ILLINOIS COMMERCE COMMISSION

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

SECOND REVISED

SURREBUTTAL TESTIMONY

OF

PETER J. MILLBURG

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 13, 2009

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OF

PETER J. MILLBURG

Submitted on Behalf of

The Ameren Illinois Utilities

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Peter J. Millburg. My business address is 607 East Adams Street, Springfield, Illinois 62701.

Q. Are you same Peter J. Millburg 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 Illinois Commerce Commission Staff ("Staff") witnesses Ms. Theresa Ebrey and Ms. Cheri L. Harden; and Grain and Feed Association of Illinois ("GFAI") witness Mr. Jeffrey Adkisson regarding the proposed changes to AIUs' Gas Delivery Service Tariffs

[Lines 20-22 have been removed pursuant to Order re Motion to Strike]

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

24 A. Yes, I am sponsoring Ameren Exhibit 58.1

25 **[Lines 25-71 have been removed pursuant to Order re Motion to Strike]**

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IV. RESPONSE TO STAFF WITNESS THERESA EBREY

Q. Have you reviewed Ms. Ebrey's rebuttal testimony?

A. Yes.

Q. Did Ms. Ebrey make any recommendations regarding the uncollectible factors associated with this proceeding?

A. Yes. Ms. Ebrey recommended that the AIUs provide calculations for uncollectible factors associated with gas delivery service to establish the amount of uncollectibles included in rates. (See ICC Staff Ex. 15.0, lines 549-557.)

Q. Have you prepared the requested calculation?

A. Yes. Pursuant to the stipulation in Docket No. 09-0399, the AIUs and Staff have agreed that:

> "… the uncollectible amounts included in rates for the periods on and after the date new rates take effect (pursuant to 09-0306 et al (Cons.)) shall be determined for each relevant customer rate class as defined in Rider GUA as follows:
>
> > For GDS, the uncollectible amounts included in rates shall be the amount equal to the number of

> customers in the applicable period multiplied by the DS uncollectible component as stated in the DS tariff sheets as a dollar amount per customer, per month. The DS uncollectible component would be included within the stated DS monthly customer charge and not appear on customer bills as a separate line item. The AIU will provide Surrebuttal Testimony on this item in the rate case."

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

Gas	Base Rates Uncollectible	Customer Count A-3	Avg Amt per Customer/Yr	Avg Amt per Customer/Mo
AmerenCILCO				
GDS-1	$ 949,109	196,871	$ 4.82	$ 0.40
GDS-2	$ 50,499	16,943	$ 2.98	$ 0.25
GDS-3	$ 6,253	472	$ 13.24	$ 1.10
GDS-4	$ -	101	$ -	$ -
GDS-5	$ -	49	$ -	$ -
GDS-6	$ -	7	$ -	$ -
GDS-7	$ -	4	$ -	$ -
Total	$ 1,005,861	214,448	$ 4.69	$ 0.39
AmerenCIPS				
GDS-1	$ 870,906	165,969	$ 5.25	$ 0.44
GDS-2	$ 36,415	17,671	$ 2.06	$ 0.17
GDS-3	$ 1,852	361	$ 5.13	$ 0.43
GDS-4	$ 8,946	134	$ 66.76	$ 5.56
GDS-5	$ -	16	$ -	$ -
GDS-7	$ -	2	$ -	$ -
Total	$ 918,118	$ 184,153	$ 4.99	$ 0.42
AmerenIP				
GDS-1	$ 2,744,404	384,719	$ 7.13	$ 0.59
GDS-2	$ 121,145	33,944	$ 3.57	$ 0.30
GDS-3	$ 12,914	758	$ 17.04	$ 1.42
GDS-4	$ -	159	$ -	$ -
GDS-5	$ -	55	$ -	$ -
GDS-7	$ -	1	$ -	$ -
Total	$ 2,878,462	419,636	$ 6.86	$ 0.57

The AIUs propose the "average amount per customer per month" be listed in the appropriate GDS tariff in the Terms and Conditions section. These amounts will be tracked within the AIUs' billing system and serve as the base amount of uncollectible

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

[Lines 107-115 have been removed pursuant to Order re Motion to Strike]

V. <u>RESPONSE TO STAFF WITNESS HARDEN</u>

Q. Have you reviewed Staff witness Cheri L. Harden's rebuttal testimony?

A. Yes.

Q. Did Ms. Harden acknowledge the inaccuracy of her direct testimony stating that the provision currently proposed for AmerenCILCO customers using over 2,000,000 therms annually would be included in the AmerenCIPS and AmerenIP tariffs?

A. Yes. Ms. Harden acknowledges she was incorrect in her previous understanding that the AIUs proposed to include a similar provision in AmerenIP's and AmerenCIPS' tariffs. She misunderstood my direct testimony and the contents of the proposed

AmerenCIPS GDS-4 and AmerenIP GDS-4 tariffs as shown in the Part 285 - Schedule E2 of the Commission's standard filing requirement. My rebuttal only pointed out her misunderstanding.

Q. Does she further address the proposal to incorporate distinct billing components for customers using over 2,000,000 therms annually into AmerenCILCO's GDS-4 tariff?

A. Yes. Ms. Harden endorses the inclusion of step pricing for customers with annual usage in excess of 2,000,000 therms into the proposed AmerenCILCO GDS-4 tariff. (See ICC Staff Ex. 22.0, lines 28-35.) She then moves beyond this endorsement to state her desire that AmerenIP and AmerenCIPS include similar provisions in their proposed GDS-4 tariffs, and that the AIUs should be ordered to assemble the relevant data to support her belief for submittal in its next rate filing. (See ICC Staff Ex. 22.0, lines 94-102.) Ms. Harden cites the goal of uniformity as the motivation for her recommendation.

Q. How do you respond to Ms. Harden's recommendation?

A. The AIUs believe it to be preferable to achieve uniformity by conforming the outlying AmerenCILCO tariff structure into the predominant tariff structure among the three companies. Neither AmerenCIPS nor AmerenIP have an existing tariff similar to AmerenCILCO's current GDS-6 tariff, and introducing a similar provision within these companies' proposed GDS-4 tariffs would introduce an unnecessary level of complexity. Additionally, Ms. Harden states that she relied on the AIUs' response to Staff data requests CLH 2.01 and 2.02 as the basis of her understanding for this issue. Ms. Harden provided copies of those AIUs' data request responses as Attachment A to her rebuttal testimony. By relying only on the responses to the DRs and considering neither the direct

testimony nor the proposed tariffs that were included in the Part 285 - Schedule E2 filing in this proceeding, she ignores the context surrounding the AIUs' request to include a distinct pricing structure for AmerenCILCO customers using 2,000,000 therms or more annually.

As stated in my direct testimony and in the response to Staff DR CLH 2.02, the only reason the AIUs are proposing to include this provision in AmerenCILCO's GDS-4 tariff is AmerenCILCO currently has, but is proposing to eliminate, a GDS-6 tariff for customers meeting the 2,000,000 annual therms usage criteria. AmerenCILCO has customers that currently are served under this tariff GDS-6. AmerenCILCO is proposing to include the price step in its GDS-4 tariff to promote tariff uniformity as well as stability for the existing customers now served under the GDS-6 tariff.

Q. Have the AIUs considered implementing a similar step rate into the AmerenCIPS and AmerenIP GDS-4 for customers whose annual usage exceeds 2,000,000 therms?

A. No. As noted in the AIUs' response to Staff DR CLH 2.02, the AIUs have not explicitly considered incorporating a similar step into the tariffs of AmerenCIPS and AmerenIP because neither of those utilities have existing tariffs with distinct pricing provisions for customers whose usage exceeds 2,000,000 therms annually. It appears Ms. Harden believes that this either creates unmet needs for these customers or the costs to serve these customers have not been considered in the AIUs' analyses underlying its rate proposal. The lack of a distinct tariff or pricing step within AmerenCIPS' and AmerenIP's proposed GDS-4 tariffs for these customers should not be considered as a sign they were ignored or are being unfairly treated.

Q. Ms. Harden cites AIUs responses to data requests to support the position that the inclusion of a similar pricing structure in AmerenCIPS and AmerenIP would further the goal of uniformity. (See ICC Staff Ex. 22.0, lines 66 - 72.) How do you respond?

A. While Ms. Harden correctly cites the AIUs' goal in achieving the Commission's directive to achieve tariff uniformity among the three companies wherever possible in this filing, she omits the portion of the response to the DR that explains the introduction of such a tariff would inject an unneeded level of complexity into the AmerenCIPS and AmerenIP tariffs. The Commission directive for uniformity was not absolute, and the need to consider factors in addition to uniformity when designing tariffs is why the Commission conditioned its directive for tariff uniformity in Docket Nos. 07-0585 et. al., stating that the AIUs be prepared to explain and provide support if uniformity could not be achieved in tariff design. The AIUs have done so with regard to its proposed GDS-4 tariff designs.

Q. Ms. Harden recommends the AIUs assemble data to evaluate whether AmerenCIPS and AmerenIP should implement a rate design for customers using over 2,000,000 therms of gas annually. How do you respond to this recommendation?

A. As noted previously, the only reason the AIUs are proposing to include this provision in AmerenCILCO's GDS-4 tariff is AmerenCILCO currently has, but is proposing to eliminate, a GDS-6 tariff for customers meeting the 2,000,000 annual therms usage criteria. Nevertheless, assembling this data may help provide additional support to the AIUs' gas tariff design in the next rate case.

VI. RESPONSE TO GFAI WITNESS ADKISSON

Q. Have you reviewed Grain and Feed Association witness Adkisson's rebuttal testimony?

A. Yes.

Q. Your rebuttal testimony demonstrated why Mr. Adkisson's recommended approach for considering usage only the December through March timeframe for determining tariff assignment for GDS-2, GDS-3 and GDS-4 was inappropriate. Does Mr. Adkisson still advocate such an approach?

A. In his rebuttal testimony, Mr. Adkisson advocates such an approach only for the GDS-2 customers. He no longer advocates using the shortened time period to determine rate assignments for GDS-3 and GDS-4.

Q. Do you agree with Mr. Adkisson's recommended process in his rebuttal testimony for determining the Availability of GDS-2?

A. I disagree with his proposal the time period during which that measurement should be taken should be restricted to the December through March timeframe.

Q. Why do you disagree with Mr. Adkisson's proposal that only usage during the December through March timeframe should be used to determine Availability for GDS-2?

A. I disagree with Mr. Adkisson's proposal for the reasons I explained in my rebuttal testimony. See Ameren Ex. 48.0 Rev. lines 138-295. Mr. Adkisson's current proposal also is unworkable because it would result in customers potentially simultaneously qualifying for GDS-2 and GDS-3 or GDS-4, thus creating more confusion with

customers, gas marketers and AIUs coworkers in implementing the tariffs. As an example, if a grain drying customer had an average daily use of 1,500 therms during the September through November timeframe, and minimal usage for the rest of the year, under Mr. Adkisson's proposal, the customer's average daily usage during the September through November timeframe would result in the customer being assigned to GDS-4, while its usage during the remainder of the year would result in the customer being assigned to GDS-2. Under GDS-4, the customer would be required to implement daily balancing and install a phone line, and the AIU would need to install interval metering to appropriately record his usage, while the customer's simultaneous qualification for GDS-2 would allow them to balance monthly without the need for a phone line or more extensive metering. Simultaneously qualifying for more than one GDS rate would create confusion for customers and add ambiguity for rate administration for the AIU, resulting in financial uncertainty for the recovery of its approved revenue requirements. Tariff applicability provisions that allow customers to select between standard GDS rate classes without any meaningful change in usage patterns can also be detrimental to other customers over the long run as rates are again established in future rate cases.

Mr. Adkisson's position for restricting GDS-2 qualification to the December to March timeframe also ignores that the bulk of the costs to build, operate, and maintain gas delivery systems are fixed charges which don't vary regardless of the time of year that usage occurs, and that all users of the system should pay an equitable share of those costs. If taken to its logical conclusion, his argument would result in customers using the system during non-peak periods paying nothing towards the fixed costs associated with the system. The Commission recognized the need for all users of the system to pay their

share of the fixed costs regardless of the amount of gas they use or the time of year when the usage occurs, by placing 80% of fixed cost recovery into the Customer Charge for GDS-2 customers. The AIUs have maintained that apportionment of fixed costs within the Customer Charge in its rate design in the current case

Finally, Mr. Adkisson appears to be repeating the argument concerning the basis of demand charges and volumetric charges that was made to, and rejected by, the Commission in Docket Nos. 07-0585 et al. In declining to endorse that argument, the Commission expressed its concern around the degree to which non-winter gas users are affecting the non-winter demand for gas, and the challenges associated with converting demand charges to volumetric charges. The Commission invited further discussion of these issues in future rate filings, but it appears that the Grain and Feed Association is merely reiterating its desire without providing any analysis to support it.

Q. Do you agree with Mr. Adkisson's contention that the AIUs have not provided any support for its proposal for billing under GDS-2?

A. No, I do not. The AIUs have conducted and provided Cost of Service studies that support the appropriateness of its proposed charges for GDS-2 customers. My understanding is these studies support the need for all customers who use system assets to pay for their share of the fixed costs of those assets, regardless of the time of year or the number of times that they use the AIUs' system to supply their gas needs.

Q. Mr. Adkisson contends that the AIUs need to have a seasonality component in GDS-2 because the GDS-5 Seasonal Rate does not send appropriate price signals to GDS-2 customers to avoid usage during peak periods. Do you agree with his contention?

A. No, I do not. I acknowledge that GDS-2 customers will not benefit financially from selecting to be billed under the optional GDS-5 tariff. Mr. Adkisson errs in believing that this inappropriately excludes a group of customers from a tariff that he believes is designed to promote system utilization. The purpose of the GDS-5 tariff is to promote system reliability by discouraging gas use by individual customers whose operations on days when space heating demands increase would cause reliability issues. Typically, the usage of individual GDS-2 customers, even grain dryers operating in rural areas, does not affect the reliability of the distribution systems that serve them during periods when space heating load occurs. Usage by GDS-3 and GDS-4 customers during periods when peak space heating load occurs can have a profoundly negative impact on system reliability. Hence, the design of GDS-5 provides incentives for GDS-3 and GDS-4 customers whose processes enable them to avoid operating during periods of peak space heating loads.

Q. Mr. Adkisson contends the AIUs have provided no analysis to support its proposal to set Availability thresholds at their proposed levels, and have instead opted to simply base them on the AmerenIP tariffs? Is this an accurate characterization?

A. No, it is not. For continuity purposes, the AIUs did seek to use the existing Availability provisions of one of its companies when establishing uniform Availability provisions. As noted in my direct testimony, the AIUs believe that Availability provisions based on usage is the easiest for customers and coworkers to understand and administer. Of the three companies, only AmerenIP currently employs a usage-based

Availability methodology for all of its gas delivery tariffs that can be efficiently administered.

To determine whether the usage thresholds should be adjusted from the current AmerenIP levels, the AIUs conducted the analysis described in its response to Staff data request ENG 4.02. The AIUs' response to Staff data request ENG 4.02 is attached as Ameren Exhibit 58.1. This analysis indicates that the existing AmerenIP usage thresholds follow the major cost differences in the meters used to serve the various customer groups. Following this determination, the AIUs conducted its Cost of Service studies and individual customer impact studies on customers of all three utilities using the peak Average Daily Usage thresholds proposed in its tariffs.

In stark contrast, however, Mr. Adkisson has not conducted any analysis or presented any information on the impact of adopting his preferred methodology on the 53,000 non-residential customers of AmerenCIPS and AmerenIP currently served under standard tariffs.

Q. Mr. Adkisson characterizes the purpose of GDS-5 as maximizing utilization of the AIUs' gas delivery systems through use of interruptible incentives at times of peak system use, and recommends seasonal rates within the GDS-2, GDS-3 and GDS-4 tariffs to further that goal. (See, GAF Ex. 2.0G, lines 86-89) Is this appropriate?

A. No, it is not. As noted previously, the GDS-5 tariff is designed primarily to enhance system reliability, not increase utilization of the gas system. Its price signals are based on daily temperature forecasts to help ensure that only customers whose processes can be interrupted avail themselves of this optional tariff. Additionally, when combined

with Mr. Adkisson's proposal to consider only usage during the December through March timeframe to qualify for service under GDS-2, developing new seasonal rates to maximize system utilization would mean other customers would be required to subsidize such seasonal rates and the potentially higher costs to serve seasonal customers who would otherwise be served on GDS-3 and GDS-4.

VII. CONCLUSION

Q. Does this conclude your second revised surrebuttal testimony?

A. Yes, it does.