

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

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	)	
CENTRAL ILLINOIS LIGHT COMPANY	)	Docket Nos. 09-0306, 09-0309
d/b/a AmerenCILCO	)	
	)	
CENTRAL ILLINOIS PUBLIC SERVICE	)	Docket Nos. 09-0307, 09-0310
COMPANY d/b/a AmerenCIPS	)	
	)	
ILLINOIS POWER COMPANY d/b/a AmerenIP	)	Docket Nos. 09-0308, 09-0311
	)	
Proposed general increase in rates for delivery	)	Consolidated cases
service (Tariffs filed June 5, 2009)	)	
	)	

**INITIAL POST-HEARING BRIEF OF IBEW**

IBEW System Council U-05, on behalf of IBEW Locals 702, 51, 309, 1306, and 649 hereby submits to the Illinois Commerce Commission (“Commission”) its Initial Brief in the above captioned consolidated proceeding in support of the proposed general rate changes submitted by AmerenIP, AmerenCILCO, and AmerenCIPS (jointly referred to as the “AIUs”).

**I. INTRODUCTION**

**A. OVERVIEW**

IBEW System Council U-05 is an association consisting of Local Unions 702, 51, 309, 1306, and 649 of the International Brotherhood of Electrical Workers, AFL-CIO (“the Local Unions”) and coordinates collective bargaining with the AIUs on behalf of the Local Unions. The Local Unions represent employees across Illinois and each has a current collective bargaining agreement with one or more of the AIUs covering wages, fringe benefits, and terms and conditions of employment. Union contractors also work for the AIUs to provide services such as tree trimming and transmission line maintenance. (Ameren Ex. 10.0 (Cloninger Dir.), pp. 6.)

System Council U-05 and the Local Unions intervened in this docket to protect the interests of bargaining unit employees in their wages, fringe benefits and terms and conditions of employment. As the utilities' revenue requirements are based on their actual costs, including the wages and benefits of union members, failure to recover those costs would force the AIUs to take steps to maintain their financial integrity. The AIUs would need to reduce expenditures for operations and maintenance, which could include disengaging some contractors, reducing spending with other contractors, and once again looking to further reduce the number of AIU employees. (Id.; Ameren Ex. 49.0 2d Rev. (Nelson Sur.), pp. 8-10.) If these steps were required, the resulting loss of work for contractors and AIU employees in Illinois, including IBEW System Council U-05 members, would be a further blow in the midst of continuing difficult economic conditions in Illinois. (Ameren Ex. 49.0 2d Rev., p. 8.) Approval of the proposed rate increase is therefore necessary not only for the adequate delivery of services, but also for the health of the Illinois workforce.

- B. PROCEDURAL HISTORY**
- C. NATURE OF AIUS' OPERATIONS**
- D. TEST YEAR**
- E. LEGAL STANDARD**
- F. OTHER LEGAL ISSUES**

## **II. RATE BASE**

- A. OVERVIEW**
- B. RESOLVED ISSUES**
  - 1. Historical Plant Additions (2002-2006)**
  - 2. Plant Additions (2007-2008) Except For Pana East Substation**
  - 3. Liberty Audit Pro Forma Adjustment**

4. **Lincoln Storage Field Sulfatreat**
5. **Materials and Supply Inventory Except for Value of Gas in Storage (C.5. below)**
6. **Gas Tapping Fee**
7. **Error Regarding A Sulfatreat Change Out**

C. **CONTESTED ISSUES**

1. **Pro Forma Plant Additions (2009-2010)**

IBEW System Council U-05 agrees with AIU witness Getz that the AIUs have met the necessary burden to recover the costs of Pro Forma Plant Additions for 2009-2010. (Ameren Ex. 34.0R (Getz Reb.), p. 19.) As described in the testimony, the projects are reasonably certain to occur and their costs are determinable. (*Id.*, pp. 3-8, 19.) As the plants are likely to be in service during the period that the new rates would go into effect, disallowing a recovery of the costs of plant additions through pro forma adjustments would not accurately reflect the actual costs of providing service to customers at that time. (Ameren Ex. 33.0R, p. 8.)

Furthermore, an inadequate cost recovery could result in a deferral or cancellation of future planned plant additions and replacements, which could have a negative impact on the reliability of future service and the level of customer satisfaction. (Ameren Ex. 49.0 2d Rev., p. 7.) Deferral or cancellation of plant additions and replacements could also lead to less work for System Council U-05 members and other Illinois workers, causing a further negative impact on economic conditions in Illinois. (*Id.*, p. 8.)

2. **Accumulated Reserve for Depreciation**

The Commission should reject the additional adjustment to the AIUs' accumulated depreciation reserve suggested by AG/CUB and IIEC. Such adjustments have been raised repeatedly in prior rate cases, and have been rejected by the Commission each time. Docket 07-

An overall inadequate recovery may lead to reduced expenditures in other areas, such as operations and maintenance. (Ameren Ex. 26.0, p. 10; Ameren Ex. 49.0 2d Rev., pp. 8-10.) This could lead to further employee reductions, including IBEW System Council U-05 members, which would impact not only service reliability but also the Illinois workforce.

**3. Plant Additions 2007-2008: Pana East Substation**

IBEW System Council U-05 agrees with AIU witness Pate that the cost associated with the new Pana East Substation is fully justified. (Ameren Ex. 33.0R (Pate Reb.), p. 7.) The substation had to be relocated to remove contamination from beneath the old substation as required by Illinois Environmental Protection Agency regulations. (Id., p. 5.) In addition to relocating the Pana East substation, a variety of improvements were made to the equipment to improve reliability of service. (*See* Id., p. 6-7.) Staff has agreed that the labor and materials costs to relocate the Pana East Substation were prudently incurred to comply with Illinois EPA regulations and that the relocated substation is used and useful to provide continued service to utility customers. (Ameren Ex. 50.0 (Pate Sur.), p. 2.)

Staff has nevertheless taken the position that the cost to relocate the substation should be borne by AmerenCIPS, because the remediation work which necessitated the relocation was unrelated to the provision of electric service. (Id., p. 3.) This is not the case. In fact, relocating the substation to facilitate the remediation was the least costly and most reliable solution

Id., p. 4-5.) Other options such as undermining the substation while it was operating or utilizing additional portable substations would have been more costly and could have negatively impacted reliability. (Id.) Additionally, the new Pana East substation incorporates a number of improvements that will help maintain reliability in the future. (Id., pp. 5-6.) Thus, the labor and materials costs to relocate the Pana East Substation, which were incurred to perform required remediation and maintain service, should be recoverable through base rates.

Although the work on the new Pana East substation has already been completed, failure to allow recovery of costs for the project may require the AIUs to reduce spending in other areas, such as operations and maintenance expenses. (Ameren Ex. 26.0, p. 10.) This could result in less preventative maintenance work and tree trimming, and fewer workers available to restore service during storms. (*See Id.*) The resulting job losses would also have negative economic effects in Illinois. (Ameren Ex. 49.0 2d Rev., p. 8.)

4. **Hillsboro Storage Field – Used and Useful**
5. **Cash Working Capital**
6. **Working Capital Allowance for Gas in Storage**
7. **OPEB Net of ADIT (Accrued OPEB Liability)**
8. **Other**

**D. RECOMMENDED RATE BASE**

1. **Electric**
2. **Gas**

**III. OPERATING REVENUE AND EXPENSES**

**A. OVERVIEW**

**B. RESOLVED ISSUES**

1. **Annualized Labor**
2. **FICA Corrections**
3. **Outside Professional Services**
4. **Bank Facility Fees**
5. **Uncollectibles Expenses**
6. **Storm Expenses**
7. **AMR Expense**
8. **Smart Grid Costs**
9. **Homer Works HQ Sale**
10. **Social and Service Club Dues**
11. **Charitable Contributions**
12. **Industry Association Dues**
13. **Advertising Expense**
14. **Customer Service and Information Expenses**
15. **Lobbying Expense**
16. **Rate Case Expense**
17. **Collateral Expense**
18. **Company-Use and Franchise Gas**
19. **Real Estate Taxes**
20. **Prior Period HMAC**

**C. CONTESTED ISSUES**

1. **Tree Trimming**

IBEW System Council U-05 agrees with AIU witness Nelson that a reduction of \$4.7 million in the amount spent on tree trimming will leave an inadequate recovery to maintain a

Id., p. 55.)

The issue of tree trimming is exemplary of the negative effect that an inadequate rate increase/cost recovery would have on not only customer reliability, but also the Illinois workforce. In the case of an inadequate rate recovery, the AIUs would need to reduce operating and maintenance expenditures, likely including reductions in contractors and deferral of maintenance. (Ameren Ex. 26.0, p. 10.) Such reductions would have a negative impact on customer service, including a reduction in tree trimming. (Id., p. 10.) Without approval of sufficient costs to maintain the minimum four-year cycle recommended by the Commission, fewer of the skilled union contractors which perform tree trimming (Ameren Ex. 10.0E (Cloninger Dir.), p. 6) could be hired. This loss of jobs would damage the Illinois workforce. Additionally, any reduction in the number of tree trimmers would result in fewer trees being cut and a potential decrease in service reliability.

## **2. Incentive Compensation Expenses**

Incentive compensation under the AIU incentive plans not only provides benefits to ratepayers, but also fosters a healthy workforce, and should therefore be recoverable by the AIUs. The Ameren Incentive Plan (“AIP”) applies to employees who are represented by a bargaining unit, including IBEW System Council U-05 members. (*See* Ameren Ex. 18.0 (Lindgren Dir.), p. 4.) The AIP is 100% based on performance as measured by incentive KPIs,

Id., pp. 4-5.) Staff has already acknowledged that a number of the KPIs, simply by their goal targets, illustrate a customer benefit. (ICC Staff Ex. 15 (Ebrey Reb.), p. 11.) The remainder of the KPIs are related to the creation of efficiencies in operations and expenses. Aside from the improved service, safety, and reliability resulting from the KPIs, efficiencies in operations and expenses benefit ratepayers by reducing the overall expenses which must be recovered in rate cases, and therefore should be allowable.

Furthermore, Ameren employees, including IBEW System Council U-05 members, rely on incentive compensation as part of their pay. If the AIUs discontinued portions of the incentive compensation package in order to match its costs to Staff's proposed recovery, employees would essentially be taking a pay cut, causing further harm to the Illinois workforce.

### **3. Pension, OPEB and Major Medical Expenses (including Production Retiree Expenses)**

IBEW System Council U-05 agrees with Ameren witness Stafford that the 12 months of actual expense from October 2008 through September 2009 are the proper measure of pension, OPEB, and major medical expenses. (Ameren Ex. 51.0 (Stafford Sur.), pp. 7-10.) Such expenses are known and measurable, as the expenses have already been incurred and recorded by the AIUs. (Id., p. 10.) Actuarial studies have not been required to establish actual pension and OPEB expenses in past rate cases, and even if such a report is required, it will soon be available. (Id., pp. 10-12.) Staff witness Ebrey has even agreed that it is appropriate to look to the actual available data. (Tr. IV, p. 787.) Because the October 2008 through September 2009 expenses are known and measurable, they should be recovered by the AIUs.

Like incentive compensation, IBEW System Council U-05 members rely on the AIUs for their pensions and other benefits, which are part of their compensation. An inadequate recovery of pension, OPEB, and major medical expenses could jeopardize these benefits, potentially harming the Illinois workforce.

#### **4. NESC Expenses**

The AIUs should be allowed to recover their expenses for “new work” performed to comply with the National Electric Safety Code (NESC). (Ameren Ex. 11.0E Rev. (Justice Dir.), pp. 7-11; Ameren Ex. 35.0 (Justice Reb.), pp. 4-12; Ameren Ex. 66.0 (Justice Sur.), pp. 2-6.) As discussed thoroughly in the testimony of Ameren witness Justice, the AIUs are not seeking to recover the costs of fixing incorrectly installed or constructed infrastructure, but rather the costs of installing infrastructure components which were missing entirely. (Ameren Ex. 11.0E Rev., pp. 7-11; Ameren Ex. 35.0, pp. 4-12; Ameren Ex. 66.0, pp. 3-4.) The man-hours expended on components installed are the same as those required to complete the work in the first instance, but ratepayers have not yet paid for the repairs. (Ameren Ex. 35.0, p. 7). There is minimal expense for crews to return to sites to conduct the “new work,” because it was scheduled to coincide with other necessary repairs at the same site. (*Id.*, pp. 5-6.) Therefore, because ratepayers have not already paid for the “new work,” and because the work benefits ratepayers by increasing infrastructure safety and reliability, the Commission should allow recovery of these costs.

An inadequate recovery would impact both customer service and the Illinois workforce. If not allowed to recover the costs of NESC expenses, the AIUs may need to reduce expenditures on other maintenance projects, including reductions in the staff and contractors responsible for such maintenance. (*See* Ameren Ex. 26.0, p. 10.) This could have a negative impact on service reliability due to less preventative maintenance. (*Id.*, p. 10.) In addition, a reduction in repair

5. **Amortization of IP Merger Expense/Regulatory Asset**

6. **Economic Development Expenses**

The AIUs' expenditures on economic development are beneficial not only to existing ratepayers, but also for the general Illinois economy and workforce as a whole, and should therefore be recoverable. The AIUs' community and business development plans help attract new businesses to Illinois communities and encourage existing business to remain and expand in Illinois communities. (Ameren Ex. 70.0 (Kearney Sur.), pp. 3-4.) New and expanding business result not only in direct job growth, but also indirect growth in jobs to support new employees. (Id., p. 3.) In 2008, AIU economic development services helped create 546 new Illinois jobs directly and 855 jobs indirectly. (Id., p. 6.) Business development activities which encourage businesses to remain in Illinois communities help to preserve jobs. (Id., p. 5.) In addition to the general benefits due to increased economic development in their areas, existing ratepayers benefit when new customers are added to the AIUs' existing infrastructure. (Id., pp. 4-5.) Furthermore, as new customers are added, the AIUs will eventually be required to employ or contract more personnel to ensure effective and reliable service to its ratepayers, creating further jobs. Because the AIUs economic development efforts provide benefits not only to existing ratepayers, but also bolster the Illinois economy and workforce, they should be recoverable.

7. **Workforce Reduction**

8. **Electric Distribution Tax/Public Utilities Revenue Act Tax**

9. **Transportation Fuel Expense**

10. **Account 887 Expense – Maintenance of Mains**

11. **Injuries and Damages Expense**

12. Overall Reasonableness of O&M Expenses

13. Other

**D. RECOMMENDED OPERATING INCOME/REVENUE REQUIREMENT**

1. Electric

2. Gas

**IV. COST OF CAPITAL/RATE OF RETURN**

**A. OVERVIEW**

**B. CAPITAL STRUCTURE**

1. Central Illinois Light Company (CILCO)

- a. Preferred Stock Balance – Immaterial Difference
- b. Short-Term Debt Balance - Resolved
- c. Long-Term Debt Balance – Immaterial Difference
- d. Common Stock Balance - Resolved

2. Central Illinois Public Service (CIPS)

- a. Preferred Stock Balance - Resolved
- b. Short-Term Debt Balance - Resolved
- c. Long-Term Debt Balance - Resolved
- d. Common Stock Balance - Resolved

3. Illinois Power Company (IP)

- a. Preferred Stock Balance – Resolved
- b. Short-Term Debt Balance – Resolved
- c. Long-Term Debt Balance – Contested
- d. Common Equity Balance – Contested
- e. Staff’s Alternative Recommendation

**C. COST OF PREFERRED STOCK – RESOLVED FOR CILCO, CIPS AND IP**

**D. COST OF LONG-TERM DEBT**

1. **CILCO – Contested**
2. **CIPS – Resolved**
3. **IP – Contested**

**E. COST OF SHORT-TERM DEBT INCLUDING BANK COMMITMENT FEES**

1. **CILCO - Contested**
2. **CIPS – Resolved**
3. **IP – Resolved**

**F. COST OF COMMON EQUITY**

1. **Resolved Issues**
2. **Contested Issues**

**a. Return on Equity Estimates**

Sufficient return on equity, as estimated by Ameren witness McShane, is necessary for the economic health of not only the AIUs, but also their employees, and should therefore be allowed by the Commission. Adoption of lower estimates, such as those proposed by Staff witness Freetly could potentially lower the AIUs credit rating. (*See* Ameren Ex. 36.0 (McShane Reb.), p. 14-16.) Such downward pressure on the AIUs' credit ratings would create difficulties in securing financing and could force the AIUs to take other actions to maintain their financial integrity. Ameren Ex. 26.0 (Nelson Reb.), p. 8.) Such measures could include a reduction in staff and contractors. (*Id.*, pp. 8-10.) Termination of employees, including members of IBEW System Council U-05, would result in further unemployment and damage to the Illinois workforce in this time of economic hardship.

**b. DCF and CAPM Model Issues**

**c. Growth Rates**

- d. **Beta**
- e. **Market Risk Premium**
- f. **Proposed Adjustments**
  - (1) **Financial Risk**
  - (2) **Fixed Customer Charge**
  - (3) **Uncollectibles Riders**
- g. **Other**

**G. RECOMMENDED OVERALL RATE OF RETURN**

- 1. **CILCO Electric**
- 2. **CIPS Electric**
- 3. **IP Electric**
- 4. **CILCO Gas**
- 5. **CIPS Gas**
- 6. **IP Gas**

**V. PROPOSED RIDERS**

**A. OVERVIEW**

**B. RESOLVED ISSUES**

- 1. **Revisions to Rider S for PGA Uncollectibles**
- 2. **Exclusion of Electric Distribution Tax/Public Utilities Revenue Act Tax from Tax Additions Rider**

**C. CONTESTED ISSUES**

- 1. **Rider VGP**

**VI. COST OF SERVICE/REVENUE ALLOCATION**

**A. OVERVIEW**

**B. RESOLVED ISSUES**

- 1. **Gas/Electric**

2. **Electric**
3. **Gas**
  - a. **Weather normalization**
  - b. **Billing determinants**
  - c. **Rate Classes**

**C. CONTESTED ISSUES**

1. **Electric**
  - a. **AIUs' Cost of Service Studies**
  - b. **Allocation of Costs to Customers Receiving Service at Voltages 100+ Kv**
  - c. **Allocation of Cost of Primary Distribution Lines and Substations**
  - d. **Allocation of Electric Distribution Tax/Public Utilities Revenue Act Tax**
  - e. **NCP Class Demands**
  - f. **Other**
2. **Gas**
  - a. **Account 904**
  - b. **Storage Cost Allocations between Sales and Transportation Customers**
  - c. **Other**

**VII. RATE DESIGN/TARIFF TERMS AND CONDITIONS**

**A. OVERVIEW**

**B. RESOLVED ISSUES**

1. **Gas and Electric**
  - a. **Combining Customer and Meter Charges**
  - b. **Customer Charge Label**

c. **Uncollectibles Factors – Riders EUA and GUA**

2. **Gas**

a. **Rate Limiter or Capping Mechanism**

b. **Overall Rate Design (Scale to Final Revenue Targets)**

c. **Interval Meter Data Access Fees**

d. **Calculation of “Highest Average Daily Use”**

e. **Transportation Tariff (Rider T)**

(1) **NAESB Intraday Nomination Cycles**

(2) **Notice for OFOs and Critical Days**

3. **Electric**

a. **Rider PER**

b. **Rider RDC**

c. **Rider BGS**

d. **Rider QF**

e. **Rider HMAC**

f. **Miscellaneous Tariff Language Changes**

g. **Supply Cost Adjustments for Rider PER**

(1) **Supply Procurement Adjustment – Rider PER**

(2) **Uncollectibles Factor**

h. **DS-4 Reactive Demand Charge**

C. **CONTESTED ISSUES**

1. **Gas**

a. **Availability Tariff Provisions**

b. **Large Customer Rate for Non-CILCO GDS-4**

c. **Seasonal Prices for all GDS Rates**

- d. **Transportation Tariff (Rider T)**
    - (1) **Unbundling Banking Rights**
    - (2) **Size of Rider T Bank**
  - e. **Other**
2. **Electric**
- a. **Rate Moderation/Mitigation Approaches**
  - b. **Overall Rate Design**
  - c. **Recovery of Electric Distribution Tax/Public Utilities Revenue Act Tax**
  - d. **Distribution Delivery Charges: DS-3 and DS-4**
  - e. **Fixture and Distribution Delivery Charges: DS-5**
  - f. **Tail Block Variable Charges: BGS-1**
  - g. **Combined Billing of Multiple Meters**
  - h. **Rate Limiter/Cost-Based Seasonal Rate**
  - i. **Other**

## **VIII. CONCLUSION**

For the above reasons, the AIUs' proposed rate increase should be approved. The rate increase will not only benefit utility consumers by ensuring the future reliability of electrical service, but will also bolster the Illinois workforce by preserving jobs for those working to maintain that reliability.

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/s/Marilyn S. Teitelbaum

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