Ameren Exhibit 40.0

ILLINOIS COMMERCE COMMISSION

DOCKET Nos. 09-0306 - 09-0311 (Cons.)

REBUTTAL TESTIMONY

OF

LEONARD M. JONES

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)

OCTOBER 23, 2009

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Submitted on Behalf of

The Ameren Illinois Utilities

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Leonard Jones. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. Are you same Leonard M. Jones who previously provided submitted direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to respond to the various proposals, comments or other statements made by Illinois Commerce Commission Staff ("Staff") and Intervenor witnesses as they relate to cost of service and rate design issues.

Q. Will you be sponsoring any exhibits with your rebuttal testimony?

A. Yes, in addition to my rebuttal testimony I am sponsoring the following exhibits:

Ameren Exhibit 40.1
Ameren Exhibit 4.02
Ameren Exhibit 40.3

III. RESPONSE TO STAFF TESTIMONY

Q. Have you reviewed Staff witness Mr. Peter Lazare's testimony?

A. Yes. Mr. Lazare provides comments on several areas of my testimony pertaining to revenue allocation and rate design, including treatment of the proposed Electric Distribution Tax.

Q. Please summarize your positions in response to Mr. Lazare.

A. The Ameren Illinois Utilities ("AIUs") have reviewed all direct testimony filed in this proceeding by Staff and Intervenors, and have reviewed our filed position in consideration of the points and arguments articulated therein. On behalf of the AIUs, the following positions, conclusions, and arguments are offered for the Illinois Commerce Commission's ("Commission") consideration:

1. The AIUs agree not to pursue recovery of the Distribution Tax through a rider at this time, and adopt Mr. Lazare's recommendation to recover the cost through kWh charges in Delivery Service ("DS") rates.
2. The Commission should use the AIUs rate design and revenue allocation as the starting point for ratemaking in this proceeding.
3. The DS-3 and DS-4 Rate Limiter value and dollar impacts should be adjusted to reflect the final rates in this proceeding.
4. Fixture prices among the AIUs lighting classes should be brought closer together.

5. Rate designs for DS-1 and DS-2, and BGS-1 and BGS-2 should be approved, as recommended by the AIUs and agreed to by Staff. Evidence on a more aggressive elimination of intra-class subsidies, as mentioned by Mr. Lazare, is presented for the Commission's consideration.
6. The AIUs agree to not pursue combining the Customer and Meter Charges for bill presentation purposes on customer bills.
7. Adjustments to rates if the revenue requirement allocated to a class differs from that proposed should not employ an across-the-board approach. Instead, the AIUs alternative which addresses subsidy elimination, rate continuity, and bill impacts concerns should be used.

Q. What is Mr. Lazare's recommendation pertaining to the proposed Distribution Tax rider?

A. Mr. Lazare opines the AIUs' proposal to recover distribution taxes on a per kWh basis is reasonable and should be accepted, however, he recommends rejecting the proposal to recover these costs using a rider in favor of continued base rate recovery. As I understand the recommendation, distribution taxes would be recovered in base rates through the kWh-based Distribution Delivery Charge from DS-1, DS-2 and DS-5 classes, and a kWh charge would be created and apply to DS-3 and DS-4 classes.

Q. Do you agree with the recommendation?

A. For purposes of this proceeding, the AIUs will accept Staff's recommendation. We do believe there is substantial merit in the rider approach but will not pursue it at this time.

Q. Does Staff witness Ms. Theresa Ebrey also address the distribution tax in her testimony?

A. Yes. Ms. Ebrey recommends an adjustment to test year expense in the event the Tax Additions rider was approved. Since the AIUs agree to forgo the modification to the Tax Additions tariff, the adjustment provided in Schedule C to Ms. Ebrey's direct testimony is unnecessary.

Q. Did Mr. Lazare offer recommendations pertaining to the class cost of service study and revenue allocation?

A. Yes. Mr. Lazare expressed concerns with the plan to exempt distribution taxes from the revenue allocation constraint. He recommends the Commission adopt a class revenue allocation and a proposal which is different than the AIUs' proposal in two material ways. First, his ECOSS allocates distribution primary lines and substations on a coincident peak ("CP") basis. Second, he also proposes an alternative revenue constraint that applies to all delivery service revenues including distribution taxes for all customer classes, including the DS-5 class. He proposes to limit the increase on current rates to 150% of the system average increase approved by the Commission.

Q. How do you respond?

A. First, as discussed by the AIUs' witness Ms. Karen Althoff, the AIUs maintain that substations and primary lines should be allocated based on non-coincident peaks ("NCP"). Thus, the AIUs' class cost of service study submitted in direct testimony should remain the starting point for revenue allocation and rate design. As Mr. Lazare notes, a CP allocation reduces allocated costs to the DS-5 class. Costs taken away from one class must be allocated to another. Under Staff's CP allocation approach, additional

costs are allocated to DS-1 for AmerenIP and AmerenCIPS, and the DS-4 class for each of the AIUs.

Second, the AIUs revenue allocation approach should be used to establish rates as it establishes more consistent bill impacts among customer classes. In other words, the AIUs' approach provides for relatively moderate differentiation between classes when compared to Staff's approach. (Mr. Lazare's approach has some appeal, but results in more significant total bill impacts to the DS-3 class and widens the gap between DS-3 and DS-4 Distribution Delivery Charges).

Ameren Exhibit 40.1 shows a frequency distribution of total bill impacts for DS-3 and DS-4 customers by supply voltage category under the AIUs and Staff's proposed rates. AmerenIP and AmerenCILCO DS-3 customers take on a greater burden under Staff's proposed rates. For example, 1,359 AmerenIP DS-3 customers served at Primary Supply Voltage are expected to experience total bill increases in the range of 7.5%, and 455 customers in the range of 10%, under the AIUs' proposed revenue allocation and rate design. Under Staff's proposed revenue allocation and rate design, only 811 customers are in the 7.5% range, but 835 are in the 10% increase range. Staff's design shifts total bill impacts in the opposite direction for AmerenIP DS-4 customers. Under the AIUs' revenue allocation and rate design, approximately 101 customers supplied at primary voltage are expected to experience total bill increases in the 5% range (versus only two customers in that range for the Staff proposal), while under the Staff proposal, 113 customers fall in the 2.5% increase range (versus none under the AIUs' proposal). For AmerenCIPS, Staff's proposal allocates less revenue responsibility to both the DS-3 and DS-4 classes than the AIUs' proposal. As such, customers from both classes experience

lower total bill increases under Staff's proposal than the AIUs' proposal. For AmerenCIPS, Staff's proposal results in approximately 150 fewer DS-3 customers supplied at primary voltage in the 7.5% total bill impact range, and an increase of customers in the 5% total bill impact range. For DS-4 primary supplied customers, nearly all of the customers move from an expected total bill increase in the 5% range under the AIUs' proposal to an increase in the range of 2.5% or lower under the Staff proposal.

Staff's revenue allocation approach provides marginal relief to the DS-4 class for each AIUs, but contributes to more severe DS-3 total bill impacts for AmerenIP and AmerenCILCO.

Q. What is the gap between DS-3 and DS-4 Distribution Delivery Charges under the Staff and the AIUs proposed rates?

A. As shown in the tables below, the gap between the DS-3 and DS-4 $/kW Distribution Delivery Charges grows under the Staff's revenue allocation and rate design proposal.

AmerenIP								
	AIUs and Staff Proposed $/kW Distribution Delivery Charges							
					Difference Between			
Supply	DS-3 Proposed		DS-4 Proposed		DS-3 and DS-4 Prices			
Voltage	AIUs	Staff	AIUs	Staff	AIUs	Staff	Difference	
Primary	$ 7.278	$ 7.646	$ 5.597	$ 4.939	$ 1.681	$ 2.707	$ 1.026	
High Voltage	$ 2.403	$ 2.525	$ 1.771	$ 1.563	$ 0.632	$ 0.962	$ 0.330	
+100 kV	$ 0.162	$ 0.162	$ 0.139	$ 0.123	$ 0.023	$ 0.039	$ 0.016	

AmerenCIPS								
	AIUs and Staff Proposed $/kW Distribution Delivery Charges							
					Difference Between			
Supply	DS-3 Proposed		DS-4 Proposed		DS-3 and DS-4 Prices			
Voltage	AIUs	Staff	AIUs	Staff	AIUs	Staff	Difference	
Primary	$ 4.706	$ 4.554	$ 3.041	$ 2.497	$ 1.665	$ 2.057	$ 0.392	
High Voltage	$ 2.054	$ 1.988	$ 1.375	$ 1.129	$ 0.679	$ 0.859	$ 0.180	
+100 kV	$ 0.098	$ 0.095	$ 0.077	$ 0.063	$ 0.021	$ 0.032	$ 0.011	

AmerenCILCO								
	AIUs and Staff Proposed $/kW Distribution Delivery Charges							
					Difference Between			
Supply	DS-3 Proposed		DS-4 Proposed		DS-3 and DS-4 Prices			
Voltage	AIUs	Staff	AIUs	Staff	AIUs	Staff	Difference	
Primary	$ 5.711	$ 5.982	$ 3.016	$ 2.427	$ 2.695	$ 3.555	$ 0.860	
High Voltage	$ 1.643	$ 1.721	$ 0.954	$ 0.768	$ 0.689	$ 0.953	$ 0.264	
+100 kV	$ 0.049	$ 0.051	$ 0.033	$ 0.027	$ 0.016	$ 0.025	$ 0.009	

This issue is important when considering that DS-3 customers with larger demands, or DS-4 customers with smaller demands, may reclassify from DS-3 to DS-4 and vice versa. The reclassification criteria examine maximum billing demands that occur in the past year, and customers with at least two billing periods of billing demands of 1,000 kW or greater are placed on DS-4. Customers with billing demands less than 1,000 kW in at least 11 billing periods will remain on DS-3. A customer reclassifying from DS-4 to DS-3 may experience a rate increase if their demand did not drop by an amount more than the price increase. Some level of difference between the rates is justified due to class cost of service, bill impact, and rate design[1] reasons. However, large differences may encourage inefficient use of the distribution system. A larger DS-3

[1] DS-4 rates contain an unbundled Reactive Demand Charge, and the $/kW Distribution Delivery Charge is lower than it otherwise would be in the absence of the charge. The DS-3 rate structure does not contain an unbundled Reactive Demand Charge.

customer may be encouraged to register two billing periods of 1,000 kW billing demands to qualify for DS-4. Conversely, a small DS-4 customer may be encouraged to maintain at least two billing periods of 1,000 kW demand. Both actions run counter to encouraging the efficient use of the distribution system.

The Staff proposal widens the gap between DS-3 and DS-4, increasing the potential for such inefficiency. For example, an AmerenIP primary voltage supplied customer could save approximately $2.71/kW (excluding the effect of the Reactive Demand Charge) under the Staff proposal by increasing their billing demand to qualify for DS-4. The AIUs proposed DS-3 and DS-4 demand differential is more than $1/kW less than Staff's, reducing the potential for inefficient use of the distribution system due to DS-3 and DS-4 pricing differences. Both the AIUs and Staff are striving to develop rates that balance between cost of service and bill impacts, and on balance the AIUs' proposal is superior in terms of rate impacts, appropriate price signals, and movement toward cost of service.

Q. With respect to a combined rate design approach for the DS-3 and DS-4 classes, do you agree with Mr. Lazare's assessments?

A. Not entirely. Mr. Lazare is correct that one class may have a greater contribution to the peak demand than another, thus yielding different costs per kW. This point is acknowledged on the bottom of page 2 of Ameren Exhibit 16.1E.

Mr. Lazare incorrectly surmises that the AIUs' "common rate design for the two classes would lump together 150 kW customers served at lower voltage levels with customers 10 MW or higher taking service from transmission lines above 100 kV". (ICC Staff Ex. 7.0, lines 834-839) To the contrary, the AIUs' rate design method carefully

groups customers by voltage level such that customers' demands supplied from Primary Voltage are grouped together, as are those from High Voltage and +100 kV groupings.

Moreover, Mr. Lazare's critique stops at the class level and does not address rate continuity from the perspective of customers that may be required to reclassify from DS-4 to DS-3, or vice versa. These customers may have similar contributions to peak (and thus similar cost causation implications are applicable), yet would face considerably different pricing. Certainly, some degree of difference may be expected within the ratemaking process. However proper rate design cannot involve developing delivery rates for each individual customer as such a practice would plainly be impractical and administratively burdensome. Moreover, attempting any such practice would run counter to the goal of establishing rates that are sound from a forward looking policy perspective. Such a perspective is mindful of considerations inclusive of promoting efficient use of the distribution system and mitigation of unnecessary cost growth.

Q. Are there other considerations that merit attention?

A. Yes. A sound rate design takes into consideration historical load characteristics of customers and is adaptive to future customer needs and changes in customer consumption in a consistent and non-discriminatory pricing scheme. To do this, customer classes must be established and the interaction between such classifications must be examined. Rate continuity requires consideration be given for the rates applicable to customer classes historically, but also applies to customers that may be required to switch from one class to another (as discussed earlier). When such customer is faced with increased prices by virtue of moving down to DS-3, bill impacts need to be considered for that customer as well. Staff's proposed rate design increases the impacts for customers moving from DS-4

to DS-3. Setting rates at cost without a constraint would bring DS-3 and DS-4 $/kW charges closer together. Staff's proposal moves them even further apart which, in my judgment, should be avoided.

Q. Did Mr. Lazare comment on the proposed method for adjusting the Rate Limiter within DS-3 and DS-4?

A. Yes. Mr. Lazare found the AIUs' approach acceptable, where the level of the proposed Rate Limiter should be adjusted to approximately match the level of limiter "revenue" currently provided to customers.

Q. Did Mr. Lazare adjust the level of the Rate Limiter to reflect his proposed Distribution Delivery Charges for DS-3 and DS-4?

A. No. A review of Staff Exhibit 7.0, Schedules 3, 4 and 5, show that the Rate Limiter "revenue" and ¢/kWh values were unchanged from those proposed by the AIUs. Mr. Lazare has proposed different Distribution Delivery Charges from those proposed by the AIUs, thus the level of the Rate Limiter should also be adjusted. A comparison of the Rate Limiter revenue amounts under the AIUs and Staff proposed rates are provided below.

	At AIU Proposed Rates		At Staff Proposed Rates	
	¢/kWh	Dollars	¢/kWh	Dollars
AmerenIP	$ 0.04000	$ (893,499)	$ 0.04000	$ (945,595)
AmerenCIPS	$ 0.03000	$ (711,116)	$ 0.03000	$ (669,516)
AmerenCILCO	$ 0.03000	$ (493,644)	$ 0.03000	$ (515,984)

An increase to the AmerenIP and AmerenCILCO Rate Limiter would be required to keep the total amount of limiter dollars similar to the amount under present rates, and a decrease would be warranted for AmerenCIPS under Staff's proposed rates. In any event,

the Rate Limiter dollar amounts and ¢/kWh values should be adjusted as part of the process to develop final rates.

Q. Mr. Lazare recommends an alternative rate proposal for the DS-5 class where the Fixture and usage charges are adjusted on an equal percentage basis to conform to Staff's allocation of class revenue requirements. Do you agree with this proposal?

A. No. Mr. Lazare's approach does not provide sufficient weight to the lighting incremental cost study, ignores the arguments of the Cities from Docket No. 07-0585 (Cons.) that Fixture Charges be brought closer together, and does not adequately address the Commission's inquiries about moving Fixture Charges closer together expressed in the prior rate order. I also note that Cities witness Ms. Hughes still favors movement toward uniform Fixture Charges among the AIUs in her direct testimony (Cities Ex. 2.0).

Mr. Lazare started with the DS-5 rates proposed by the AIUs in its direct case, and adjusted Fixture and Distribution Delivery Charges (including the distribution tax) by an equal percentage to achieve his revenue requirement target for each of the AIUs DS-5 classes. The result is Fixture Charges for AmerenCIPS that are even lower than those in effect today (AmerenCIPS' Fixture Charges are the lowest of the three AIUs).

Movement toward uniform Fixture Charges across the AIUs, using the incremental cost study as a guide, makes sense because of outside vendors competing against the AIUs standard fixture offerings. It should be considered that lighting fixtures may be purchased through any third party vendor. Various municipalities own and operate their own lighting systems. A vendor or buyer may view the AIUs pricing unfair when Fixture Prices are so different in Savoy (AmerenCIPS service area) than it is in

Champaign (AmerenIP service area), and where these municipalities are nearly adjacent. Movement toward uniform Fixture Charges also makes sense when one considers there is no difference between the AIUs in the incremental costs of providing a fixture.

Q. Can you comment on DS-5 revenue allocation issues?

A. Yes. With respect to the AIUs' revenue allocation proposal for the DS-5 Lighting class, a decrease to AmerenIP's DS-5 class by an amount less than that indicated by the cost of service study was weighed against every other class receiving an increase of more than 20%. Any additional decreases would have necessitated further increases to other classes. Further movement toward cost may occur in AmerenIP's next delivery service rate case. The proposed revenue allocation for AmerenCILCO's DS-5 class is near the cost of service at equalized rate of return value produced by the AIUs' class cost of service study (within 2%). For AmerenCIPS, proposed DS-5 revenue is greater than its embedded cost. Here the AIUs rely on the fact that the incremental cost of lighting fixtures are well above the proposed prices for AmerenCIPS DS-5 service, and the proposed Fixture Charges for AmerenIP and AmerenCILCO remain higher than those for AmerenCIPS. The DS-5 revenue allocation for AmerenCIPS deviates from strict adherence from an embedded cost of service model, and instead relies on the incremental cost of service study and prices for its peer companies to guide revenue allocation.

In any event, the AIUs propose an alternative means to adjust lighting rates should an alternative revenue requirement target be desired (discussed later).

Q. Did Mr. Lazare offer other opinions regarding rate design or cost of service considerations made by the AIUs?

A. Yes. Mr. Lazare agrees with the approach and designs for DS-1 and DS-2, and the resultant changes to BGS-1 and BGS-2 prices. He also suggests that the Commission may wish to consider a slightly more aggressive stance in removal of the subsidy currently embedded within residential tail block BGS-1 charges for space-heat and/or large winter use. Mr. Lazare suggested that the Commission consider a 13% increase to tail block variable charges (rather than 10%) since BGS prices were decreased by more than 13% in June 2009.

Q. What is the impact on BGS-1 prices if the Commission were to adopt a 13% increase to total variable costs (BGS plus DS Distribution Delivery Charges) for use over 800 kWh instead of 10%?

A. An increase in the variable cost constraint from 10% to a 13% would add about 0.1 cent/kWh to the BGS-1 price for non-summer use over 800 kWh for AmerenCILCO, AmerenCIPS (space-heat), AmerenCIPS-ME, and AmerenIP (space-heat)[2]. For AmerenIP and AmerenCIPS customers not subject to the space-heat provision, the incremental impact to price for use over 800 kWh is about 0.2 ¢/kWh. For AmerenCIPS and AmerenIP, the corresponding decrement to initial block BGS prices is -0.08 ¢/kWh, and -0.06 ¢/kWh for AmerenCILCO.

Keep in mind that proposed BGS price changes are revenue neutral to the residential class for each AIUs. An increase to the tail block non-summer energy charge is offset by decreases to the initial block energy charge. An increase in the threshold from 10% to 13% allows the AmerenCIPS price for general use customers for non-

[2] Tail block price changes are as follows – AmerenCILCO: 0.13 ¢/kWh; AmerenCIPS (space-heat): 0.12 ¢/kWh; AmerenCIPS-ME: 0.08 ¢/kWh; AmerenIP (space-heat): 0.10 ¢/kWh.

summer use over 800 kWh to increase to a level greater than the price for the first 800 kWh. The adjustment mechanism should be constrained to allow elimination of the declining block price, but not allowed to produce an inverted block price structure. For example, a flat price BGS-1 structure for AmerenCIPS general use customers is achieved with an 11.7% increase to the total variable charges under the AIUs proposed prices presented in direct testimony. This rule should also be followed in the event DS-1 Distribution Delivery Charges are reduced below those proposed by the AIUs.

Using the AIUs revenue allocation and rate design as the reference point, and raising the non-summer variable charges by 13% (and 11.7% for AmerenCIPS non-space heat) rather than 10%, would reduce annual bills for a non-space heat customer using 10,000 kWh per year by about $4.20 for AmerenIP, $3.40 for AmerenCIPS and AmerenCIPS-ME, and $3.25 for AmerenCILCO. For eligible customers that heat their homes using electricity, a customer using 18,000 kWh per year would experience an annual increase of about $1.50 at AmerenIP, $3.50 at AmerenCIPS, $1.00 at AmerenCIPS-ME, and $4.50 at AmerenCILCO. An eligible space-heat customer using just over 26,000 kWh per year would experience annual increases of about $7.00 at AmerenIP, $10.00 at AmerenCIPS, $5.30 at AmerenCIPS-ME, and $11.75 at AmerenCILCO. Again, the dollar values reflect the incremental difference between the 10% variable cost limit and the 13% variable cost limit, all other factors constant.

Q. Staff witness Lazare also provided bill impacts for the bundled DS-1 and DS-2 customers. How do you respond?

A. I have no reason to suggest they are inaccurate.

Q. Mr. Lazare opposes the AIUs proposal to combine the Customer and Meter Charges for bill presentment purposes, stating that "it would be premature to step back" from the decision to unbundled meter and customer charges on customer bills and that doing so "would impede efforts in the future to build the market for unbundled metering". (ICC Staff Ex. 7.0, lines 511-514) How do you respond?

A. There is merit in condensing the Customer and Meter Charges for bill presentation purposes; however, in the interest of narrowing issues in this proceeding, the AIUs will no longer seek this change.

Q. If the revenue requirement is reduced below the level proposed by the AIUs, Mr. Lazare recommends an across-the-board ("ATB") decrease to rate components.. Is this appropriate?

A. No. A more precise means should be employed.. (In response to data request AIU-ICC 7.05, Mr. Lazare indicated that uniform rate charges would be adjusted by the percentage of the approved total AIUs' revenue requirement divided by the Company's proposed total AIUs' revenue requirement. All remaining charges for each AIUs would be adjusted on an equal percentage basis to produce the revenue requirement approved by the Commission.)

Instead of adjusting rates as Mr. Lazare suggests, an alternative that addresses subsidy elimination, rate continuity, and bill impact concerns should be employed. For DS-1 through DS-4, all proposed Customer, Meter, Transformation, and Reactive Demand Charges should be retained at the levels proposed by Staff and the AIUs in direct testimony.

For DS-1 and DS-2 classes, only the Distribution Delivery Charges should be adjusted by a uniform percentage value to achieve the target revenue requirement. This approach results in more rapid progress toward eliminating subsidies inherent in BGS-1 and BGS-2 rates. Retention of the Customer and Meter Charges proposed by Staff and the AIUs allows the revenue difference to flow to the variable Distribution Delivery Charges. Lower tail block Distribution Delivery Charges will allow for greater increases to tail block BGS rates, and more rapid elimination of inherent subsidies. (An increase to tail block BGS prices will be offset by a decrease to initial block BGS charges, providing a benefit to all customers. Expected total BGS revenue will not change.)

A reduced revenue target for DS-3 rates should be accomplished through a uniform percentage reduction to the $/kW Distribution Delivery Charge for each respective AIUs. Targeting only the $/kW Distribution Delivery Charge will help reduce the gap between DS-3 and DS-4 Distribution Delivery Charges, which is a rate continuity concern for customers that may be required to switch annually between DS-3 and DS-4. All other charges should be held at the level proposed by Staff and the AIUs.

A reduced revenue target for DS-4 should be accomplished by adjusting the new variable Delivery Charge to a level to match the revenue target, but not lower than ½ of the average Distribution Tax amount, and then lower the $/kW Distribution Delivery Charge for each respective AIU if necessary, to achieve the revenue allocation target. Lowering the new ¢/kWh charge first will partially address the concerns of the high kWh usage customers, especially those supplied from +100 kV facilities. Similarly, preserving the proposed $/kW Distribution Delivery Charge will help reduce the disparity in DS-3 and DS-4 $/kW Distribution Delivery Charges. As for DS-3, all other charges (Customer,

Meter, Transformation, and Reactive Demand) should be held at the level proposed by Staff and the AIUs.

For DS-3 and DS-4, any change from the $/kWh Distribution Delivery Charge and Transformation Charge values proposed by the AIUs in direct testimony will require the level of proposed Rate Limiter "revenue" to be recalculated. The ¢/kWh limiter values should also be recalculated to achieve approximately the same level of limiter "revenue" as currently experienced.

For DS-5, the AIUs believe movement toward uniform Fixture Charges has merit. Fixture Charges for AmerenIP should be allowed to decrease by a uniform amount to achieve the class revenue requirement target. For AmerenCIPS, the Distribution Delivery Charge should be adjusted downward first, but not less than the amount of the Distribution Tax ($0.00129/kWh). Fixture Charges are already the lowest of the three AIUs and should be decreased only after the variable Delivery Charge. For AmerenCILCO, the proposed Fixture Charges are near the overall average for the AIUs and near its cost of service. As such, it would be appropriate to adjust both the Fixture and Distribution Delivery Charges by a uniform percentage to achieve the target revenue level for the class. This approach is consistent with general DS-5 rate design suggestions provided by the Cities.

A. Uncollectibles Expenses

Q. Ms. Ebrey requested in her direct testimony that the AIUs verify that uncollectibles for combination customers were allocated between gas and electric service based on the relative gas revenue versus electric revenue (ICC Staff Ex. 1.0,

page 35). How have the AIUs handled the uncollectibles associated with gas and electric combination customers in this proceeding?

A. The amount of uncollectibles for combination customers are now automatically split between electric and gas service within the CSS billing system, removing the interim step used in the last rate case to split combination customers between electric and gas business. The current methodology splits each account at the time of write-off and places gas uncollectible revenue with the gas business and electric uncollectible revenue with the electric business. This is a more accurate approach since it properly places the write-off amount with the proper business line without the need for a general allocation.

Q. Has the total amount of uncollectible expense changed from that originally proposed by the AIUs?

A. Yes. Mr. Ronald Stafford has updated the total uncollectible expense in his Ameren Exhibit 29.23. Consequently, the uncollectibles adjustment factors should also be updated to reflect the new level of uncollectible expense.

Q. What are the level of the updated uncollectibles adjustment factors and corresponding dollar amounts?

A. The updated uncollectibles factors and corresponding dollar amounts are shown in the tables below.

Ameren Illinois Utilities
Proposed Electric Uncollectibles Factors

	AmerenCILCO	AmerenCIPS	AmerenIP
DS/BGS-1	0.01409	0.01618	0.01732
DS/BGS-2	0.00208	0.00130	0.00159
DS/BGS-3	0.00096	0.00072	0.00114
DS/BGS-4	0.00005	0.00015	0.00066
DS/BGS-5	0.00000	0.00000	0.00002

Uncollectible Dollars

	Base Rates Uncollectible	Purchased Power Uncollectible	Total Avg. Uncollectible
AmerenCILCO			
DS/BGS-1	$921,143	$1,840,290	$2,761,433
DS/BGS-2	$53,215	$106,314	$159,529
DS/BGS-3	$11,301	$22,577	$33,878
DS/BGS-4	$833	$1,664	$2,497
DS/BGS-5	$0	$0	$0
Total	$986,491	$1,970,845	$2,957,336
AmerenCIPS			
DS/BGS-1	$2,054,249	$3,796,968	$5,851,217
DS/BGS-2	$82,228	$151,986	$234,214
DS/BGS-3	$21,434	$39,617	$61,051
DS/BGS-4	$1,432	$2,647	$4,079
DS/BGS-5	$0	$0	$0
Total	$2,159,343	$3,991,218	$6,150,561
AmerenIP			
DS/BGS-1	$4,528,966	$5,138,077	$9,667,043
DS/BGS-2	$188,475	$213,823	$402,298
DS/BGS-3	$55,656	$63,141	$118,797
DS/BGS-4	$13,589	$15,416	$29,005
DS/BGS-5	$280	$318	$598
Total	$4,786,965	$5,430,775	$10,217,741

B. Various Tariff Changes

Q. Mr. Philip Rukosuev reviewed several proposed tariff changes, set forth on lines 46 through 54 of his direct testimony (ICC Staff Ex. 8.0). Are there any issues raised that you would like to address?

A. Mr. Rukosuev agrees with most of the proposed changes, so there is no need to further address the agreed upon items. Mr. Rukosuev raises two clarifying recommendations. The first clarifying recommendation pertains to Rider PER, and the second pertains to Rider RDC. The AIUs agree to both tariff suggestions. Specifically, Rider PER, Sheet No. 31.008 should be modified to read as shown at lines 513 – 515 of Mr. Rukosuev's testimony.

"The base Retail Supply Charges resulting from the ICC Order associated with Docket Nos. 09-0306 – 09-0311 (Cons.) shall provide the initial baseline for changes in overall electric charges for any price classification."

Second, regarding Rider RDC, Sheet No. 38.001, the AIUs agree with Mr. Rokosuev that the term "billing demand" should not be capitalized (See ICC Staff Ex. 8.0, lines 547 – 564).

C. Standards and Qualifications, and DS-4 Reactive Demand

Q. Mr. Greg Rockrohr recommends that the AIUs provide language clarifying the intent of the application of the DS-4 reactive demand charge within the Company's Standards and Qualifications at lines 529-597 of his direct testimony. Have you considered this recommendation?

A. Yes. The AIUs propose the underlined language be added to the Company's Standards and Qualifications on Sheet 4.002:

> **"D. Requirements of Customer's Load**
>
> 2. Rate DS-1, DS-2, and DS-3 are expected to maintain a power factor in the range of 90% lagging to 90% leading during all periods of normal operation. Customer shall install corrective equipment necessary to meet this requirement on its side of the Company's or MSP's meter. Rate DS-4 Customers are expected to maintain a power factor in the range of 95% lagging to 95% leading during all periods of normal operation. <u>DS-4 customers who maintain a power factor in the range of 95% lagging to 95% leading will pay the Reactive Demand Charge specified in the DS-4 tariff. Customers who maintain a power factor outside of the range of 95% lagging to 95% leading will pay the Reactive Demand Charge specified in the DS-4 tariff, and are also subject to charges for the corrective actions listed in the succeeding paragraph</u>.
>
> When Customer's power factor is outside of the specified ranges, the Company may at its sole discretion, after notice is given, install corrective equipment on its side of the meter. Customer will be charged a lump sum amount, in accordance with the Excess Facilities provision of this tariff, for the current cost of such equipment and the cost of any subsequent additions to or replacement of such equipment whenever said future installations occur. Where Company completes the installations of corrective equipment, as described

above, for a Customer taking service under Rate DS-4, all Reactive Demand charges associated with the existing power factor condition, where applicable, will be waived."

IV. RESPONSE TO KROGER COMPANY TESTIMONY

Q. Did Kroger Company ("Kroger") offer any testimony in these dockets?

A. Yes. Kroger witness Mr. Kevin Higgins addressed the AIUs' rate spread and rate design proposals for the DS-3 and DS-4 rate classes. As he did in previous rate cases, Mr. Higgins recommends that the Distribution Delivery Charge for DS-3 and DS-4 customers be approximately equalized, with only a minor difference that recognizes the DS-4 reactive power revenues are a credit against the DS-4 Distribution Delivery Charge. In the end Mr. Higgins recommends the Commission take an effort to move these rate schedules closer together over time such that the first step is implemented by moving 50% of the differential between the DS-3 and DS-4 Distribution Delivery Charges, again with an adjustment to recognize the DS-4 reactive power revenue.

Q. Do you have any comments regarding Mr. Higgins' proposal?

A. Yes. I can agree with the principle that DS-3 and DS-4 Distribution Delivery Charges should move closer together (as indicated in the cost of service study), but suggest now is not the time. As discussed above in response to Mr. Lazare, the proposed rate design balances movement toward cost of service and bill impacts. Mr. Higgins' proposal does not measure potential bill impacts for the DS-3 or DS-4 classes. Nevertheless, adoption of the AIUs' methodology for adjusting prices in the event a lower class revenue target than those originally proposed should bring proposed DS-3 and DS-4 charges closer together.

V. RESPONSE TO CITY OF CHAMPAIGN ("CITIES") TESTIMONY

Q. Did you review the testimony of Cities witness Ms. Nancy Hughes?

A. Yes. Ms. Hughes generally supports the proposed pricing methodology regarding DS-5 lighting rates, as they move toward cost based rates which would equalize class rates of return in each of the Ameren Illinois Utilities. She also supports the movement toward uniform lighting Fixture Charges among the utilities.

Q. Are you in agreement?

A. In part. I agree with the concept of movement toward uniform lighting Fixture Charges among the AIUs. I am concerned about the potentially competing concept of setting DS-5 rates to achieve equalized class rates of return for each of the AIUs.

Q. Why is the concept of uniform Fixture Charges and rates set at an equalized rate of return for each of the AIUs potentially in conflict?

A. As noted by Ms. Hughes, the Fixture Charges for AmerenCIPS are significantly below those for AmerenIP and AmerenCILCO. The proposed method to develop uniform rates requires increases to AmerenCIPS, and decreases for AmerenIP Fixture Charges. Ms. Hughes suggests that as Fixture Charges are brought closer together the DS-5 Distribution Delivery Charge serve as the rate component to move up or down to achieve the target revenue requirement. I am concerned that over time, Fixture Charges for AmerenCIPS will be required to be raised to a level where the Distribution Delivery Charge would have to be near zero (or negative) to achieve the AmerenCIPS DS-5 revenue requirement at an equalized rate of return. This would send customers an unreasonable price signal as there would be virtually no correlation between usage and delivery costs incurred, especially for those customers that own their lighting fixtures and

do not pay a Fixture Charge. In any event, this is a future concern and one that I do not believe requires further analysis in this case.

Q. Does Ms. Hughes have any other concerns?

A. Yes. She suggests the DS-5 rate class subsidizes the rates for other delivery service classes, and that AmerenIP's lighting fixture charges are significantly higher than the lighting fixture charges of the other two Ameren Illinois Utilities, with no cost justification to support this difference.

Q. Is Ms. Hughes correct that there is no cost justification to support the difference in Fixture Charges?

A. No. Fixture Charges were established to achieve a target revenue requirement at an equalized rate of return for each of the respective AIUs in Dockets Nos. 06-0070 (Cons.). These were certainly cost-based rates, although the resulting Fixture Charges were generally lower than those shown in the incremental cost of service study. From an incremental cost perspective, there may be little to no justification for a difference in Fixture Charges. From an embedded cost of service perspective, there is justification for a difference in Fixture Charges.

Q. What recommendations does Ms. Hughes make concerning DS-5 prices?

A. The Cities' witness recommends a cost-based rate, with the Commission requiring the AIUs to file rates in the next rate case that move closer to cost of service with equalized rates of return between rate classes.

Q. Is this agreeable to the AIUs?

A. No. We cannot accept the goal of equalized rates of return for DS-5 for each AIUs; however, the AIUs are willing to commit in its next delivery service rate case to move closer to the equal rates of return for the three DS-5 classes of the AIUs combined.

VI. RESPONSE TO ILLINOIS INDUSTRIAL ENERGY CONSUMERS' ("IIEC") TESTIMONY

Q. IIEC witness Mr. Robert Stephens takes issue with the AIUs' electric Distribution Tax rider. Mr. Stephens notes that some customers will receive significant increases in delivery service costs and, as a result, claims there is an undue impact on industrial customers.

A. I will agree with Mr. Stephens' basic premise that proposed delivery service percentage increases may be large. While it may be true that certain DS-4 customers are seeing large percentage increases in their delivery service bill, the increases on a total bill basis are among the lowest of any non-lighting class. Charts summarizing the bill impacts for individual DS-3 and DS-4 customers for each AIU are shown in Ameren Exhibit 40.2. The charts show that for DS-4 customers supplied from lines at +100 kV (see pages 3, 6, and 9), the delivery service increase percentages are large, as indicated by Mr. Stephens. When viewed on a total bill basis, the percentage increases brought into perspective and compare favorably to increases proposed for other classes. Contrasted against customers supplied at primary voltage, the delivery service percentage increases are much lower, but the total bill impacts are greater.

Ameren Exhibit 40.3 provides an additional perspective of the impact of proposed rate changes on customers' bills. The chart shows the average cents/kWh estimated to be paid by customers supplied power at Primary, High Voltage, and +100 kV voltages. As

shown, customers supplied at Primary Voltage pay about 1¢/kWh for delivery service on average (slightly more for AmerenIP, and less for AmerenCIPS and AmerenCILCO), while High Voltage supplied customers pay about 0.50 ¢/kWh, and customers supplied at +100 kV average around 0.03¢/kWh.

Q. Please continue.

A. To illustrate the impact of delivery service increases on customers at different voltages, assume 30% change to the rates for Primary supplied customers, or roughly a 0.3 ¢/kWh change in rates, or a total bill increase on the order of 5%. Conversely, a 30% increase to the +100 kV supplied customer results in an increase in the 0.03 ¢/kWh delivery service rate of about 0.009 ¢/kWh. When the Distribution Tax of approximately 0.10 ¢/kWh is added, the resulting percentage increase in delivery service is over 350%, but still about 2-3% on a total bill basis. This phenomenon is shown in Ameren Exhibit 40.2.

Q. Mr. Stephens offers that the electric Distribution Tax rider should be rejected, in part, because he asserts it is unnecessary, without precedent and constitutes bad regulatory policy. Do you agree?

A. No, I do not. There is no disputing this is a cost incurred by the AIUs in providing delivery services. These electric distribution taxes are significant. The AIUs test year expense reflects approximately $47 million in the form of electric distribution taxes. In my judgment, this is a significant expenditure. The potential volatility is real. Though the General Assembly has yet to do so, it has in its power the ability to modify the distribution tax, in any session. Should this occur between rate cases, the change could have a significant and detrimental impact on the AIUs' authorized rate of return.

Furthermore, Mr. Stephens' observation that the rider is without precedence is defenseless. Today, the AIUs' have riders in place to recover certain taxes. Also, today, the AIUs as do virtually every gas and electric utility in the State of Illinois, have riders in place to recover certain costs or expenses.

Q. Please elaborate on Mr. Stephens' claim that the Distribution Tax is not based on kWh.

A. Though not an attorney, it is my understanding that electric utilities are assessed the tax based on the kWh delivered to customers. It is sensible for a cost analyst to classify the expense as kWh related, and allocate the expense accordingly. In fact, Commonwealth Edison Company's ("ComEd") embedded cost of service study filed in Docket No. 07-0566 allocated the distribution tax based on the kWh contribution of each class. There were several issues raised with ComEd's cost of service study discussed in the final order, but allocation of the distribution tax was not one of them. The Distribution Tax also appears to have been allocated based on kWh as early as Docket 01-0423, an earlier ComEd delivery service proceeding.[3]

Q. Mr. Stephens recommends that the AIUs modify its Standards and Qualifications for Electric Service to allow customers with multiple meters on the same or adjacent premises to be billed on a combined basis. Do you agree with Mr. Stephens rationale for the need to change the tariffs?

A. No. Mr. Stephens raises two implications pertaining to the current policy. First, he states that the policy creates the need for a larger number of accounts, and as a result

[3] See Docket 01-0423, ICC Staff Exhibit 6.0, Schedule 1, pages 1 and 2.

provides more Customer Charge revenue. He states the policy also has reduced the impact on the Distribution Delivery Charge of diversity in the separately metered loads of a single customer in a single location. Second (and Mr. Stephens states is more important), the policy has erected a barrier to the development of combined heat and power ("CHP") installations, in some circumstances. Mr. Stephens cites that customers do not enjoy the benefits of using the output of the CHP plant to reduce the electricity delivered to its load at its process plant. (IIEC Ex. 1.0, page 34)

Continuing, Mr. Stephens is correct that the addition of another service point would result in an additional Customer Charge for the customer. Such revenue to the AIUs compensates for the cost incurred to serve the customer. For customers metered at Primary Voltage or greater, a substantial portion of the cost basis for the Customer Charge is for the current and/or potential transformers used to meter the customer. Since metering has been unbundled, the Commission has directed that current and potential transformers associated with metering remain part of the utility's responsibility (i.e., not be unbundled). Customers are assessed a monthly Customer Charge in lieu of a lump sum payment predominantly to pay for the current and/or potential metering facilities. Thus, the added revenue offsets an added cost.

While Mr. Stephens is also correct that the policy of one meter per service point may reduce a possible reduction in the Distribution Delivery Charge for the customer if they were instead allowed to combine all service points for billing purposes, the AIUs tariffs already provide generators with the ability to mitigate their Distribution Delivery Charges. Under the provisions of the Electricity Net Metering Act (P.A. 095-0420), non-residential customers with generators are assessed delivery service charges based on a

583 "gross" method, where the amount of generation is not allowed to serve as an offset to
584 delivery service charges. However, under a Rider QF (Qualifying Facilities) tariff
585 arrangement (rather than Rider NM- Net Metering), a customer with a CHP (or any
586 generation facility) with output that exceeds the load at a service point for the entire
587 month would avoid Distribution Delivery Charges, even though facilities were designed
588 and built to ensure adequate distribution capacity is available to serve the customer in the
589 event their generation facility became unavailable for any period of time. This practice
590 has been in place for the AIUs for several years and pre-dates the establishment of net-
591 metering in Illinois. An expansion of this historic practice to include additional service
592 points is not cost based and ultimately would increase the cost responsibility borne by
593 other customers.

594 **Q. Please address Mr. Stephens' second point, that customers do not get to**
595 **enjoy the benefits of using the output of its CHP plant to reduce the electricity**
596 **delivered to its load at its process plant that is supplied energy from a third-party**
597 **supplier.**

598 A. Mr. Stephens ignores a customer's ability to configure its internal electric
599 distribution system to ensure that the output from a generator located on an adjacent site
600 can be used to offset load located behind any of the meters serving its facility.
601 Additionally, current tariff provisions allow customers a reasonable opportunity to
602 achieve the same end that Mr. Stephens advocates. Rider QF provides two compensation
603 options for customers that produce more power than they use: fixed price and variable
604 price compensation. The compensation prices for the fixed price compensation method
605 are set annually based on market forward prices observed in the late spring, and become

effective in mid-August. The second compensation method pays customers for hourly kWh output to the AIUs' system at the hourly locational marginal prices for each of the AIUs. Both compensation methods reflect a fair market value for the QF output. If the customer takes Rider HSS (Hourly Supply Service) from the AIUs and the customer elected the variable compensation method, the payments for the QF output would nearly offset Rider HSS charges. Presumably a Retail Electric Supplier could also offer a version of hourly supply service as well. Customers unhappy with the Rider QF options may also take their power output directly to MISO and register their generator as a resource. In summary, customers have both physical and financial options today to effectively reduce their electricity costs using their CHP facility.

Q. Have you proposed any modifications to the Standards and Qualifications for Electric Service to address Mr. Stephens' concerns?

A. No. Mr. Stephens has not provided any evidence that rates have deterred any actual or planned CHP development. The alleged deterrents, if true, would apply to any customer seeking to install distributed generation. The AIUs have seen several distributed generation facilities added recently, including a substantial CHP unit operated by a customer with several service points and meters associated with those service points. The AIUs are fully cognizant of their role as independent distribution companies, are neutral with regard to a customer's choice to elect to self-supply energy, and committed to progressive policies that facilitate co-generation projects. However, it is important that AIUs' tariff provisions related to metering and co-generation are tailored to comply with applicable laws and regulations as well as to avoid unnecessary subsidization from other customer classes. The current policy of allowing one meter per service point (except for

any pre-existing locations) more closely aligns distribution service cost recovery from those who cause the cost. Measurement of energy on a per service point basis is a foundational step to associating energy consumption costs with the facilities and customers behind the delivery point. It should also be noted that customers can configure their internal electric distribution systems to provide the benefits Mr. Stephens seeks. Finally, as noted above the customer is free to choose from several supply and generation output compensation methods that would allow customers to closely match (or offset) their contractual purchases for load required to serve other service points that do not have the CHP or distributed generation facility directly behind the meter.

Q. Did you review the testimony of IIEC witness David L. Stowe?

A. Yes. Mr. Stowe addresses the electric embedded cost of service studies. He recommends specific improvements that he asserts will make them more useful in determining rates. Specifically Mr. Stowe claims the costs of station equipment that operates at 34.5 kV and 69 kV have been erroneously allocated to customers operating at +100 kV voltage category. He offers this allocation is illogical and a significant departure from previous allocations. Mr. Stowe also asserts the allocation somehow contradicts my direct testimony.

Q. Does Mr. Stowe's claim have merit?

A. No. Mr. Stowe misunderstands the general rate structure employed by the AIUs. The Distribution Delivery Charge is assessed based on a Customer's supply line voltage, which is the voltage prior to final transformation. Customers may take delivery of power at lower voltages after the supply voltage is transformed to lower voltages using the AIUs substation or transformer equipment. Customers typically pay for this service through

the Transformation Charge, a rental agreement, or an excess facilities charge. Since customers supplied service at higher voltages are commonly delivered power at lower voltages, it is appropriate to allocate the cost of facilities required to convert voltage from supply to delivery, as was done by Ms. Karen Althoff.

VII. RESPONSE TO GRAIN & FEED ASSOCIATION OF ILLINOIS ("GFAI") TESTIMONY

Q. Have you reviewed the direct testimony of GFAI witness Mr. Jeff Adkisson?

A. Yes. Mr. Adkisson proposes to limit the increase to the ¢/kWh Rate Limiter by the same level as the class average increase. He also advocates pricing the DS-3 and DS-4 Distribution Delivery Charges using a seasonally differentiated $/kW demand charge.

Q. How do you reply?

A. The adjustment to the Rate Limiter should proceed as proposed by the AIUs in direct testimony, and agreed to by Staff. Specifically, the proposed ¢/kWh Rate Limiter values should be set at a level that approximately retains the existing dollar amount of the Rate Limiter revenue subsidy. An adjustment to the Rate Limiter by an amount only equal to the class average increase would not allow for the eventual reduction or elimination of the provision, but instead would further increase the subsidy provided to eligible customers. Increasing the Rate Limiter by only 21.8%, 19.5%, and 23.5% for AmerenIP, AmerenCIPS, and AmerenCILCO would produce ¢/kWh Rate Limiter values of 3.183 ¢/kWh, 2.656 ¢/kWh, and 2.412 ¢/kWh for each of the AIUs, respectively. At those levels, the dollar amount of the rate limiter shifted to other customers would increase to $1,069,327 for AmerenIP, $807,544 for AmerenCIPS, and $576,577 for

AmerenCILCO[4] placing greater upward pressure on the DS-3 $/kW Distribution Delivery Charge[5.]

Further, as Mr. Adkisson appropriately points out, transformers for DS-3 and DS-4 customers are often sized to serve only one customer, for which the costs are recovered via a Transformation Capacity Charge. (GFA Exhibit 1.0E, lines 73-74). The Transformation Capacity Charge is included within the determination of the Rate Limiter applicable to a customer. If the Transformation Charge were removed from the Rate Limiter determination, and the ¢/kWh limiter values were set as recommended by Mr. Adkisson, the amount of revenue limited under the provision would decrease to approximately $726,000 for AmerenIP, $468,000 for AmerenCIPS, and $362,000 for AmerenCILCO, or over $930,000 less than when the Transformation Charge is included within the Rate Limiter determination. If the Commission were to adopt Mr. Adkisson's proposal to hold the ¢/kWh Rate Limiter values to the average class increase level, the Transformation Charge should be removed from the determination of the Rate Limiter to remove the direct subsidy. In any event, the AIUs support no change to the Rate Limiter determination other than to increase the ¢/kWh limiter values to a level that approximately matches the level of rate limiter revenue under present rates.

Q. Do you have any further comments regarding the Rate Limiter?

A. Yes. I note that use of the AIUs' proposed revenue allocation and rate design will result in relatively lower Rate Limiter values for AmerenIP and AmerenCILCO

[4] This is in contrast to the total limiter revenue under the AIU proposal equal to $893,499 for AmerenIP, $711,116 for AmerenCIPS, and $493,644 for AmerenCILCO as noted earlier in response to Mr. Lazare and in Ameren Exhibit 16.0E (Revised), page 42.

[5] Approximately 95% of the total Rate Limiter revenue amount is due to the DS-3 rate class. See Ameren Exhibit 16.14E or Part 285 Schedule E-5 for rate limiter dollar amounts by class.

compared to Staff's proposal. Also, the AIUs proposed method for adjusting rates in the event that a revenue requirement less than that initially proposed will help reduce the impact on DS-3 customers affected by the Rate Limiter since it will channel all revenue adjustments into the Distribution Delivery Charge, which will in turn reduce the need to raise the Rate Limiter.

Q. Should the AIUs change the Distribution Delivery Charges to vary prices by season?

A. No. Substations and primary lines are designed to serve the maximum demand expected on the facilities, regardless of the season. As discussed in my rebuttal and surrebuttal testimony ICC Docket No. 07-0585 (cons.), circuits serving customers with large grain drying loads can and do peak in the fall season. To provide this subclass with a lower rate in the non-summer season would send an incorrect price signal to these customers. Instead, a cost-based seasonal rate for this subclass would likely have greater demand charges in the fall to encourage customers to be as efficient as possible in managing their peak demands, since it is their demands that contribute the most to the need for substation and primary line capacity.

VIII. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.