

ILLINOIS COMMERCE COMMISSION

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

REVISED

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 8, 2009

TABLE OF CONTENTS

	Page
I. INTRODUCTION.....	1
II. PURPOSE OF TESTIMONY	1
III. RESPONSE TO STAFF WITNESS ROCKROHR.....	2
IV. CONCLUSION	10

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

ILLINOIS COMMERCE COMMISSION
DOCKET Nos. 09-0306 - 09-0311 (Cons.)
REVISED SURREBUTTAL TESTIMONY
OF
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 Regional 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 Ex. 50.1: Staff response to data request AIU-ICC 29.06

28 Ameren Ex. 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 Ex. 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 Ex. 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.¹ 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.

¹ 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 relocating the customer's house in Mr.
212 Rockrohr's hypothetical, it is entirely appropriate for electric ratepayers to bear 100% of
213 the costs to relocate and rebuild the East Pana substation.

214 **IV. CONCLUSION**

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

216 **A. Yes, it does.**