

**ILLINOIS COMMERCE COMMISSION**

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

**SURREBUTTAL TESTIMONY**

**OF**

**RONALD D. PATE**

**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)**

**DECEMBER 2, 2009**

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**RONALD D. PATE**  
**Submitted on Behalf of**  
**The Ameren Illinois Utilities**

**I. INTRODUCTION**

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

A. My name is Ronald D. Pate. My business address is 370 South Main Street, Decatur, Illinois 62523. I am Vice President of Operations for the AIUs.

**Q. Are you same Ronald D. Pate who previously provided direct and rebuttal testimony in this proceeding?**

A. Yes, I am.

**II. PURPOSE OF TESTIMONY**

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

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Illinois Commerce Commission Staff (“Staff”) witness Mr. Greg Rockrohr concerning his continued recommendation to disallow 100% of the project costs incurred by AmerenCIPS to relocate, refurbish and upgrade the Pana East substation. In his rebuttal testimony, Mr. Rockrohr contends that it is inappropriate to allocate 100% of substation relocation costs to electric customers because AmerenCIPS relocated the substation to

23 clean up coal tar contamination caused by a manufactured gas plant (“MGP”) that was  
24 owned and operated by AmerenCIPS.

25 **Q. Are you sponsoring any exhibits with your surrebuttal testimony?**

26 A. Yes. I am sponsoring the following exhibits.

27 Ameren 50.1: Staff response to data request AIU-ICC 29.06

28 Ameren 50.2: Staff responses to data requests AIU ICC 29.01-29.04

29 **III. RESPONSE TO STAFF WITNESS ROCKROHR**

30 **Q. In your direct testimony (Ameren Ex. 6.0, lines 606-623) and your rebuttal**  
31 **testimony (Ameren Ex. 33.0, lines 99-159), you explained why the relocation of the**  
32 **AmerenCIPS’s Pana East substation was necessary and prudent. Does Mr.**  
33 **Rockrohr acknowledge that the relocation of the Pana East Substation was**  
34 **necessary and prudent?**

35 A. Yes. In his rebuttal testimony (ICC Staff Ex. 24.0, lines 85-88), Mr. Rockrohr  
36 acknowledges that the relocation of the Pana East Substation was necessary and prudent.

37 **Q. In your prior testimony, you also explained why the relocated substation is**  
38 **used and useful in the provision of electric service. Does Mr. Rockrohr**  
39 **acknowledge that the relocated Pana East substation is currently used and useful in**  
40 **the provision of electric service?**

41 A. Yes. In his response to data request ICC-AIU 29.06 (see Ameren 50.1), Mr.  
42 Rockrohr acknowledges that the relocated Pana East substation is currently used and  
43 useful in the provision of electric service to AmerenCIPS's customers.

44 **Q. If Mr. Rockrohr acknowledges that the substation relocation was necessary**  
45 **and prudent and the relocated substation is used and useful in the provision of**  
46 **electric service, why does he still recommend disallowance of all costs?**

47 A. Mr. Rockrohr contends that the AIUs have not explained their rationale for  
48 allocating the entire \$2 million cost for the Pana East substation relocation projects to  
49 electric ratepayers. As a result, he recommends disallowance of the entire \$2 million cost.  
50 He believes that the allocation of 100% of the projects' costs to electric ratepayers is  
51 inappropriate because the substation's relocation was caused by the need to remediate  
52 contamination from a MGP formerly located on the premises, which was owned and  
53 operated by AmerenCIPS. He claims that this cause for the substation relocation was  
54 unrelated to AmerenCIPS's provision of electric service.

55 **Q. Does Mr. Rockrohr have an opinion about what percentage of the Pana East**  
56 **substation relocation costs should be allocated to electric ratepayers?**

57 A. No. Mr. Rockrohr's position is that substation relocation costs should be borne by  
58 AmerenCIPS generally, and allocated to AmerenCIPS's lines of business in an  
59 appropriate manner. (See generally Staff responses to data requests AIU-ICC 29.01-  
60 29.04, attached as Ameren Exhibit. 50.2). But Mr. Rockrohr does not provide a  
61 recommendation on what he thinks the proper allocation should be.

62 **Q. Do you agree with Mr. Rockrohr's opinion that it is inappropriate to allocate**  
63 **100% of these costs to electric ratepayers?**

64 A. No. As stated in previous testimony, the utilities are required to incur (and  
65 allowed to recover) coal-tar cleanup expenses under CERCLA and similar Illinois  
66 environmental laws. AmerenCIPS determined that it was cost prohibitive, entirely unsafe

67 and practically impossible to cleanup the coal tar at the East Pana location while the  
68 original substation remained in place and operational due to the size and location of the  
69 contamination. More importantly, remediation of the site without relocating the existing  
70 substation posed a greater risk to the adequacy and reliability of service to AmerenCIPS's  
71 electric customers.

72 AmerenCIPS considered several options to remediate the site without relocating  
73 the substation. All of these options were deemed impractical and cost prohibitive. For  
74 example, we considered undermining the substation to remove the contaminated soil,  
75 which would have required removal of the foundation supporting the substation  
76 components, including the transformer. Even if the technology existed that would have  
77 enabled us to proceed with this option, it would have substantially increased our  
78 remediation costs, not to mention the safety and reliability risks of working under the  
79 substation.

80 We also considered using portable substations to serve the six distribution circuits  
81 at East Pana while the old substation was removed, cleaned up and rebuilt in place. This  
82 option would have required temporary external overhead line construction to serve the six  
83 distribution portable substations and 3-34kv high side feeds, leading to increased  
84 construction expenses. The portable substations would have been tied up and unavailable  
85 for other required uses for 2.5-3 years. For this reason, this option also was considered  
86 impractical because the portable substations are needed for temporary (one month)  
87 projects to minimize our customers' interruptions during construction. Portable  
88 substations are also used for emergency situations such as an unexpected substation  
89 transformer failure. In addition, the construction process would have been extended by

90 several months with associated increases in labor costs. Moreover, a portable substation  
91 does not provide the same long-term reliability of a permanent substation.

92 The decision to relocate and rebuild the Pana East substation was the least cost  
93 option and safest way to construct the project, and presented the least risk of a disruption  
94 of adequate and reliable electric service to our customers during remediation. It is  
95 appropriate for the AIUs to allocate all costs prudent and necessary to maintain adequacy  
96 and reliability of electric distribution service, systems, equipment and infrastructure to  
97 their electric distribution customers.

98 **Q. Even if there had been no coal tar contamination on the property, would it**  
99 **have been reasonable and prudent to rebuild and relocate the Pana East substation?**

100 A. Yes. The structures, buswork, disconnect switches, fence, foundations, grounding  
101 and cables at the 50-year old substation were at or near the end of their useful life. In  
102 addition, the old substation could not be rebuilt without relocating the facility. The size  
103 of the substation was too small to allow for expansion of its load capacity or rebuilding to  
104 current design standards. The usual process for "postage stamp" sized substation rebuilds,  
105 such as Pana East, is to purchase new property, construct the new substation and external  
106 distribution facilities, and then retire the old substation. This process allows for  
107 construction of the new substation while the old one is energized, eliminating  
108 construction related outages to our customers. Also, as discussed in my rebuttal  
109 testimony, to provide more automation at this facility for switching in the event of an  
110 outage, AmerenCIPS installed radio controlled SCADA equipment on four of the new 34  
111 kV air break disconnect switches.

112 Accordingly, regardless of whether there had been coal tar contamination to

113 remediate at this location, the newer location, size, design, equipment and automation  
114 provided to the relocated and rebuilt substation supported AmerenCIPS's efforts to  
115 maintain and improve electric reliability. It is appropriate for the AIUs to allocate all  
116 costs prudent and necessary to replace and rebuild electric distribution service, systems,  
117 equipment and infrastructure to their electric distribution customers.

118 **Q. Should any percentage of the costs associated with relocation of the Pana**  
119 **East substation be allocated to the AIUs' electric transmission customers?**

120 A. No. Neither the original nor the relocated Pana East substation tied into  
121 transmission lines. As I mentioned in my rebuttal testimony, the original substation  
122 configuration had six distribution circuits, four 4 kV and two 12 kV circuits. During the  
123 relocation, AmerenCIPS converted one of the 4 kV circuits to 12 kV to provide an  
124 alternate feed to the other two 12 kV circuits in the event of an outage. In addition,  
125 AmerenCIPS also installed three new 34 kV supply line connections. Transmission  
126 voltage is 138 kV. All of the costs for WO #16922 and WO #17954 were therefore  
127 charged to electric distribution accounts.

128 **Q. Should any percentage of the costs associated with the relocation of the Pana**  
129 **East substation be allocated to AmerenCIPS' gas customers?**

130 A. No. As discussed above and in prior testimony, AmerenCIPS's electric customers,  
131 not its gas customers, are the ratepayers whose service was affected by the need to  
132 remediate the coal tar contamination under the location of the original substation. If  
133 AmerenCIPS did not relocate and rebuild the substation, not only remediation costs and  
134 safety hazards but also risks to reliability would have been substantially greater. In  
135 addition, as also discussed above, AmerenCIPS's electric customers, not its gas

136 customers, are the ratepayers who are benefiting from the used and useful relocated and  
137 rebuilt Pana East substation. Thus, the entire \$2 million in substation relocation costs  
138 should be recovered from only AmerenCIPS's electric distribution ratepayers.

139 **Q. Why then were the costs associated with cleaning up coal tar contamination**  
140 **at this location allocated between electric and gas customers?**

141 A. As explained in AIUs' response to Staff data request GER 9.01, the rationale for  
142 the allocation of clean-up costs between electric and gas customers is based on formulas  
143 set forth in the Riders EEA and GEA. However, the cost allocation designed and  
144 approved by the Commission in these Riders is not relevant to the proper allocation of  
145 capital costs associated with the relocated and rebuilt East Pana substation. The costs  
146 associated with WO #16922 and WO #17954 that AmerenCIPS seeks to include in rate  
147 base do not include any costs to remediate the coal tar contamination, and thus are not  
148 subject to the allocation of clean-up costs set forth and approved in the Riders EEA and  
149 GEA. As explained above, these relocation costs are properly allocated to only electric  
150 ratepayers, since the relocated and rebuilt substation is a benefit for only electric  
151 ratepayers and is used and useful in the provision of service to only electric ratepayers.

152 **Q. Do you agree with Mr. Rockrohr's suggestion that less than 100% of the**  
153 **substation relocation costs should be allocated to electric ratepayers "because the**  
154 **cause for the costs was unrelated to the provision of electric service"?**

155 A. No. The fact that the cause for the Pana East substation relocation may have been  
156 unrelated to the provision of electric service does not impact the percentage of costs  
157 properly allocated to AmerenCIPS' electric ratepayers. Any number of factors "unrelated  
158 to the provision of electric service" could result in the need for an electric utility to spend

159 capital on plant investment. The cause for the plant investment is not determinative to  
160 whether its cost is properly included in the utility's rate base. An electric utility's rate  
161 base includes the value of all plant investment that is both prudently incurred and used  
162 and useful in providing electric service to its customers. Mr. Rockrohr has acknowledged  
163 that the Pana East substation is used and useful and its relocation was prudent and  
164 necessary in the provision of electric service to its ratepayers. As a result, 100% of the  
165 Pana East substation relocation costs are properly allocated to electric ratepayers.

166 **Q. Do you agree with Mr. Rockrohr's suggestion that less than 100% of the**  
167 **substation relocation costs should be allocated to electric ratepayers because "the**  
168 **contamination was caused by leakage from the utility's own manufactured gas**  
169 **plant"?**

170 A. No. The fact that AmerenCIPS owned the MGP that may have caused the coal tar  
171 contamination does not impact the percentage of substation relocation costs properly  
172 allocated to AmerenCIPS's electric ratepayers. Granted, as stated in the AIUs' response  
173 to Staff data request GER 9.01, AmerenCIPS acquired and operated the MGP that may  
174 have caused or contributed to the soil contamination under the Pana East substation's  
175 former site.<sup>1</sup> However, whether AmerenCIPS was the party that actually caused the coal  
176 tar contamination is not determinative to whether those costs can be properly allocated to  
177 its electric ratepayers. Recovery of the East Pana substation relocation costs should not  
178 be allocated or limited based on Mr. Rockrohr's insinuations of fault or imprudence.

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<sup>1</sup> As explained in the AIUs' response to Staff data request GER 9.01, non-AmerenCIPS operations adjacent to the site also may have caused or contributed to the soil contamination. According to the 1917 and 1925 insurance maps, the Indian Refining Company was adjacent to the northwestern site boundary and had two coal oil tanks which may have been supplied by the Pana gas plant. An additional source of potential contaminants includes the F.P. Renz Oil Company which was adjacent to the western site boundary and had five oil tanks on the property

179           At the time the MGP was operated, the possible effects of the constituents in coal  
180 tar were not widely known. In 1957, when the original Pana East substation was  
181 completed, AmerenCIPS was not required to remove any embedded coal tar present on  
182 the property. AmerenCIPS neither intentionally polluted the property nor negligently  
183 failed to remove the contamination before building the original substation. However, by  
184 the time the coal tar contamination was verified, AmerenCIPS was responsible for  
185 making sure that the site met the current environmental standards relating to  
186 contamination. Now on notice that the site had coal tar contamination, AmerenCIPS  
187 relocated the Pana East substation to accomplish the remediation without a disruption in  
188 service, retiring and removing from rate base the original substation. Since the relocated  
189 substation is used and useful in the provision of electric service, it is appropriate to  
190 include its related capital costs in rate base.

191 **Q.     Mr. Rockrohr claims that AmerenCIPS would not charge electric ratepayers**  
192 **to relocate a customer's house if the property had contamination that originated**  
193 **from AmerenCIPS' MGP. Mr. Rockrohr claims that there is no difference between**  
194 **the hypothetical costs associated with relocating a customer's house to facilitate**  
195 **clean-up and the actual costs associated with relocating the Pana East substation.**  
196 **Do you find his comparison valid?**

197 A.     No. As I have explained, the relocation of the East Pana substation was justified  
198 to allow for remediation of the soil contamination in a practical way, in a safe manner  
199 and at a reasonable cost. But the relocation of the East Pana substation was also  
200 necessary to avoid jeopardizing the adequacy and reliability of electric service to  
201 AmerenCIPS' customers served by that substation.

202           The essential flaw in Mr. Rockrohr's comparison is that, based on the limited  
203 facts in his hypothetical, the remediation of the customer's property without relocation of  
204 the customer's house does not jeopardize the adequacy and reliability of electric service  
205 to AmerenCIPS's electric customers served by the Pana East substation. In contrast, to  
206 remediate under the substation while the substation was in place and in operation would  
207 have posed an unjustified risk to the adequacy and reliability of service to AmerenCIPS's  
208 customers. In addition, the relocated and rebuilt customer house in Mr. Rockrohr's  
209 hypothetical does not provide the same benefits to AmerenCIPS's electric customers that  
210 were provided by the rebuilt substation. As a result, whereas it might not be appropriate  
211 for electric ratepayers to bear the cost of the customer's house in Mr. Rockrohr's  
212 hypothetical, it is entirely appropriate for electric ratepayers to bear 100% of the costs to  
213 relocate and rebuild the East Pana substation.

214 **IV.    CONCLUSION**

215 **Q.    Does this conclude your surrebuttal testimony?**

216 **A.    Yes, it does.**