹ Mandatory Outline V. PROPOSED RIDERS, C. Contested Issues, 2. Rider QIP.

of rates and charges that gives utilities the opportunity to earn a reasonable return on investment. Regulatory lag acts as an incentive for the utilities to operate efficiently between rate cases. It also should come as no surprise to Ameren that it needs to maintain its existing facilities and “harden” them so that they are up-to-date and can provide reliable electric service to the areas in which Ameren has a monopoly. Because of these discoveries, Ameren requests that the Commission approve a new Rider QIP to allow it to immediately pass through costs associated with the “hardening” of its system as well as “smart grid” technologies. This request should be rejected.

This Commission has heard and has rejected similar arguments that a rider was required for a utility to pay for normal maintenance and infrastructure improvements. The Commission said such costs should be recovered as part of the normal ratemaking process, not through a rider. *North Shore Gas Company, Proposed general increase in natural gas rates and The Peoples Gas Light and Coke Company, Proposed general increase in nature gas rates*, Docket Nos. 07-0241 and 07-0242 (Cons.), February 5, 2008.

In addition, in the Proposed Order in *Commonwealth Edison Company, Proposed general increase in electric rates*, Docket No. 07-0566, issued July 10, 2008, two riders (Rider SMP and Rider SEA) proposed by ComEd, which are similar to Rider QIP, were rejected. Among other things, the *ComEd* proposed order found that the costs for which ComEd seeks recovery in the riders are not volatile enough to justify rider recovery. Proposed Order at 151. As to any “Smart Grid” technology, the Proposed Order would have the Commission initiate a state-wide process to define what “Smart Grid” is and how costs should be recovered. The Proposed Order would allow a small pilot program

involving a limited number of meters to proceed. Proposed Order at 134. The Proposed Order also rejected a hurry-up approval process for projects to be covered by Rider SMP that was not very different than the proposal submitted by Ameren in this Docket.

In its brief, Ameren suggests, among a host of proposals, that it is willing to make Rider QIP a pilot program or how they benefit ratepayers or why the costs cannot be recovered as part of a regular rate case. However, unlike the proposed order in the *ComEd* case, Ameren has not provided any evidence of what projects would be included in the pilot program. Ameren's proposal also contains a definition for covered projects that is far too broad, essentially including any project that Ameren might propose for its system.

Finally, Ameren attempts to justify its hurry-up administrative process to approve projects by stating that “[w]ith time there should be little or no angst as the utility would have demonstrated its ability to justify such projects.” Ameren Brief at 292. Even if the statement turns out to be true, intervenors such as the Cities will have expended considerable sums in the project approval process, which in effect, is an annual mini rate case. Ameren's process has the effect to wear down and outspend intervenors until they can no longer meaningfully participate in the process.

Ameren's request for Rider QIP should be rejected.

III. AmerenIP Street Light Fixture Charge Should Not Be Set Using an Across-the-Board Increase.²

A. Across-the-board increase would maintain AmerenIP's high charge for maintaining street lighting fixtures.

In its initial brief, Ameren correctly states that the municipal street lighting payment is for fixtures only, not for power or for any delivery service. This is why, contrary to Ameren's assertion, it is proper to set the fixture charge based upon the incremental cost of installing and maintaining these fixtures. An across-the-board increase as proposed by Ameren would continue setting the fixture costs for AmerenIP above the incremental cost and maintaining AmerenIP's exorbitant charges to install and to maintain the fixtures as compared to the charges for the same services for AmerenCIPS and AmerenCILCO. The cost to provide the service is the same for all three utilities. Tr. at 346. It is only the charge for the service that varies.

The fixture charge, which recovers the cost of the arm and light bulb fixture on the pole for municipal street lighting, is similar to Ameren's customer and meter charge; that is, it is not for a delivery services related cost but rather for a fixed, tangible piece of equipment for which its costs are unrelated to delivery. By way of analogy, the customer charge represents the cost of billing the customer and the meter charge represents the cost of installing and maintaining a customer's meter, both functions relate solely to equipment rather than delivery services. The Company is not proposing to increase these fixed charges on an across-the-board basis, so it is equally inappropriate to set the non-

² Mandatory Outline VII. RATE DESIGN; TARIFF TERMS AND CONDITONS, C. Contested Issues, 3. Electric, c. Street Lighting.

delivery related maintenance cost of the arm and bulb of a street light fixture using an across the board increase designed for the delivery services.

B. Ameren in last case proposed setting non-delivery charges the same for all Ameren Illinois utilities.

In fact, it was Ameren itself that argued in the last rate case that customer and meter charges be set the same across all Ameren Illinois utilities. In Ameren’s last rate case, Docket Nos. 06-0070-0072, Mr. Jones testified that the “Company expects to standardize its meters, meter transformers, and service lines across the entire Ameren-Illinois footprint over the coming years. Additionally, a common billing system is utilized for all the Ameren Companies. As a result, the Company proposes to implement uniform Meter and Customer Charges across each of the Ameren-Illinois utilities within each DS class. That is, the Meter and Customer Charges for the AmerenCIPS, AmerenCLICO and AmerenIP will be identical.” Hughes Direct, Cities 1.0 at 8/23-9/2.

More directly, with respect to lighting, Mr. Jones testified in the last Ameren case that the Company is moving “towards ‘a common (or standardized) offering across the Ameren-Illinois’ footprint for new installations. The move to common lighting offerings across the footprint is a step toward easing customer understanding of the Company’s lighting offering and streamlining operations.’ (Jones, Docket 06-0070 thru 0072 (Consolidated), page 24 of 29, lines 520-523).” Hughes Direct, Cities Ex. 1.0 at 8/5-9. This common footprint is the same language used by Jones to argue for a standard customer charge and meter charge throughout the Ameren-Illinois utilities.

C. Ameren’s across-the-board proposal would make fixture charge differential among Ameren’s utilities more pronounced.

It was this movement to standardization of charges by Ameren that the Cities witness Ms. Hughes cited in her direct testimony as one of the factors to not use an across-the-board approach for municipal lighting fixtures. By using Ameren’s across-the-board approach for the fixtures, the effect is to make the rate differential among the utilities even more pronounced. This is shown by comparing the current monthly charges for a 100-Watt light fixture by utility:

AmerenIP	AmerenCIPS	AmerenCILCO
\$7.59	\$3.12	\$7.13

By implementing an across-the-board increase using the proposed increases for each utility, the resulting charges for the same 100-Watt fixture are:

AmerenIP	AmerenCIPS	AmerenCILCO
\$11.08	\$3.72	\$7.81

Hughes Direct, Cities Ex. 1.0 at 10.

In her initial testimony, Ms. Hughes recommended that all three Ameren Illinois electric utilities municipal fixture charges be moved toward a uniform charge. This initial recommendation was based in part on the testimony of Ameren’s Mr. Jones in Docket Nos. 60-0070 through 0072 when the company proposed uniform customer and meter charges. Mr. Jones stated that in both this case and the previous rate case that “the Illinois Commerce Commission has encouraged and approved tariff uniformity in the past for AmerenCIPS, AmerenIP and AmerenCILCO among DS tariffs and Gas Tariffs.” Hughes Direct, Cities Ex. 1.0 at 8/11-14. It was only after Ameren criticized the Cities for inappropriately treating the Ameren utilities “as if they were operated as a single legal

entity, when in fact, they are not,” that Ms. Hughes confined her recommendation to AmerenIP. Hughes Rebuttal, Cities Ex. 2.0 at 9/9-20. Thus it is strange for the Company to criticize the Cities for not proposing uniform pricing for all three utilities in this case, Ameren Brief at 401, when the Cities withdrew that approach based on Ameren’s own comments.

Not only is the movement to a uniform rate for all three utilities appropriate in light of the Company’s own prior position in the last rate case, a more uniform rate among the utilities is appropriate because the cost of installing and maintaining an arm and a light bulb are the same among the utilities. The Company admits that “when viewed on a forward-looking basis, the cost to add a new lighting fixture for AmerenIP is about the same as it is at AmerenCIPS or AmerenCILCO.” Jones Rebuttal, Ameren Ex. 26.0 at 19/406-408. Ameren’s witness Mr. Jones admitted on the stand that the cost to change a fixture in AmerenIP’s territory, in AmerenCIPS’ territory and AmerenCILCO’s territory “would be substantially the same.” Tr. at 346. Since rates are set for the future, it is appropriate to set the lighting fixture fee at the incremental cost.

In its brief, Ameren states that the Cities witness Ms. Hughes “fails to extend the concept of incremental-cost pricing to AmerenCIPS and AmerenCILCO.” Ameren Brief at 401. However, in fact, the Cities’ approach for all three utilities does treat all utilities the same because the increase in fixture charges would be limited to the incremental costs. Thus, Ameren’s statement in its brief is wrong.

D. Across-the-board increase would continue Cities subsidy to other AmerenIP customers.

In addition to creating an even greater discrepancy in the fixture charges among the Ameren Illinois utilities, an across-the-board increase would maintain and enhance the subsidy paid by the Cities to Ameren. In its initial brief, Ameren does not disagree with the fact that the return on the lighting service charge for AmerenIP is 6.54 per cent compared with the overall average for AmerenIP of 2.75 per cent. Tr. at 347-348. To apply an across the board increase only continues this disparity in return, leaving it for future cases to resolve.

Ameren attempts to confuse the issue by showing the per capita average cost per month for the Cities for the fixture charge. This is a meaningless comparison. Rates are not set on a per capita basis. The chart in the Ameren Brief at 400 simply takes the monthly charge for municipal lighting fixtures by municipality divided by the population of the municipality. Ameren does not explain in its brief why this is a meaningful exercise and, if it is so meaningful, why it does not determine all of its rates on a per capita basis using the total population in its service area. Ameren may try, but cannot hide the fact that if an across-the-board increase is granted for AmerenIP's municipal lighting fixture charge, the charge will be \$11.08 compared with only \$3.72 for AmerenCIPs and \$7.81 for Ameren CILCO.

Finally, Ameren states in its brief that all the Cities need to do to avoid the charge is to buy their own arms and bulbs if they don't like the rate. Ameren Brief at 401. In other words, Ameren apparently wants to make the fixture charge so unreasonable that municipalities will install their own arms and bulbs rather than pay AmerenIP's

exorbitant charge. While taking down AmerenIP's arms and bulbs and replacing them with municipality-owned arms and bulbs may be a long-term solution to a situation where the utility insists on charging rates in excess of the cost of service, changing out all arms and bulbs on street lights is neither an immediate nor a practical solution. Instead, the reasonable and practical solution is for the Commission to set the municipal street lighting fixture charge based on the incremental cost as recommended by Cities witness Ms. Hughes.

IV. Conclusion

The Cities request that this Commission enter an order in this Docket that:

- Sets the street lighting fixture charge for AmerenIP equal to the common incremental cost for each type of fixture as set out in the testimony of Cities witness Ms. Hughes, Exhibit NHH-2R.
- Rejects Ameren's request for Rider QIP.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I the undersigned attorney do hereby certify that a copy of the Cities of Champaign, Urbana, Decatur, Bloomington, and Monticello and the Town of Normal, Illinois, Reply Hearings Brief was sent via electronic mail to the service list in these dockets on this 15th day of July 2008.

_____/rcb/_____
Richard C. Balough