

ILLINOIS COMMERCE COMMISSION

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

REVISED SURREBUTTAL 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)

DECEMBER 12, 2009

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7 **The Ameren Illinois Utilities**

8 **I. INTRODUCTION**

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

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

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

14 A. Yes.

15 **II. PURPOSE OF TESTIMONY**

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

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

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

21 A. Yes, I am sponsoring Ameren Exhibit 55.1.

22 **III. REVENUE ALLOCATION AND RATE DESIGN**

23 **Q. Which witnesses have provided rebuttal testimony regarding electric revenue**
24 **allocation?**

25 A. Staff witness Mr. Peter Lazare and IIEC witness Mr. Robert Stephens have
26 provided rebuttal positions concerning electric revenue allocation.

27 **Q. Which witnesses have provided rebuttal testimony regarding electric rate**
28 **design?**

29 A. Mr. Lazare, Mr. Stephens and Mr. David Stowe representing the IIEC, Kroger
30 witness Mr. Kevin Higgins, Cities witness Ms. Nancy Heller-Hughes, and GFAI witness
31 Mr. Jeffery Adkisson provide rebuttal testimony addressing various rate design issues.

32 **Q. Do you have a summary of the positions of the various parties regarding**
33 **revenue allocation and rate design?**

34 A. Yes. Ameren Exhibit 55.1 provides a high level summary of the positions of the
35 various parties, including the AIUs, on revenue allocation and rate design issues.

36 **A. Revenue Allocation**

37 **Q. Has Staff's rebuttal position caused you to rethink your revenue allocation**
38 **approach?**

39 A. No. The AIUs proposed revenue allocation approach provides a better balance
40 between movement toward cost-based rates and mitigating bill impacts. The Staff
41 approach places a greater cost burden on the DS-3 class, consequently widening the gap
42 between DS-3 and DS-4 on a dollar per kW demand charge basis. My rebuttal testimony

43 had addressed the relative differences in DS-3 and DS-4 revenue allocation and resulting
44 pricing (Ameren Ex. 40.0, lines 93-155) and thus will not be repeated here.

45 **Q. Mr. Lazare states the relatively greater burden his method places on the DS-**
46 **3 class will be mitigated to the extent that the Commission adjusts the revenue**
47 **requirement downward due to proposals by Staff and intervenors (ICC Staff Ex.**
48 **21.0, lines 284-289). Is this sufficient justification to adopt Staff's revenue allocation**
49 **approach?**

50 A. No, not in any meaningful way. Even if the revenue requirement is adjusted
51 downward, the relative differences in the revenue requirements and price disparity
52 remains. The same subsidy exists and the relative magnitude of the difference remains
53 the same. The AIUs proposed Distribution Delivery Charges for DS-3 and DS-4 are
54 closer together than those proposed by Staff, thus use of AIUs' revenue allocation and
55 rate design will produce final rates that are closer together.

56 **Q. Mr. Lazare remains critical of the AIUs revenue allocation approach due to**
57 **different treatment for the DS-5 Lighting class. He argues the approach we**
58 **advocate is arbitrary and unfair. Are his criticisms valid?**

59 A. No. Mr. Lazare claims that by not setting each individual AIUs DS-5 revenue
60 allocation target at the level to achieve an equal return is arbitrary and unfair. The AIUs
61 DS-5 revenue allocation approach is methodical, with the goal of recovering the cost of
62 service at an equal return from the combined DS-5 classes of the AIUs in a future case.
63 In this case, the goal is to make progress toward uniform rates, easing AmerenIP rates
64 lower and AmerenCIPS rates higher. Since each of the AIUs are a single legal entity, any

65 revenue excess or deficiency still needs to remain within the individual utility, and is
66 absorbed by other rate classes.

67 By adopting the AIUs approach, the Commission would not be abandoning cost-
68 based ratemaking. To the contrary, it would reflect the recognition moving toward a
69 uniform pricing approach among the AIUs that uses the incremental cost study as a guide,
70 but ultimately constrained to the total embedded cost of service for all three utilities
71 combined, is a sound policy choice. Incremental cost pricing is useful when customers
72 have viable choices in who provides the service, such as the pricing for the
73 Transformation Charge and the Reactive Demand Charge within DS-3 and DS-4.
74 Similarly, incremental cost pricing is useful in developing Lighting Service rates.
75 Lighting Service incremental costs are the same among the AIUs, thus DS-5 Fixture
76 Charges should move toward uniformity. Movement toward uniform Fixture Charges is
77 supported by the Cities.

78 **Q. Could the Commission still use the AIUs revenue allocation methodology if it**
79 **decided to reject the idea of moving toward uniform Fixture Charges across the**
80 **AIUs and immediately set the proposed revenue at a level that achieves an equal**
81 **return?**

82 A. Yes. The proposed revenue allocation methodology outlined in Ameren Exhibit
83 16.2E may be modified to adjust the DS-5 revenue allocation to an alternative value.
84 Specifically, the revenue allocation target shown in Column 5 could instead be set equal
85 to the DS-5 “revenue at equal return less distribution tax” value shown in column 2. For
86 AmerenIP, this would lower DS-5 rates an additional \$1.97 million (Ameren Exhibit
87 16.2E, page 1, row 5, column 6) and be recovered by DS-1 and DS-2 since those two

88 classes are not limited by the revenue allocation constraint. For AmerenCIPS, DS-5 rates
89 would be lowered by \$1.62 million (Ameren Ex. 16.2E, page 2, row 5, column 6) and
90 recovered by DS-1, DS-2, and DS-3 since those three classes are not limited by the
91 revenue constraint. For AmerenCILCO, DS-5 rates would be lowered only by \$0.06
92 million and recovered by the DS-1 and DS-3 classes.

93 Nevertheless, the AIUs continue to maintain its revenue allocation approach
94 should be used where movement is constrained to 1.25 times the average increase for DS-
95 1 – DS-4 excluding the effect of the Distribution Tax expense, and DS-5 prices are set
96 with an eye toward eventual Fixture Charge uniformity.

97 **Q. Mr. Stephens continues to support an increase cap of 25 percentage points**
98 **above the system average for a class, as well as a sub-class within a rate. Please**
99 **comment.**

100 A. Mr. Stephens' method should be rejected. Mr. Stephens defines the term "sub-
101 classes" in his rebuttal testimony to mean "those customers within a given customer class
102 who pay the same distribution delivery charge rate within each class, which is based on
103 the customer's supply voltage." (IIEC Exhibit 5.0, page 20, footnote 14) The AIUs' test
104 year billing units are not grouped as separate sub-classes of customers. Customers can
105 and often do use equipment at more than one voltage. Indeed, many customers take
106 service supplied at a higher voltage than that delivered and metered. For example, a
107 customer may be supplied from 34.5 kV (High Voltage) and delivered and metered at
108 12.4 kV (Primary Voltage). Thus, the IIEC method is lacking detail and guidance, and is
109 unclear as to how it would be implemented.

110 Second, Mr. Stephens' method is unfair within the class, especially if the
111 Commission agrees that the Electric Distribution Tax should appropriately be allocated
112 based on delivered kWh. The effect of Mr. Stephens' proposal would be to shift tax
113 dollars from customers supplied at higher voltages and instead push them to be recovered
114 by those supplied at lower voltages. However, the assessment of the tax does not
115 consider what supply voltage customers took service; it is irrelevant. Every kWh is the
116 same as the other irrespective of the voltage level at which it is delivered.

117 **Q. Can you provide an example of how the tax cost recovery would shift from**
118 **higher voltages to lower voltages?**

119 A. Yes. For example, assume two customers have peak demands of 10 MW and
120 50% load factors. At AmerenIP, the +100 kV supplied customer would pay a delivery
121 services bill of about \$3,862 under current rates, and a Primary Voltage supply voltage
122 customer would pay about \$53,026. Each customer uses the same amount of energy,
123 about 3.6 million kWh per month. At an average Distribution Tax rate of 0.138 ¢/kWh,
124 both customers would be appropriately allocated \$4,968. The effect of the Electric
125 Distribution Tax alone represents an increase to the +100 kV supplied customer of 129%,
126 while the percentage impact for the Primary Voltage supplied customers is only 9%. Mr.
127 Stephens approach would cap the +100 kV customer's increase at \$966, and shift \$4,002
128 of the Electric Distribution Tax expense to lower voltage customers. Shifting the cost
129 responsibility related to the tax instead to the Primary Voltage supplied customer
130 increases their cost by an additional \$4,002 to a total of \$8,970 (\$4,002 plus \$4,968), or
131 to 17%.

132 Customers served at High Voltage supply voltage will also contribute to the
133 burden on Primary Voltage supplied customers. At the same usage assumptions above,
134 such customer would pay \$15,795 in Delivery Services. Again, the allocated tax is
135 \$4,968, but a 25% increase is only \$3,949. Thus, another \$1,019 would be shifted to the
136 Primary Voltage customer, increasing their total allotment of the tax to \$9,989 (\$4,002
137 plus \$4,968 plus \$1,019), representing a 19% increase over present rates. It is not fair
138 that a tax expense that is not voltage differentiated should be shifted to lower voltage
139 customers simply because they happen to pay more for delivery service today.

140 For additional perspective, when viewed on an estimated total bill basis, the
141 Electric Distribution Tax would go from an allocated amount of 3% to a realized amount
142 of 0.58%, 2.79% to 2.22%, and 2.31% to 4.65% for the +100 kV, High Voltage, and
143 Primary supplied customers, respectively, in the hypothetical example. The same general
144 outcome would hold true for AmerenCIPS and AmerenCILCO as well.

145 **Q. Do you have any other comments regarding Mr. Stephens proposed rate**
146 **moderation approach?**

147 A. Yes. Mr. Stephens surmises that assessing an equal per kWh value within DS-3
148 and DS-4 for the electric distribution tax while adhering to his rate moderation approach
149 would likely result in zero or negative Distribution Delivery Charges, an illogical result.
150 (IIEC Ex. 5.0, lines 469-472) I agree with his assessment. However, the cost of the
151 Electric Distribution Tax should not be recovered through \$/kW Distribution Delivery
152 Charges under any rate moderation approach. The price established for the Electric
153 Distribution Tax should be based on kWh, the same basis as the AIUs are assessed the
154 tax (and it should be uniform within each class).

155 **B. Rate Design**

156 1. Conforming Rates to Final Revenue Requirement

157 **Q. Does Mr. Lazare address your proposal to adjust rates to achieve a lower**
158 **revenue requirement than those initially proposed by the AIUs?**

159 A. Yes. Mr. Lazare prefers to lower all DS components to achieve the final revenue
160 requirement allocated to a class. My understanding is that he recommends first adjusting
161 the uniform rates among the AIUs (e.g., Customer, Meter, Transformation and Reactive
162 Demand Charges) on a combined AIU basis, and then adjusting the remaining rate
163 components by an across-the-board amount to achieve the desired revenue target.
164 Notably, Mr. Lazare's rebuttal testimony did not address the merits of the AIUs proposed
165 rate adjustment methodology, and simply dismissed it because in his view his approach is
166 the simplest.

167 **Q. Is the AIUs' proposed methodology any more difficult than the Staff**
168 **methodology?**

169 A. No. Obviously an across the board approach is an easy way to set final rates.
170 While the AIUs approach has a few more directions to follow to ensure prices are
171 adjusted to achieve certain rate objectives and address issues raised by various parties in
172 the case, it is as easy to develop final rates using the AIUs approach as it would be using
173 the Staff approach. Adjusting final rates to meet certain rate design objectives, other than
174 a simple across the board adjustment, has been used by the Commission in the past (see
175 for example Docket 91-0335, p 70-72; Docket 93-0183, p 90-107; Docket 99-0120/99-
176 0134 p 64). The Staff approach misses an opportunity to address subsidy elimination,

177 rate continuity, and bill impact concerns. It also misses an opportunity to better address
178 concerns raised by various parties in this case.

179 **Q. How would adopting the AIUs rate adjustment approach benefit the**
180 **DS/BGS-1 and DS/BGS-2 classes?**

181 A. The AIUs method would allow greater progress toward eliminating the
182 subsidization of non-summer tail block BGS rates by non-summer initial block BGS rates.
183 The AIUs proposed to adjust only the variable Distribution Delivery Charges by an equal
184 amount to achieve the revenue requirement targets for each rate and for each AIU. The
185 proposed Customer and Meter Charges should not change. The AIUs method would
186 reduce the variable DS charges by a greater amount, which would in turn allow for
187 relatively larger increases to non-summer tail block BGS rates and further progress
188 toward eliminating the subsidization of those prices by non-summer initial block BGS
189 rates.

190 **Q. Are there benefits associated with adopting the AIUs rate adjustment**
191 **approach for DS-3 and DS-4 customers?**

192 A. Yes. The AIUs rate adjustment approach attempts to address the concerns of
193 Kroger, IIEC, and the GFAI. The AIUs rate adjustment approach reduces proposed DS-3
194 Distribution Delivery Charges exclusively. This has the effect of closing the gap between
195 DS-3 and DS-4 \$/kW Distribution Delivery Charges – a goal of Kroger. The relatively
196 lower \$/kW charges also reduce the amount of rate limiter revenue credits, allowing for a
197 relatively lower rate limiter ¢/kWh value to be established – a goal of GFAI. Moreover,
198 the AIUs rate adjustment approach reduces the proposed DS-4 ¢/kWh charge first, and if
199 necessary the \$/kW Distribution Delivery Charge. A reduction in the ¢/kWh DS-4

200 charge is responsive to the concerns of the IIEC. Staff has overlooked the benefits above
201 in its across-the-board approach.

202 **Q. Is the AIUs rate adjustment approach responsive to the concerns of the Cities**
203 **pertaining to the DS-5 Lighting class?**

204 A. Yes. The Cities and the AIUs contend there is merit in moving toward more
205 uniform Fixture Charges among the AIUs. Accordingly, the AIUs' rate adjustment
206 approach continues to strive toward uniform Fixture Charges while attentive to the class
207 revenue allocation to DS-5 for each of the AIUs. Since the AmerenIP Fixture Charges
208 are highest among the AIU's, any revenue reduction allocated to the AmerenIP DS-5
209 class should be directed toward reducing the Fixture Charges. Since the AmerenCIPS
210 Fixture Charges are the lowest among the AIUs, any reduction amounts should be
211 directed to the ¢/kWh Distribution Delivery Charge first and then the Fixture Charge only
212 if necessary. Since the AmerenCILCO DS-5 charges fall between those for AmerenCIPS
213 and AmerenIP, equal reductions to Fixture and Delivery Charges would be appropriate.

214 2. Residential (DS/BGS-1) and Small General Service (DS/BGS-2)

215 **Q. What is Mr. Lazare's position regarding the proposed rate design for**
216 **DS/BGS-1 and DS/BGS-2?**

217 A. Mr. Lazare and the AIUs are in general agreement concerning the proposed rate
218 design for DS/BGS-1 (residential) and DS/BGS-2 (small general service). Mr. Lazare
219 recommends the total variable charges for tail block DS/BGS-1 rates increase by 13%
220 rather than 10% based on additional analysis I provided in my rebuttal. The AIUs are in
221 agreement with Staff that the incremental impact on customers is relatively small, and
222 also urge approval of the 13% variable price increase. The greater value will assist in

223 reducing the amount of subsidy inherent in the present BGS-1 rates for non-summer use
224 over 800 kWh.

225 The AIUs and Staff both continue to recommend approval of a 10% variable price
226 increase to the tail block DS/BGS-2 prices. (See Ameren Ex. 16.5E for DS/BGS-1
227 methodology and details, and Ameren Ex. 16.9E for DS/BGS-2 methodology and details.)

228 **Q. Do any other parties opine on the residential and small general service
229 customer rate designs?**

230 A. No.

231 3. DS-3 and DS-4 Rate Design

232 **Q. Mr. Lazare continues to object to the AIUs rate design for DS-3 and DS-4,
233 claiming the most reasonable approach to designing rates for the classes “would be
234 to design DS-3 and DS-4 rates separately, based on the respective costs of service
235 results for each class” and that “(t)his approach would align the Companies’
236 ratemaking consistent with traditional cost of service principles.” (ICC Staff Ex.
237 21.0, lines 397-401) Please comment.**

238 A. To be clear, the AIUs have not proposed to combine the DS-3 and DS-4 rate
239 classes at this time. Each class remains somewhat unique, with its own revenue
240 allocation targets. The pricing for individual components for the two rate classes is
241 similar for items like the Meter, Customer, and Transformation Charge because the cost
242 to set a new meter, service a new customer, and provide transformation service is similar.
243 This was established in Docket Nos. 06-0070 (cons.), continued in Docket Nos. 07-0585
244 (cons.) and should continue for the present..

245 Mr. Lazare takes issue with the DS-3 and DS-4 Customer Charge as an example
246 to keep the DS-3 and DS-4 classes separate, claiming that customer kW size is a reason
247 for a cost difference between the DS-3 and DS-4 charges. Mr. Lazare concludes to
248 assume otherwise it is “an unreasonable assumption on the Companies’ part”. (ICC Staff
249 Ex. 21.0, lines 349 – 350). An examination of Ameren Exhibit 16.15E, pages 11-14
250 shows there is no “customer” cost difference between DS-3 and DS-4 caused by
251 customer size, but instead the cost differences are created by **voltage** differences. It is
252 entirely reasonable to rely on underlying cost differences (or lack thereof) when setting
253 rates. Again, this methodology was presented and accepted in Dockets Nos. 06-0070
254 (cons.), continued in Dockets Nos. 07-0585 (cons.) and should be continued today.

255 Finally, Mr. Lazare complains that “Ameren’s underlying problem is a misguided
256 assumption that bringing DS-3 and DS-4 rates closer together is cost-justified.” (ICC
257 Staff Ex. 21.0, lines 364-365) The AIUs assumption is appropriate, and supported by the
258 evidence in the case. An examination of Ameren Exhibit 16.15E shows the effect on
259 prices when all revenue allocation constraints are removed. Specifically, pages 43, 45,
260 and 47 show the resulting Distribution Delivery Charges for DS-3 and DS-4 for
261 AmerenIP, AmerenCIPS, and AmerenCILCO. For each Company, the difference
262 between DS-3 and DS-4 charges would be closer than those proposed by the AIUs, and
263 certainly closer than those proposed by Mr. Lazare.

264 **Q. Has Mr. Stephens commented on the AIUs DS-3 and DS-4 rate design?**

265 A. Yes. Mr. Stephens comments on Mr. Lazare’s discussion regarding the AIUs’
266 proposed DS-3 and DS-4 rate design. Mr. Stephens generally agrees with Mr. Lazare.
267 As such, my comments in response to Mr. Lazare above also apply to Mr. Stephens.

268 **Q. Mr. Stephens responds to your rebuttal analysis showing the effect of**
269 **proposed rate changes on a delivery service only, and total estimated combined**
270 **electric bill, by stating that electric supply charges are unrelated costs, and have no**
271 **bearing on determining the reasonableness of increases in delivery service rates.**
272 **(IIEC Ex. 5.0, lines 59-64) Please respond.**

273 A. Evaluating the estimated impact on the customer's total bill (electric supply in
274 addition to delivery), as done in Ameren Exhibit 40.2, provides the Commission
275 perspective on the relevance of the proposed price change. When a charge moves from a
276 small fee to a modest fee (or alternatively when moving from virtually zero to a value
277 modestly greater than zero), the percentage change may not be a good indicator of the
278 relative impact on a customer. Using a customer's total estimated electric bill provides
279 necessary perspective to gauge the significance of the change on electric service charges.

280 For example, assume the AIUs were involved in the pizza delivery business. The
281 Company has three pricing zones: one for customers next door to the store (such as +100
282 kV electric customers); one for customers more than a block but no more than a mile
283 away (such as High Voltage electric customers); and one for customers more than a mile
284 away from the store (such as customers supplied from Primary Voltage). Assume that
285 the delivery price for each pizza is 1 ¢ for customers next door, \$0.50 for customers more
286 than a block away, and \$1 for customers more than a mile away. Now assume that the
287 State imposes a 10¢ tax on each pizza delivered. The delivery percentage increase for the
288 three zones is 1,000%, 20%, and 6.7%, respectively. When measuring the impact on
289 customers, it is reasonable to evaluate the change in terms of the total bill for pizza
290 service. If we assume each pizza is \$5 before delivery, the percentage change due to the

291 tax for each delivery zone is about 2%, 1.8%, and 1.7%, respectively. While the tax
292 change caused delivery rates to increase by 1,000% for customers located next door, the
293 change is more appropriately viewed in the context of the customer's total pizza bill, or
294 an increase of about 2%.

295 4. Transformation Charge Effect on Distribution Delivery Charges

296 **Q. Mr. Stowe raises questions concerning the cost of service study claiming “the**
297 **assessment of the transformation charge shows that the AIU has identified the costs**
298 **of providing transformation services to customers, and has a rate mechanism in**
299 **place to recover those costs from them. Thus, these customers do not need to pay**
300 **for substation costs used by other customers too.” (IIEC Ex. 8.0, lines 233-236) Is**
301 **his understanding correct?**

302 A. No. Mr. Stowe has incorrectly assumed that unbundled service pricing means that
303 no costs should be assigned to a customer class for that particular service. This is
304 backwards. First, costs must be appropriately identified and second, rates need to be
305 developed to appropriately recover those costs. This is what the AIUs have done.

306 First, costs must be appropriately identified. As explained by Ms. Karen Althoff,
307 the cost of service model appropriately estimates the cost of providing transformation
308 service to customers by allocating a portion of substation costs based on delivery voltage.
309 In other words, if customers use transformation service, costs are assigned. Customers
310 that own their own substation or transformation equipment will not use the AIUs lower
311 voltage facilities, and thus will not contribute to the assignment of substation costs to the
312 class. In other words, if customers do not use the AIUs transformation service, costs are
313 not assigned.

314 Second, rates need to be developed to appropriately recover costs. The \$/kW
315 Distribution Delivery Charge is designed with an offset equal to the amount of
316 Transformation Charge revenue expected to be contributed at the proposed rate of
317 \$0.65/kW. The cost offset is credited to voltage categories based on the supply line
318 voltage. Costs are also offset for rental income allocated to the class as explained by Ms.
319 Althoff. The residual costs at each voltage level is then used to develop the \$/kW
320 Distribution Delivery Charge for each of the three supply voltage categories. This is the
321 same method used in the development of rates in Docket Nos. 06-0070.

322 Conceptually, Transformation Charge and rental revenue associated with
323 transformation service is assumed to offset any cost assigned for transformation service.
324 A higher Transformation Charge will result in lower \$/kW Distribution Delivery Charges,
325 and the converse is true. If the Transformation Charge is set greater than the embedded
326 cost of transformation equipment, as Mr. Stowe believes¹, the proposed \$/kW
327 Distribution Delivery Charges are lower than they otherwise would be because this
328 revenue is applied directly to offset the development of the voltage differentiated charges.
329 Thus, if Mr. Stowe's assertion about the cost of transformation equipment is true, the
330 \$/kW Distribution Delivery Charge is too low for customers not using transformation
331 service, and not the other way around.

332 5. Distribution Tax

333 **Q. Has Mr. Stephens provided rebuttal testimony concerning the rate treatment**
334 **of the Distribution Tax?**

¹ See IIEC Exhibit 8.0, lines 256-259. Also please see Ameren Exhibit 16.0E, lines 715-728 for a discussion concerning the development of the proposed \$0.65/kW Transformation Charge.

335 Q. Yes. Mr. Stephens continues to oppose allocation and collection of the Electric
336 Distribution Tax based on kWh sales, citing how the tax was assessed and collected
337 before 1998 as justification for allocating the expense on utility plant instead. Mr.
338 Stephens goes on to restate his belief that the distribution tax should be allocated based
339 on utility plant, and proposed an alternative to recover an amount above the 1997 tax
340 level should the Commission decide that a causal relationship exists between the tax and
341 kWh sales.

342 **Q. Is allocating all or part of the Electric Distribution Tax based on 2008 plant**
343 **appropriate?**

344 A. No. First, as discussed in my direct and rebuttal testimony, the structure of the
345 tax is such that as a utility delivers more or less energy, the amount of tax will increase or
346 decrease, all other things constant. This means plant is not a determining factor of the tax
347 amount but that the amount of kWh delivered is determinative.

348 Second, the glaring difference between the AIUs today and the AIUs in 1997 is in
349 1997 each of the AIUs owned its own generation facilities that were part of utility plant
350 in service and provided fully bundled electric service. The 1997 restructuring law
351 supported utilities divesting their generation assets, which each of the AIUs has done. By
352 assessing the Electric Distribution Tax on kWh rather than plant, the State was able to
353 preserve its revenue as power plants were sold to entities other than the electric utility.
354 The claim that the electric distribution tax should be assessed to customer classes based
355 on 2008 distribution plant does not square with the utility's plant in service in 1997.
356 Allocating and assigning the cost based on kWh is far superior to allocating the tax based
357 on costs that no longer include generation plant, and though not an attorney, also appears

358 to be consistent with the language in the “Legislative Intent” section of the law (35 ILCS
359 620/1a).

360 6. Rate Limiter

361 **Q. Which witnesses address the Rate Limiter in their rebuttal testimony?**

362 A. Mr. Lazare and Mr. Adkisson both discuss the Rate Limiter.

363 **Q. What aspect of the Rate Limiter did Mr. Lazare address?**

364 A. In my rebuttal testimony, I recommended the dollar value of the Rate Limiter be
365 recalculated at the time final charges are determined in compliance with the final order in
366 this proceeding. Mr. Lazare agreed with this recommendation.

367 **Q. Does Mr. Adkisson still take issue with the proposal to raise the level of the**
368 **Rate Limiter to an amount that approximately provides the same dollar amount of**
369 **limited revenue under current rates?**

370 A. Yes. Mr. Adkisson reiterates support for an increase to the Rate Limiter ¢/kWh
371 value at the average increase granted for the respective class. I note Mr. Adkisson
372 disagrees that the Rate Limiters are subsidies, but only offers that conclusion.
373 Specifically, Mr. Adkisson does not refute that at least the Transformation Charge portion
374 is a direct subsidy, as outlined in my rebuttal testimony (Ameren Ex. 40.0, lines 676-690).
375 These customers clearly receive a preference other customers do not for a facility
376 designed to specifically serve that individual customer’s demand. For the reasons
377 expressed here and in my direct and rebuttal testimony, the AIUs proposal, supported by
378 Staff, should be adopted.

379 7. Seasonal Rates

380 **Q. Mr. Adkisson requests the AIUs collect “the necessary data to conduct**
381 **analysis of prospective seasonally cost based rates for DS-2, DS-3 and DS-4 with**
382 **regard to substations and primary lines within the distribution delivery charges.”**
383 **(GFA Ex. 2.0E, lines 61-63) Please respond.**

384 A. Mr. Adkisson reasons that since as a group, the non-residential classes tend to
385 peak in the summer, additional costs, and thus greater rates, should be assigned to the
386 summer period. Mr. Adkisson does not want the AIUs to look at the grain dryers as a
387 class, but rather look at the rate classes as a group. First, I note that DS-2 already
388 contains a seasonally differentiated price, and the non-summer delivery charge is lower
389 than the summer charge. One cannot consider seasonal rates without examining the price
390 incentives, and possible cost consequences those price signals, would have on
391 distribution system costs. A lower non-summer rate for grain dryers (the group Mr.
392 Adkisson represents) would signal that delivery service to serve them is cheaper,
393 providing customers an incentive to use more (all other things equal), even though the
394 delivery system with large grain drying load may already be constrained at the time of the
395 fall peak. Rate DS-4 and large DS-3 customers connected at the Primary Voltage supply
396 level can be large enough to drive local circuit peaks, an occurrence that was observed in
397 Docket Nos. 07-0585. Examining seasonal rates for non-residential rates requires
398 attention to circuit level details rather than aggregate demands of all customers.

399 Examining circuit level detail is currently a highly manual process. Nevertheless,
400 examining a sample of circuits serving DS-3 and DS-4 customers may help bring
401 additional clarity to the debate of the demand allocation methodology (non-coincident
402 peak, coincident peak, twelve coincident peak, etc...) used to allocate costs. A sample

403 will also measure such customers' revenue contribution relative to their cost
404 responsibility – the issue Mr. Adkisson wishes the AIUs to examine. The AIUs are
405 interested in proper cost allocation and pricing, and thus do not object to further study
406 and providing the results in the next rate case.

407 8. Rate DS-5 – Lighting Service

408 **Q. Which witnesses address rates for Lighting Service, DS-5?**

409 A. Mr. Lazare addresses lighting rates from a revenue allocation perspective, and as
410 previously discussed in the section concerning revenue allocation, does not agree that the
411 Fixture Charges among the AIUs should move toward uniformity. I have already
412 responded to Mr. Lazare's DS-5 revenue allocation criticisms, which also addresses the
413 general rate design methodology for the class, thus I will not repeat those arguments.
414 Cities witness Ms. Hughes also addresses Lighting Service, and generally supports the
415 AIUs pricing proposal in this proceeding, which moves lighting prices toward uniformity
416 among the AIUs.

417 **[Lines 417 – 459 have been removed pursuant to Order re Motion to Strike]**

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460 **V. UNCOLLECTIBLES EXPENSE**

461 **Q. In her rebuttal testimony, Staff witness Ms. Theresa Ebrey requested that**
462 **the AIUs determine an “amount included in base rates”. Have you prepared the**
463 **requested calculation?**

464 **A. Yes. Pursuant to section 2 of the stipulation in Docket No. 09-0399, the AIUs and**
465 **Staff have agreed:**

466 “the uncollectible amounts included in rates for the periods on and after
467 the date new rates take effect (pursuant to 09-0306 et al (Cons.)) shall
468 be determined for each relevant customer rate class as defined in Rider
469 EUA as follows:

470 a. For DS, the uncollectible amounts included in rates shall
 471 be the amount equal to the DS uncollectible component as
 472 stated in the compliance DS tariff sheets as a dollar
 473 amount per customer, per month multiplied by the number
 474 of customers. The DS uncollectible component would be
 475 included within the stated DS monthly customer charge
 476 and not appear on customer bills as a separate line item.
 477 The AIU will provide Surrebuttal Testimony on this item
 478 in the pending rate case.”

479 Based on the AIUs’ uncollectible expense requested in its rebuttal case, the AIUs have
 480 calculated the amount per customer as follows:

<u>Uncollectible Dollars per Customer Per AIUs Rebuttal</u>				
<u>Electric</u>	<u>Base Rates</u> <u>Uncollectible</u>	<u>Customer</u> <u>Count</u>	<u>Avg Amt per</u> <u>Customer/Yr</u>	<u>Avg Amt per</u> <u>Customer/Mo</u>
<u>AmerenCILCO</u>				
DS-1	\$ 921,143	187,922	\$ 4.90	\$ 0.41
DS-2	\$ 53,215	24,071	\$ 2.21	\$ 0.18
DS-3	\$ 11,301	777	\$ 14.54	\$ 1.21
DS-4	\$ 833	87	\$ 9.58	\$ 0.80
DS-5	-	41	-	\$ -
Total	\$ 986,491	212,898	\$ 4.63	\$ 0.39
<u>AmerenCIPS</u>				
DS-1	\$ 2,054,249	331,563	\$ 6.20	\$ 0.52
DS-2	\$ 82,228	52,777	\$ 1.56	\$ 0.13
DS-3	\$ 21,434	1,547	\$ 13.86	\$ 1.15
DS-4	\$ 1,432	191	\$ 7.51	\$ 0.63
DS-5	-	158	-	\$ -
Total	\$ 2,159,343	386,235	\$ 5.59	\$ 0.47
<u>AmerenIP</u>				
DS-1	\$ 4,529,246	545,602	\$ 8.30	\$ 0.69
DS-2	\$ 188,475	69,275	\$ 2.72	\$ 0.23
DS-3	\$ 55,656	2,029	\$ 27.43	\$ 2.29
DS-4	\$ 13,589	254	\$ 53.59	\$ 4.47
DS-5	-	1,549	-	\$ -
Total	\$ 4,786,965	618,710	\$ 7.74	\$ 0.64

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482 The AIUs propose the “average amount per customer per month” be listed in the
 483 appropriate DS tariff in the Terms and Conditions section. These amounts will be
 484 tracked within the AIUs billing system and serve as the base amount of uncollectible

485 expense included in rates, required for use in conjunction with Rider EUA proposed in
486 Docket No. 09-0399. The values above should be updated to conform to the expense
487 level authorized in conjunction with the Final Order in this case.

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489 **[Lines 488 – 496 have been removed pursuant to Order re Motion to Strike]**

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497 **VI. VARIOUS TARIFF CHANGES**

498 **A. Standards and Qualifications and DS-4 Reactive Demand**

499 **Q. In his rebuttal testimony, Mr. Greg Rockrohr responds to the AIUs'**

500 **proposed language clarifying the intent of the application of the DS-4 Reactive**

501 **Demand Charge within the Company's Standards and Qualifications. What was**

502 **Mr. Rockrohr's response?**

503 **A. Mr. Rockrohr finds the AIUs' proposed language acceptable. (ICC Staff Ex._24.0,**
504 **p 11-12, lines 242-254).**

505 **B. Standards and Qualifications and Multiple Meter Policy**

506 **Q. Mr. Stephens still objects to the AIUs policy of requiring one meter point per**
507 **service point for new facilities, claiming that such policy is a deterrent to the**
508 **development of combined-heat and power (CHP) facilities. Mr. Stephens claims**
509 **that the AIUs underestimate the expense associated with rewiring a plant, and if the**
510 **electric Distribution Tax is assessed on a kWh basis, customers would not receive**
511 **the benefit of reduced kWh and thus Distribution Tax expense. Please respond.**

512 A. I still do not believe a change in policy is warranted for the reasons stated in my
513 rebuttal testimony. (See Ameren Ex. 40.0, lines 544 – 637) Mr. Stephens' claim that
514 customers could avoid paying a portion of the distribution tax if service points were
515 allowed to be combined could be solved with separate rider recovery of the Distribution
516 Tax expense. Under separate rider recovery, the AIUs could add to all QF payments an
517 amount equal to the avoided cost of the distribution tax. With the Distribution Tax
518 included as part of base rates, the AIUs do not avoid distribution tax costs if the level of
519 QF production is lower than that embedded within our test-year. Thus, inclusion of the
520 distribution tax as part of the QF payment is not an avoided cost until production exceeds
521 the level included in the test-year, all other things constant.

522 Moreover, the AIUs billing determinants have not been reviewed to determine the
523 impact of implementing Mr. Stephens' proposal. I am aware of one large CHP facility
524 recently beginning operation within AmerenIP. A change to the metering policy would
525 effectively reduce the billing demands shown in the test year billing determinants, and
526 thus reduce AmerenIP's expected revenue. The prices to other customers would need to

527 be increased to recover the authorized revenue requirement. The AIUs have not
528 performed such analysis.

529 **VII. CONCLUSION**

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

531 **A. Yes, it does.**