

ILLINOIS COMMERCE COMMISSION

DOCKET No. 11-_____

DIRECT TESTIMONY

OF

LEONARD M. JONES

Submitted on Behalf Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

February 2011

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7 **I. INTRODUCTION**

8 **A. Witness Identification**

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

10 A. My name is Leonard M. Jones. My business address is 1901 Chouteau Ave, P.O.
11 Box 66149, St. Louis, MO 63103.

12 **Q. By whom are you employed and in what position?**

13 A. I am a Manager of Rates and Analysis providing regulatory services for the
14 Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois or AIC).

15 **Q. What are your current job duties and responsibilities?**

16 A. I am responsible for supervising the administration of AIC's tariffs, regulated
17 pricing, the development of AIC's cost of service studies, administration and
18 maintenance of AIC's tariffs, and coordinating activity on other regulatory initiatives

19 **Q. Please describe your educational background and work experience.**

20 A. See my Statement of Qualifications attached as an Appendix to this direct
21 testimony.

22 **B. Purpose, Scope and Identification of Exhibits**

23 **Q. What is the purpose of your direct testimony?**

24 A. The purpose of my testimony is to set forth the AIC's recommended electric rate
25 design and provide the supporting analysis. Specifically, I will testify concerning: (1)
26 AIC's overall pricing objectives and the various considerations in developing the tariffs
27 included in this filing; (2) AIC's proposed revenue allocation among the various customer
28 classes; (3) AIC's proposed rate design and the estimated level of revenue resulting from
29 the implementation of the proposed electric delivery service tariffs; and (4) AIC's
30 proposed tariff changes.

31 **Q. Please summarize the conclusions of your direct testimony.**

32 A. As explained below, I conclude that:

- 33 • AIC's existing rate classes should be retained;
- 34 • Prices across rate zones should be kept uniform where uniform today, and
35 moved closer together or combined where they are separate;
- 36 • Movement to rates that recover each class's revenue requirement at equal
37 return should be constrained to limit bill impacts;
- 38 • Distribution Tax prices in the Tax Additions tariff should be adjusted to
39 recover expected expense levels;
- 40 • Distribution Tax recovery from rate classes should be adjusted to reduce
41 subsidization of the DS-4 class;
- 42 • The plan to eliminate all Distribution Tax subsidies by February 2014
43 should be approved;
- 44 • DS-1 Meter Charges should be set at cost of \$4.45, Customer Charges set at
45 \$15.55, and Distribution Delivery Charges allowed to adjust to recover the
46 target revenue requirement for each rate zone;
- 47 • BGS-1 summer and non-summer rates should be rebalanced on a revenue
48 neutral basis to increase summer prices and decrease overall non-summer

- 49 prices. BGS-1 summer and non-summer first block prices should also be
50 set uniformly among rate zones, as should non-summer tail block prices for
51 non-space heat customers of Rate Zones I and III, and Metro-East
52 customers of Rate Zone I and space-heat customers of Rate Zone III. Non-
53 summer tail block rates for customers of Rate Zone II and space-heat
54 customers of Rate Zone I should be increased, but not made uniform at this
55 time due to customer impact concerns.
- 56 • DS-2 Meter Charges should be set at cost of \$8.45 for secondary voltage
57 customers and \$8.45 for customers metered at other voltages, Customer
58 Charges set at \$18 for secondary voltage customers and \$355 for customers
59 metered at other voltages, and Distribution Delivery Charges allowed to
60 adjust to recover the target revenue requirement for each rate zone.
 - 61 • BGS-2 prices should be set uniformly among rate zones and set at a level
62 equal to the average summer and non-summer prices for the class today.
63 BGS-2 non-summer declining block prices should be eliminated since they
64 are not cost justified and elimination will not cause undue customer
65 impacts;
 - 66 • DS-3 voltage differentiated Customer and Meter Charges should be kept
67 uniform among Rate Zones and adjusted as described herein. Customer
68 Charges should remain uniform with those for DS-4, consistent with cost-
69 based ratemaking. The uniform Transformation Capacity Charge should
70 remain at \$0.65/kW, and \$/kW Distribution Delivery Charges should be
71 adjusted to recover the remaining revenue requirement allocated to DS-3 for
72 each Rate Zone. The Distribution Delivery Charge for customers served
73 from +100 kV supply voltage should be reduced for Rate Zone I and Rate
74 Zone II because current pricing levels exceed a reasonable cost basis for the
75 charge.
 - 76 • DS-4 voltage differentiated Customer and Meter Charges should be kept
77 uniform among Rate Zones and adjusted as described herein. Customer
78 Charges should remain uniform with those for DS-3, consistent with cost-
79 based ratemaking and existing rates. The uniform Transformation Capacity
80 Charge should remain at \$0.65/kW, the Reactive Demand Charge should
81 remain at \$0.29 /kVAR, and \$/kW Distribution Delivery Charges should be
82 adjusted to recover the remaining revenue requirement allocated to DS-4 for
83 each rate zone while progressing toward eventual price uniformity among
84 rate zones;
 - 85 • DS-5 Fixture Prices should be adjusted as proposed in a step toward further
86 price uniformity, consistent with progress made in Docket Nos. 09-0306 et
87 al. (cons.);

- 88 • The proposed changes to the Standards and Qualifications tariff should be
89 approved to implement the directive from the Commission to allow multiple
90 meters at a single premises;
- 91 • Proposed Rider PBR – Pension Benefits Rider (Rider PBR) should be
92 approved;
- 93 • The update to the Supply Cost Adjustment factors: Procurement, Cash
94 Working Capital, and Uncollectibles should be approved; and
- 95 • The update to the base rate “included in rates” uncollectible expense should
96 be approved.

97 **Q. Will you be sponsoring any exhibits with your direct testimony?**

98 A. Yes. I am sponsoring the following exhibits:

- 99 • Ameren Exhibit 13.1E – Summary of Present and Proposed Prices.
- 100 • Ameren Exhibit 13.2E – Summary of Present and Proposed Revenue.
- 101 • Ameren Exhibit 13.3E – Summary of Jurisdictional Operating Revenue.
- 102 • Ameren Exhibit 13.4E – Revenue Allocation.
- 103 • Ameren Exhibit 13.5E – Residential Bill Impact Comparison.
- 104 • Ameren Exhibit 13.6E – Circuit Study.
- 105 • Ameren Exhibit 13.7E – Proposed Rider PBR – Pension Benefits Rider.

106 **Q. Please summarize the electric rates and charges proposed by AIC to recover**
107 **its revenue deficiency.**

108 A. AIC proposes changes to base delivery electric service prices to recover an
109 additional \$59.822 million of revenue requirement. In addition, the AIC propose to
110 adjust prices for the Distribution Tax to recover projected test year expense. A summary
111 of present and proposed charges is provided in Ameren Exhibit 13.1E. Ameren Exhibit
112 13.2E shows a summary comparison of total present revenue to total proposed revenue.

113 Page 1 shows revenue changes to base delivery services rates only. Page 2 adds the
114 effect of proposed changes to the Distribution Tax to proposed changes to base delivery
115 services rates. A detailed revenue proof of similar to Part 285 Schedule E-5, provided in
116 Ameren Exhibit 13.3E, shows present and proposed rates applied to test year billing
117 units, and the resulting change in revenue for each price component of each rate class.

118 **Q. Please summarize AIC's proposed changes to its electric tariffs.**

119 A. Delivery Services Rates have been updated to reflect updated prices. The Tax
120 Additions tariff likewise has been updated to reflect proposed Distribution Tax charges.
121 The proposed Standards and Qualifications reflects changes required to implement a
122 change in metering policy, as required in Order 09-0306 et al. (p. 311). Finally, AIC is
123 proposing a new rider to recover the difference between actual pension expense and the
124 amount of pension expense approved for recovery through base rates – Rider PBR –
125 Pension Benefits Rider.

126 **Q. Does your testimony sponsor AIC's electric embedded cost of service study?**

127 A. No. Ameren witness Mr. Ryan Schonhoff sponsors the electric embedded cost of
128 service study (Electric ECOSS) performed for AIC's electric retail jurisdictional delivery
129 services.

130 **Q. Does your testimony address any gas cost of service or rate design issues?**

131 A. No. Ameren witness Ms. Karen Althoff provides testimony setting forth AIC's
132 recommended gas rate design and sponsors the Gas ECOSS performed for AIC's gas
133 retail jurisdictional delivery services.

134 **Q. Does your testimony address any gas rate issues?**

135 A. My testimony addresses one gas tariff issue pertaining to proposed Rider PBR.

136 All other gas tariff issues raised in direct testimony are addressed by other witnesses.

137 **II. RATE OBJECTIVES AND RATE CLASSES**

138 **Q. Now that the former legacy utilities have been reorganized and merged into**
139 **one utility, how are AIC's tariffs structured?**

140 A. Shortly after the effective date of the merger, on October 4, 2010, AIC filed to
141 cancel its then existing rate schedules to be replaced by one set of tariffs for each of
142 AIC's electric and gas businesses. On November 4, 2010, the Commission entered Do
143 Not Suspend Orders, allowing AIC's proposed single tariff book to take effect on
144 November 19, 2010. In this filing AIC removed the nomenclature surrounding the legacy
145 utilities and combined rate schedules. AIC now operates under a single tariff schedule,
146 although certain prices currently differ by rate zone.

147 **Q. What are the proposed customer classes in this case?**

148 A. AIC is proposing to retain its current five service classifications:

<u>Service Class</u>	<u>Delivery Service</u>	<u>Availability</u>
Residential Service	DS-1	All residential
Small General Service	DS-2	Non-residential up to 150 kW
General Service	DS-3	Non-residential, 150 kW up to 1,000 kW
Large General Service	DS-4	Non residential 1,000 KW and greater
Lighting Service	DS-5	All photo-eye controlled lighting

149 These service classifications remain synchronous with AIC's power supply or Basic
150 Generation Service (BGS) tariffs. AIC continues to believe that it is important to
151 maintain consistency by matching the customer's Delivery Service (DS) rate with the
152 comparable BGS rate, as previously approved by the Commission

153 **Q. What are AIC's goals and objectives in developing and designing electric**
154 **delivery service rates for this proceeding?**

155 A. The principal pricing objective used to guide the development of tariffs is
156 considering and designing rates that are cost-based. AIC also realizes that it is important
157 to take into consideration bill impact to customer classes. AIC is also mindful of rate
158 continuity and stabilization, given that current rates were last set in November 2010.
159 Lastly, now that the legacy utilities have merged, we should pay even greater attention
160 for opportunities directed towards price uniformity. AIC considers all of these objectives
161 and goals when designing rates for this case that will provide AIC with a reasonable
162 opportunity to earn its authorized rate of return.

163 **Q. In AIC's last rate case, the Commission stated that "continued movement**
164 **toward cost-based rates and the elimination of inter- and intra-class subsidies**
165 **should be considered a priority in AIU's next rate filing." (Order, Docket Nos. 09-**
166 **0306 (cons.), p. 260.) How do AIC's proposed electric rates accomplish that goal?**

167 A. In Docket 09-0306 Nos. (cons.), the Commission rejected IIEC's proposal to
168 allocate any increase in electric rates on an equal percentage across-the-board basis. It
169 found that "the overall impact of bills reflecting cost based delivery services will be
170 tolerable." (Order, p. 252.) The AIC proposed revenue allocation and rate design

171 attempts to balance the desire to move toward cost-based rates while mitigating undue
172 customer impacts. The AIC revenue allocation approach constrains movement to full
173 class cost of service for any one class to 1.5 times the overall average rate increase. Rate
174 increases within rate zones are also constrained to 1.25 times the increase allocated to an
175 AIC class. The combination of the two constraints permits movement toward cost based
176 rates in aggregate, and within rate zones.

177 Consistent with the Order on Rehearing in Dockets Nos. 09-0306 (cons.), the
178 Distribution Tax is not considered part of the revenue requirement yet was included
179 within the overall revenue allocation proposal. The Distribution Tax prices should be a
180 uniform \$/kWh price across all customers and customer classes, but is not. The
181 Distribution Tax prices for DS-4 customers are well below the average price, and other
182 customer classes subsidize DS-4. The non-uniform Distribution Tax rate structure exists
183 as a result of applying the rate mitigation procedure approved in Docket Nos. 09-0306 et
184 al. (cons.). AIC's proposed rates reduce the subsidy, and propose a plan to eliminate the
185 subsidies by February 2014.

186 Within rate classes, AIC also proposes to reduce the subsidy of residential space-
187 heat customers by residential non-space heat customers within Rider BGS-1. Similarly,
188 non-summer declining block prices for Small General Service BGS-2 customers is
189 proposed to be eliminated, which eliminates the entire subsidy from smaller use
190 customers to larger use customers within the class.

191 **Q. The Commission also stated in AIC's last rate case that "from time to time**
192 **circumstances arise that warrant allocating costs at least in part on non-cost based**

193 **criteria." Order, Docket Nos. 09-0306 (cons.) et al., p. 228. Has AIC identified any**
194 **circumstances that warrant allocating costs in part on non-cost based criteria?**

195 A. Yes. Movement to full cost of service, including the effect of the Distribution
196 Tax, was determined in the Order in Docket Nos. 09-0306 et al. (cons.) to be too great of
197 a change at one time. The same conditions exist today, and warrant mitigating bill
198 impacts by limiting the amount of revenue increase allocated to any one rate class.
199 Similarly, movement to uniform prices among rate zones for prices that differ today is
200 proposed to be gradual so as to not cause undue bill impacts. In such cases, increases
201 should be measured. For example, lower residential BGS-1 prices for electric space heat
202 customers will still be necessary to address bill impact concerns, though lower prices for
203 the subclass is not cost based.

204 **Q. How has the fact that AIC operates as one electric utility and one gas utility**
205 **with one service area impacted your proposed rate design?**

206 A. It is an indication that AIC should be moving toward adoption of a single set of
207 customer rates and charges for both its gas and electric utilities across the single utility.
208 In Docket Nos. 07-0585 et al. (cons.), the Commission affirmed that, "the Commission
209 will be interested in returning to uniform customer, meter, and distribution delivery
210 charges among the customers of the three [AIU] utilities to the extent that doing so is
211 prudent." Order, p. 280. In Docket Nos. 09-0306 et al. (cons.), the Commission again
212 approved the AIUs' proposed overall electric rate design to move closer to rate
213 conformity among the three legacy utilities. Order, pp. 283, 287. In this case, AIC again
214 has developed and designed rates and charges with an eye toward price uniformity.

215 **Q. Has AIC proposed uniform prices across rate zones for its customer classes**
216 **as part of this proceeding?**

217 A. AIC has made appropriate movement toward price uniformity in this case by
218 presenting a plan for allocating revenue changes among rate zone rates that avoids undue
219 bill impact for its customers. To that end, certain rates (e.g., certain BGS-1, BGS-2, and
220 Distribution Tax prices) across rate zones are proposed to be consolidated; those that are
221 uniform presently remain uniform, while others have been kept separate. AIC expects,
222 however, to eventually eliminate over time rate zone pricing consistent with the spirit of
223 the Commission's directive.

224 **III. REVENUE ALLOCATION**

225 **Q. Did you review a class cost of service study in preparing your recommended**
226 **rate design?**

227 A. Yes. In the formulation of my recommended revenue allocation and rate design, I
228 relied upon the Electric ECOSS prepared by Ameren witness Schonhoff.

229 **Q. How does AIC propose to recover its electric revenue requirement from each**
230 **customer class in this case?**

231 A. AIC proposes to move toward rates that recover each class's revenue requirement
232 assuming an equalized rate of return. As shown in Ameren Exhibit 13.4E, revenue under
233 present rates has been compared to the fully allocated class cost of service study results at
234 AIC's proposed revenue requirement, including the Distribution Tax. Without
235 constraints, the increase to the DS classes would be as follows.

<u>Delivery Service Classification</u>	<u>Difference Between Present Revenue and Cost</u>	
	<u>Amount</u>	<u>Percent</u>
DS-1 - Residential Service	\$ 37,202,948	7.00%
DS-2 - Small General Service	\$ 12,022,133	6.99%
DS-3 - General Service	\$ (4,748,804)	-5.05%
DS-4 - Large General Service	\$ 25,659,250	39.47%
DS-5 - Protective Lighting Service	\$ (5,238,663)	-15.72%
Total	<u>\$ 64,896,864</u>	<u>7.24%</u>

236 AIC proposes to constrain movement to full cost to mitigate bill impacts to customers.

237 **Q. Did you use rate zone specific ECOSS results to develop your revenue**
238 **allocation?**

239 A. No. Total AIC class costs were used. That is, the costs to serve DS-1 is
240 considered to be the same for Rate Zones I, II, and III, the costs to serve DS-2 is
241 considered to be the same for Rate Zones I, II, and III, and so forth.

242 **Q. Why didn't you use rate zone specific ECOSS results to allocate revenue**
243 **requirements to classes?**

244 A. AIC is a single electric utility, not three electric utilities. Using a single AIC
245 ECOSS recognizes that costs are no longer distinguished by legacy utility. Similarly,
246 class rates among rate zones should begin to converge. However, the AIC approach does
247 not ignore past differences in average prices or individual prices between Rate Zones.
248 Converging prices among rate zones will gradually move toward the average for the
249 entire AIC class.

250 **Q. Please describe the methodology for constraining the rate change to the**
251 **various rate classes.**

252 A. AIC proposes to allocate the revenue requirement to each rate class using a two
253 step process. First, movement to full cost has been constrained to a multiple of 1.5 times
254 the average increase. Consistent with the Commission's recent Order in Docket Nos. 09-
255 0306 et al. (cons.), the effect of price changes proposed to the Distribution Tax are
256 included in the overall revenue allocation proposal. Thus, the overall increase applicable
257 to base delivery service rates and the Distribution Tax is 7.24%, which places the
258 maximum increase to any one class at 10.87%. This calculation is shown in Ameren
259 Exhibit 13.4E, page 1.

260 **Q. What is the second step in the proposed revenue requirement allocation**
261 **methodology?**

262 A. The second step determines a revenue target for each Rate Zone within the
263 respective class. This step moves individual rate zone prices toward the overall average
264 rate for AIC. An unconstrained movement to average prices for the class is calculated,
265 but the movement toward the average rate is limited to no more than the greater of 1.25
266 times the class average increase or zero. These calculations exclude "other revenue"
267 since only base delivery rates and Distribution Tax prices are changing. For example, the
268 AIC proposed increase for DS-1 is 9.59% (excluding "other revenue"). The
269 unconstrained movement to the average would require rate changes of 28.7%, 29.1%, and
270 -4.6% for Rate Zones I, II, and III, respectively. This level of movement at one time
271 could cause undue bill impacts. Applying the constraint limits the increase to

272 approximately 12%, which is reached by Rate Zone I and Rate Zone II. Due to the
273 constraint, Rate Zone III is proposed to receive a 7.8% increase (rather than a decrease).
274 This step is shown in Ameren Exhibit 13.4E, pages 2 - 6.

275 **Q. Why is a constrained revenue allocation approach still appropriate at this**
276 **time?**

277 A. Rates have undergone a significant transition from fully bundled rates to those in
278 effect after 2006. In some cases the transition to restructured rates (separate delivery,
279 transmission, and power rates) has caused significant bill impacts. In Docket No. 07-
280 0165, the Commission implemented measures to mitigate the impact of rate changes to
281 customers by redesigning rates. In subsequent delivery services proceedings, the
282 Commission has affirmed its goal of implementing cost-based rates, but in each
283 proceeding has elected not to move completely to full cost. In the most recent case,
284 Docket Nos. 09-0306 et al. (cons), the Commission elected to implement a revenue
285 allocation cap equal to 1.5 times the overall average increase for any one class in order to
286 minimize bill impacts on customers. AIC proposes to move toward fully allocated cost
287 of service in this proceeding as well, but with constraints to minimize undue bill impacts.

288 **Q. How is each of AIC's rate classes impacted by the constrained revenue**
289 **allocation approach?**

290 A. The proposed revenue targets for each class are shown in Ameren Exhibit 13.4E,
291 pages 2-6. The following table summarizes the proposed rate change by class and by rate
292 zone.

293

Target Percentage Increases By Class and By Rate Zone

	Rate Zone I	Rate Zone II	Rate Zone III	Total
DS-1 - Residential Service	12.0%	12.0%	7.8%	9.6%
DS-2 - Small General Service	12.0%	12.0%	7.7%	9.6%
DS-3 - General Service	0.0%	0.0%	-5.7%	-2.9%
DS-4 - Large General Service	15.0%	15.0%	9.3%	12.0%
DS-5 - Protective Lighting Service	0.0%	0.0%	-20.2%	-13.9%

294 **Q. Earlier you stated that the Distribution Tax is considered part of the overall**
 295 **revenue allocation. How is the Distribution Tax incorporated within your revenue**
 296 **allocation methodology?**

297 A. The revenue allocation methodology compares revenue under present rates,
 298 including current Distribution Tax revenue, to allocated class embedded costs, including
 299 Distribution Tax costs at the average AIC level, as the starting point to determine revenue
 300 requirement changes for a class. This approach is similar to that approved by the
 301 Commission in Docket Nos. 09-0306 et al. (cons.). The AIC rate moderation approach
 302 thus includes the effect of the changing proposed Distribution Tax rates.

303 **Q. Does the revenue allocation proposal constrain changes to a DS-3 or DS-4**
 304 **supply voltage “subclass”?**

305 A. No. Such a constraint for the DS-3 class is unnecessary since the revenue
 306 allocation proposed for the class ranges from zero to -5.7% depending on the Rate Zone.
 307 Also, the proposed pricing methodology provides additional stability to individual prices
 308 within the class, and voltage “subclass”.

309 For DS-4, constraining rate changes to a customer supply voltage categories does
 310 not permit enough flexibility to increase DS-4 Distribution Tax prices, especially those
 311 for High Voltage and +100 kV supply voltage categories. For example, DS-4 for Rate

312 Zone I is proposed to increase by 15%. Limiting the +100 kV DS-4 group to a 15%
313 increase would only permit the +100 kV Distribution Tax rate to increase from
314 \$0.00010/kWh to \$0.000145/kWh. The massive subsidy from smaller customers to DS-
315 4, and in particular customers served from +100 kV supply voltage, would persist.
316 Instead, the overall revenue allocation constraint applies to the DS-4 class as a total,
317 including the effect of the Distribution Tax. Changes to other (non-Distribution Tax)
318 prices for customers within each supply voltage “subclass” are mitigated to an extent to
319 balance out changes to the Distribution Tax. Price changes to individual DS classes are
320 discussed later.

321 **IV. DISTRIBUTION TAX**

322 **Q. You referred earlier to the Distribution Tax. What is the Distribution Tax?**

323 A. The Distribution Tax is a term used to describe the Public Utilities Revenue Tax
324 Act (PURA) tax provided for in 35 ILCS 620. The tax is assessed on utilities based on
325 kWh delivered to customers in a year, based on a schedule of differing tax rates for seven
326 usage blocks. The “legislative intent” section of the law states as follows:

327 “The General Assembly previously imposed a tax on the invested capital of
328 electric utilities to replace in part the personal property tax that was abolished by
329 the Illinois Constitution of 1970. Subsequent to the enactment and imposition of
330 the invested capital tax on electric utilities, State and federal laws regulating the
331 provision of electricity have been enacted which provide for the restructuring of
332 the electric power industry into a competitive industry. In response to this
333 restructuring, this amendatory Act of 1997 is intended to provide for a
334 replacement for the invested capital tax on electric utilities, other than electric
335 cooperatives, and replace it with a new tax based on the quantity of electricity that
336 is delivered in this State. The General Assembly finds and declares that this new
337 tax is a fairer and more equitable means to replace that portion of the personal
338 property tax that was abolished by the Illinois Constitution of 1970 and previously
339 replaced by the invested capital tax on electric utilities, while maintaining a

340 comparable allocation among electric utilities in this State for payment of taxes
 341 imposed to replace the personal property tax.” 35 ILCS 620/1a

342 **Q. How does AIC recover the expense for the Distribution Tax under present**
 343 **rates?**

344 A. The Distribution Tax is recovered as a separate line item on customers’ bills as a
 345 per kWh charge. The Distribution Tax is not considered a part of the delivery service test
 346 year revenue requirements. The Tax Additions tariff contains the present rates assessed
 347 to the various classes, including a voltage differentiated prices for Rate DS-4 – Large
 348 General Delivery Service. The Distribution Tax prices are shown in the table below:

	Present Distribution Tax Rates in Tax Additions Tariff		
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	\$0.00196	\$0.00136	\$0.00197
DS-2 (Small Gen Svc)	\$0.00196	\$0.00136	\$0.00197
DS-3 (General Service)	\$0.00129	\$0.00090	\$0.00138
DS-5 (Lighting)	\$0.00129	\$0.00090	\$0.00138
DS-4 (Large Gen Svc)			
Primary	\$0.00062	\$0.00034	\$0.00062
High Voltage	\$0.00037	\$0.00018	\$0.00044
+100 kV	\$0.00010	\$0.00003	\$0.00010

349 **Q. Why are the Distribution Tax prices different by rate zone?**

350 A. The rate zone price differences are the result of targeting a Distribution Tax total
 351 expense level to recover from each legacy utility. Prior to the merger of the legacy
 352 Ameren Illinois Utilities, each entity was responsible for its own Distribution Tax as
 353 determined by applying the seven tiered tax rates to each legacy utility’s usage. This
 354 resulted in a different average Distribution Tax rate for each legacy utility.

355 **Q. Why are there different Distribution Tax rates among customer classes**
 356 **within each of the Rate Zones?**

357 A. The Order in Docket Nos. 09-0306 (cons.) limited the increases to any one class,
358 and in the case of DS-3 and DS-4, the supply voltage subclasses (i.e., customers served
359 from lines operating at Primary, High Voltage, and +100 kV supply voltages) to no more
360 than 1.5 times the overall average increase. Due to the rate mitigation constraint, the
361 implementation of the Distribution Tax to DS-4 customers required limiting the amount
362 assessed. The Distribution Tax charges are lowest for +100 kV Supply Voltage
363 customers, somewhat greater for High Voltage, and higher yet for Primary Supply
364 Voltage customers (but still below the average Distribution Tax cost). In the Order on
365 Rehearing in Docket Nos. 09-0306 et al. (cons.), the prices for DS-1 and DS-2 were
366 increased to fully remove the Distribution Tax from the revenue requirement and recover
367 the expense through the Tax Additions tariff.

368 **Q. Are different Distribution Tax rates by customer class cost based?**

369 A. No. There is no distinguishing factor that differentiates a kWh provided to a DS-
370 1 customer from a kWh provided to a DS-4 customer, for purposes of calculating the
371 amount of tax owed. Each customer class, and subclass, should pay the same average
372 Distribution Tax price.

373 **Q. What revenue is generated under present Distribution Tax prices at test year**
374 **kWh sales levels for each class and Rate Zone?**

375 A. The following table shows the Distribution Tax revenue at test year sales for each
376 class and Rate Zone.

377

Distribution Tax Revenue @ Present Prices, 2012 TY Sales				
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>	<u>Ameren Illinois</u>
DS-1 (Residential)	\$7,420,470	\$2,835,179	\$11,600,300	\$21,855,949
DS-2 (Small Gen Svc)	\$3,990,091	\$1,377,368	\$5,604,859	\$10,972,319
DS-3 (General Service)	\$2,169,663	\$770,565	\$3,123,377	\$6,063,605
DS-5 (Lighting)	\$143,259	\$30,320	\$285,577	\$459,156
Subtotal DS1, 2, 3, 5	<u>\$13,723,483</u>	<u>\$5,013,432</u>	<u>\$20,614,113</u>	<u>\$39,351,028</u>
DS-4 (Large Gen Svc)				
Primary	\$883,820	\$213,958	\$581,294	\$1,679,072
High Voltage	\$719,330	\$117,118	\$1,786,178	\$2,622,626
+100 kV	\$214,678	\$35,747	\$239,119	\$489,543
Subtotal DS-4	<u>\$1,817,828</u>	<u>\$366,823</u>	<u>\$2,606,591</u>	<u>\$4,791,242</u>
Total	<u>\$15,541,311</u>	<u>\$5,380,255</u>	<u>\$23,220,704</u>	<u>\$44,142,270</u>

378 **Q. Is this revenue level sufficient to recover expected test year Distribution Tax**
379 **expense?**

380 A. No. At 2012 test year sales, AIC expects to pay the State of Illinois \$51,303,467
381 in Distribution Tax. AIC also expects to receive a credit memo of about \$1,910,000 in
382 2012. Thus, net Distribution Tax expense is \$49,393,467, or \$5,251,197 less than what
383 would be produced under present rates.

384 **Q. What Distribution Tax price is required to recover \$49.4 million under 2012**
385 **test year sales?**

386 A. An average rate of \$0.0012936 per kWh is required to recover \$49.4 million of
387 Distribution Tax expense.

388 **Q. Are you proposing that all customer classes pay the average Distribution Tax**
389 **rate?**

390 A. Not immediately. Instead, the AIC propose to phase-in movement toward the
391 average cost.

392 **Q. How much Distribution Tax recovery comes from the DS-1, DS-2, DS-3 and**
393 **DS-5 classes compared to the DS-4 class?**

394 A. The smaller customer classes (those excluding DS-4) presently contribute 89%, or
395 \$39.35 million, of total Distribution Tax revenue. Thus, the DS-4 class provides 11%, or
396 \$4.8 million, of Distribution Tax revenue. In contrast, the kWh sales from DS-4
397 represent 40.3% of total sales. At the proposed average rate of \$0.0012936 per kWh, this
398 indicates that the DS-4 class should pay 40.3%, or \$19.8 million, of the total Distribution
399 Tax of \$49.4 million. The disparity is even wider when one views the relative
400 contributions within the DS-4 class. DS-4 customers served from a Primary, High
401 Voltage, and +100 kV Supply Voltages represent 7.8%, 17.4%, and 15.0% of total AIC
402 sales, respectively, yet contribute only 3.8%, 5.6%, and 1.1% of Distribution Tax
403 revenue. At proposed Distribution Tax rates, this produces shortfalls from present
404 Distribution Tax rates of \$2.18 million, \$5.96 million, and \$6.90 million for DS-4
405 customers served from Primary, High Voltage, and +100 kV Supply Voltages,
406 respectively.

407 By way of illustration, assume a 10 MW customer is being served from Primary
408 Supply Voltage, with a 60% load factor. This customer should pay \$67,992 in
409 Distribution Tax. Under the current rate design paradigm, the customer is only required
410 to pay \$32,587, \$17,870, or \$32,587 in Rate Zones I, II, and III, respectively.

411 **Q. Why is a phase-in to the average Distribution Tax needed?**

412 A. In the prior rate case Order (Docket Nos. 09-0306 et al. (cons.) the Commission
413 expressed concern about immediately assessing DS-4 customers the full average

414 Distribution Tax rate, and instead chose to limit the increase to the class, and supply
 415 voltage subclass, to no more than 1.5 times the overall average system increase, including
 416 the effect of the Distribution Tax. The level of increase required for DS-4 customers,
 417 especially those served from +100 kV Supply Voltage category, is still in the range that
 418 appeared to concern the Commission in the prior case. The table below shows the
 419 present Distribution Tax rates as a percent of the equalized \$0.0012936 per kWh average
 420 Distribution Tax cost.

Distribution Tax			
Present Rate as a Percent of Average Proposed Cost			
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	151.5%	105.1%	152.3%
DS-2 (Small Gen Svc)	151.5%	105.1%	152.3%
DS-3 (General Service)	99.7%	69.6%	106.7%
DS-5 (Lighting)	99.7%	69.6%	106.7%
DS-4 (Large Gen Svc)			
Primary	47.9%	26.3%	47.9%
High Voltage	28.6%	13.9%	34.0%
+100 kV	7.7%	2.3%	7.7%

421 The Commission also expressed that eliminating inter and intra class subsidies in the next
 422 rate case should be a priority in the next rate filing. Order, Docket Nos. 09-0306 et al.
 423 (cons.), p. 260. Thus, the AIC proposal takes a proactive approach to eliminating the
 424 inter- and intra-class subsidies for the Distribution Tax, at a quicker pace than applying a
 425 1.5 times the average increase “subclass” increase limit.

426 **Q. Please provide an overview of the methodology proposed to modify the**
 427 **Distribution Tax prices.**

428 A. AIC proposes to phase-in movement to the equalized rate over the next three
 429 years in three steps. The first step is implemented at the conclusion of this proceeding,
 430 and modestly moves Distribution Tax rates closer to average. DS-1, DS-2, DS-3, and
 431 DS-5 customers within each Rate Zone are proposed to pay the same average rate,

432 including an amount greater than the AIC average Distribution Tax per kWh expense, to
 433 pay for the subsidization of the DS-4 class. The second step, implemented in February
 434 2013, removes 50% of the subsidy provided to DS-4 customers and rebalances
 435 Distribution Tax rates for all other customers on a revenue neutral basis. The third step,
 436 implemented in February 2014, removes the remaining subsidy to the DS-4 class and
 437 equalizes the Distribution Tax prices among all customer classes and Rate Zones.

438 **Q. What are the Distribution Tax rates that you propose in your first step?**

439 A. The proposed Distribution Tax rates for each Rate Zone and class for the first
 440 step, effective after this case concludes, are shown in the table below.

	Step 1 Proposed Distribution Tax Rates		
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	\$0.0017720	\$0.0018249	\$0.0017181
DS-2 (Small Gen Svc)	\$0.0017720	\$0.0018249	\$0.0017181
DS-3 (General Service)	\$0.0017720	\$0.0018249	\$0.0017181
DS-5 (Lighting)	\$0.0017720	\$0.0018249	\$0.0017181
DS-4 (Large Gen Svc)			
Primary	\$0.0010850	\$0.0008050	\$0.0010850
High Voltage	\$0.0007030	\$0.0005130	\$0.0007730
+100 kV	\$0.0002700	\$0.0002000	\$0.0002700

441 **Q. Do these proposed Distribution Tax prices present a burden to customers?**

442 A. No. The table below shows the \$/kWh movement from present rates, and as
 443 shown, the incremental or decremental price changes are small.

	Distribution Tax		
	Step 1 Proposed Rate Difference from Present Rate		
	(\$/kWh)		
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	(\$0.0001880)	\$0.0004649	(\$0.0002519)
DS-2 (Small Gen Svc)	(\$0.0001880)	\$0.0004649	(\$0.0002519)
DS-3 (General Service)	\$0.0004820	\$0.0009249	\$0.0003381
DS-5 (Lighting)	\$0.0004820	\$0.0009249	\$0.0003381
DS-4 (Large Gen Svc)			
Primary	\$0.0004650	\$0.0004650	\$0.0004650
High Voltage	\$0.0003330	\$0.0003330	\$0.0003330
+100 kV	\$0.0001700	\$0.0001700	\$0.0001700

444 **Q. What Distribution Tax changes and resulting prices would apply in the**
 445 **second step where 50% of subsidy to DS-4 customers is eliminated, and in the final**
 446 **third step?**

447 A. The table below shows the Distribution Tax rates that would apply starting in
 448 February 2013, the beginning of the second step.

Step 2 Proposed Distribution Tax Rates			
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	\$0.0015328	\$0.0015593	\$0.0015058
DS-2 (Small Gen Svc)	\$0.0015328	\$0.0015593	\$0.0015058
DS-3 (General Service)	\$0.0015328	\$0.0015593	\$0.0015058
DS-5 (Lighting)	\$0.0015328	\$0.0015593	\$0.0015058
DS-4 (Large Gen Svc)			
Primary	\$0.0011893	\$0.0010493	\$0.0011893
High Voltage	\$0.0009983	\$0.0009033	\$0.0010333
+100 kV	\$0.0007818	\$0.0007468	\$0.0007818

449 This represents incremental and decremental price changes as follows:

Distribution Tax			
Step 2 Proposed Rate Difference from Step 1 Rate			
(\$/kWh)			
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
DS-1 (Residential)	(\$0.0002392)	(\$0.0002656)	(\$0.0002123)
DS-2 (Small Gen Svc)	(\$0.0002392)	(\$0.0002656)	(\$0.0002123)
DS-3 (General Service)	(\$0.0002392)	(\$0.0002656)	(\$0.0002123)
DS-5 (Lighting)	(\$0.0002392)	(\$0.0002656)	(\$0.0002123)
DS-4 (Large Gen Svc)			
Primary	\$0.0001043	\$0.0002443	\$0.0001043
High Voltage	\$0.0002953	\$0.0003903	\$0.0002603
+100 kV	\$0.0005118	\$0.0005468	\$0.0005118

450 In the third and final step, implemented in February 2014, the Distribution Tax rates are
 451 proposed to be level among all Rate Zones and all classes, to equal a rate of \$0.0012936
 452 per kWh. The increment and decrement needed to reach the rates in the third step would
 453 be the same as those for the second step, shown above.

454 **Q. Why is it important to eliminate the Distribution Tax subsidization of the**
 455 **DS-4 class?**

456 A. First, it is a matter of rate equity to other customer classes. Other customer
457 classes should not have to pay the taxes for another class any longer than necessary.

458 Second, the current DS-4 Distribution Tax price levels are below the marginal
459 Distribution Tax cost to the AIC. All other things constant, each incremental kWh
460 provided to a DS-4 customer costs the AIC more than the revenue received (e.g., a
461 customer consuming additional kWh without increasing Billing Demand, and thus
462 delivery service revenue, causes the AIC to incur cost greater than the revenue received).
463 The condition where incremental Distribution Tax cost is greater than incremental
464 revenue is true for DS-4 customers served from +100 kV supply voltage, even if
465 incremental Billing Demand is registered. For example, assume an incremental load of
466 100 MW load is added to a DS-4 +100 kV supply voltage customer in Rate Zone III at an
467 average 85% load factor. The +100 kV Distribution Delivery Charge is \$0.03/kW,
468 producing \$36,000 per year from the additional 100,000 kW. The present Distribution
469 Tax rate is \$0.00010 per kWh. When applied to 744,600,000 annual kWh, this generates
470 \$74,460 in Distribution Tax revenue. So, total incremental revenue from the customer is
471 \$110,460. Now, the AIC Distribution Tax cost is \$0.0012936 per kWh. At that rate, the
472 cost to AIC is \$963,215 annually. Thus, by serving the incremental load, AIC suffers a
473 loss of \$852,755 (the difference between revenue of \$110,460 and cost of \$963,215).

474 Third, in the prior rate case, Docket Nos. 09-0306 et al. (cons.), the Commission
475 explicitly expressed its intent for the Distribution Tax to operate as a “pass-through tax”.
476 (Notice of Commission Action, dated June 15, 2010.) Assessing rates different than the
477 AIC’s underlying cost is inconsistent with the pass-through concept. As noted above, the
478 AIC is harmed by providing incremental kWh to DS-4 customers served from lines

479 operating at +100 kV supply voltage. Conversely, AIC benefits when incremental kWh
480 are provided to DS-1 and DS-2 customers today since the applicable Distribution Tax
481 prices are greater than the AIC's average cost. Neither situation is consistent with the
482 concept of a pass-through tax.

483 **V. RECOMMENDED RATE DESIGN**

484 **Q. Please describe the tariffs that constitute bundled rates.**

485 A. Rates for electric service may be differentiated into three categories that together
486 constitute fully bundled service. The first set of rates pertains to the delivery of
487 electricity through wires or other assets owned by AIC and under the jurisdiction of the
488 Commission. Delivery service costs will be recovered from customers under the
489 proposed Delivery Service tariffs filed in this docket. The second set of rates pertains to
490 transmission service provided by or procured by AIC on behalf of its customers, under
491 the jurisdiction of the Federal Energy Regulatory Commission. Transmission service
492 costs, which are flow through costs, will continue to be recovered from customers under
493 Rider TS. The third set of rates applies to the provision of electric energy. Customers
494 may take power from AIC through Riders BGS, RTP, or HSS, as applicable. Customers
495 that elect to take electric energy needs from a third party supplier will not be subject to
496 the power supply provisions of Riders BGS, RTP or HSS, or the transmission service
497 provisions under Rider TS. These customers' transmission services will presumably be
498 arranged by their suppliers.

499 **Q. What is the basic rate structure proposed for delivery service pricing?**

500 A. AIC proposes to maintain the rate design convention in effect today. In general,
501 the proposed Delivery Service rates contain separate rate components for meter,
502 customer, and distribution delivery. Meter and Customer Charges are recovered through
503 a fixed monthly charge per meter or per bill. Distribution Delivery Charges are assessed
504 on per kWh (smaller customers) or per kW (larger customers) basis.

505 **Q. Please explain the methodology used to develop the Delivery Service rates**
506 **that AIC is proposing in this proceeding.**

507 A. In general, AIC seeks to maintain the customer class pricing structure previously
508 approved. Meter and Customer charges for the various DS rates are uniform among the
509 rate zones. Proposed prices retain uniformity among rate zones. Meter Charges were set
510 approximately equal cost. Metering service could be provided by 3rd party Meter Service
511 Providers (MSP). Metering Charges from AIC are avoided by customers if they take
512 such service from a MSP. The development of metering costs and charges use the
513 method employed in the Metering Service unbundling proceeding, Docket No. 99-0013,
514 and mirrors the process used to develop Meter Charges in recent rate cases. The
515 development of Customer Charges for the various DS rates is discussed in more detail
516 later in my testimony.

517 The Transformation Charge applicable to both DS-3 and DS-4 classes is also
518 uniform across Rate Zones. AIC proposes to retain the current \$0.65/kW charge.
519 Similarly, the Reactive Demand, applicable to DS-4 only, is uniform across Rate Zones.
520 AIC proposes to retain the current \$0.29/kVAR charge.

521 The Distribution Tax values, which are not part of base delivery service rates but
522 considered in the overall class revenue allocation, were established according to the plan
523 addressed elsewhere in this testimony.

524 The Distribution Delivery Charges were adjusted to achieve the remaining
525 revenue requirement for the class. To mitigate bill impacts, Distribution Delivery
526 Charges for each class and within each Rate Zone were adjusted in substantially uniform
527 increments to achieve the target revenue requirement for each class in each Rate Zone.

528 For DS-5 – Lighting Service, Fixture Charges were adjusted uniformly to achieve
529 the revenue requirement target determined for each Rate Zone after slight changes to the
530 Distribution Delivery, Meter, and Customer Charges were taken into consideration. The
531 resulting prices are nearly uniform between Fixture Charges for Rate Zones II and III.

532 **Q. How does this proposed electrical rate design satisfy AIC's goal of moving**
533 **closer to rate uniformity across rate zones without undue bill impacts?**

534 A. The overall revenue allocation constraints temper the level of increase to any one
535 class or rate zone. Individual price changes are modest, and move toward the average
536 cost for AIC.

537 **C. Meter Charges**

538 **Q. Please explain AIC's proposed Meter Charges for DS-1 and DS-2 for AIC.**

539 A. The DS-1 Meter Charge is proposed to change from \$4.72 to \$4.45 per month.
540 The DS-2 Meter Charges are proposed to change from \$7.24 for customers metered at
541 secondary voltage and \$9.84 for customers metered at other voltages to \$8.45 for
542 customers metered at all voltages. The proposed Meter Charges are cost-based, and

543 mirrors the process used to develop Meter Charges in recent rate cases. As is the case
544 today, proposed prices are uniform across rate zones. A replacement cost new analysis of
545 meters used to serve DS-2 revealed that the cost of the meter (without the cost of current
546 or potential transformers) is the same at voltages other than secondary, thus the price is
547 proposed to be the same.

548 **Q. How were AIC's proposed Meter Charges for DS-3 and DS-4 developed?**

549 A. The method used to develop Meter Charges for DS-3 and DS-4 is the same as that
550 used to develop charges for DS-1 and DS-2. The proposed Meter Charges are cost-based,
551 and mirrors the process used to develop Meter Charges in recent rate cases. As is the
552 case today, proposed prices are uniform across rate zones. The cost of meters has
553 increased for these customer classes, but these increases are offset by decreases to the
554 Customer Charge. A replacement cost new analysis of meters used to serve DS-3 and
555 DS-4 revealed that the cost of the meter (without the cost of current or potential
556 transformers) is the same for DS-3 and DS-4 for all voltages except meters at Primary
557 Voltage. DS-3 customers metered at Primary Voltage require a less expensive meter,
558 thus are proposed to receive a lower price than DS-4 primary metered customers. The
559 proposed Meter Charges are \$100/month for Secondary Voltage metered customers,
560 \$110/month and \$215/month for DS-3 and DS-4 Primary Voltage metered customers,
561 respectively, and \$215/month for customers metered at High Voltage and +100 kV Meter
562 Voltage.

563 **Q. Why does it remain appropriate to maintain uniform Meter Charges across**
564 **rate zones?**

565 A. The Meter Charges are uniform among rate zones today. The Commission has
566 encouraged uniform charges among the legacy Ameren Illinois Utilities in the past. Now
567 that AIC is one electric and one gas utility, it makes sense to preserve price uniformity
568 where it presently exists. Further, as previously mentioned, metering service has been
569 unbundled and may be provided by MSPs. It would be easier for a MSP to conduct
570 business in the AIC service area with one set of prices for all rate zones rather than three
571 sets of prices. Finally, the cost of incremental future investments in the electrical
572 systems, such as the cost of new metering, is nearly the same across rate zones.

573 **D. Residential Service**

574 **Q. What are the tariff components and charges for DS-1, residential Delivery**
575 **Service?**

576 A. The DS-1 tariff contains monthly Meter and Customer Charges and a Distribution
577 Delivery Charge for all kWh delivered in a month. The Distribution Delivery Charge is
578 seasonally differentiated and is priced higher in the summer months (June – September)
579 and lower in the eight non-summer months. This seasonally differentiated Distribution
580 Delivery Charge was implemented on January 1, 2008, and approved in the rate redesign
581 docket. Docket No. 07-0165. The rate redesign docket addressed significant bill impacts
582 experienced by customers, with a special focus on those that use electricity to heat their
583 homes using electricity, also referred to throughout my testimony as space-heat
584 customers, electric heat customers or all-electric customers. This special category of
585 residential customers is rooted in legacy bundled tariffs of AmerenIP and AmerenCIPS

586 that were in effect prior to January 2, 2007, and implicitly embedded within the legacy
587 bundled tariffs of AmerenCILCO and AmerenCIPS (Metro-East).

588 **Q. Did the rate redesign docket also restructure power prices available to**
589 **residential customers?**

590 A. Yes.

591 **Q. Did the Commission provide any guidance in the last rate order (Docket Nos.**
592 **09-0306 et al. (cons.)) on residential rate structures to consider in this proceeding?**

593 A. Yes. In its rate order, the Commission stated that in subsequent rate proceedings,
594 as subsidies for these (all-electric) customers are reduced, AIU should continue to
595 analyze whether market based prices are competitive with marginal prices and alternative
596 rate designs more beneficial for subsidized all-electric residential customer sub-class of
597 customers. Order, p. 252.

598 **Q. Has an analysis of power prices that electric space-heat customers would pay**
599 **under hourly market-based pricing been performed?**

600 A. Yes. A synopsis of average monthly day-ahead hourly locational marginal prices
601 is provided in the table below. As shown in the table, the simple average annual hourly
602 price is about 3.6 ¢/kWh. Customers' actual usage would tend to use relatively more
603 energy during the on-peak period, which has had an average annual price of about 4.4
604 ¢/kWh. An all-electric customer usually uses more energy in the non-summer season.
605 The average price for the eight non-summer months is 3.33 ¢/kWh. Isolating the average
606 to only the five primary heating months of November - March yields an average price of
607 3.53 ¢/kWh. The average on-peak price for the five primary heating months is about 4

608 ¢/kWh. Of course, this analysis is only a snapshot in time, and future day-ahead prices
609 are unknown.

Average of Day-Ahead Hourly Prices
Ameren Illinois Load Zone

Year	Month	Peak		Average
		off	on	
2009	12	3.04	3.98	3.45
2010	1	3.81	4.84	4.24
	2	3.66	4.41	3.98
	3	2.93	3.49	3.17
	4	2.62	3.46	2.97
	5	2.77	4.23	3.26
	6	3.37	5.72	4.23
	7	3.61	6.31	4.52
	8	3.31	6.02	4.31
	9	2.46	3.90	2.96
	10	2.49	3.34	2.78
	11	2.61	3.16	2.80
Total		3.06	4.41	3.56
Non-summer Avg		2.99	3.86	3.33

On-peak period is 10 AM - 10 PM, excluding weekends and holidays
Prices include Ancillary Service Energy, Renewable Energy Compliance,
and Market Settlement Costs of 0.1001 ¢/kWh for each hour.
LMP values also adjusted for average line losses of 7%.

610 **Q. Are the marginal prices for space-heat use competitive with market prices**
611 **for power and energy?**

612 A. No. The marginal BGS-1 price for space-heat and Metro-East customers in Rate
613 Zone I for use over 800 kWh in a non-summer month is 3.366 ¢/kWh and 1.984 ¢/kWh,
614 respectively. The marginal price in Rate Zone II for the same block is 3.775 ¢/kWh. In
615 Rate Zone III, space-heat customers receive a 1.844 ¢/kWh charge for non-summer use
616 over 800 kWh. While customers in Rate Zone II are approaching a fixed price level that
617 is nearly competitive with day-ahead pricing, there are no assurances that future day-
618 ahead prices will repeat. An unexpected increase in day-ahead prices could result in
619 negative bill impacts for space-heat customers on the hourly priced service. All-electric

620 customers in other Rate Zones presently enjoy fixed prices below that observed in the
621 hourly day-ahead price market. In contrast, non-space heat customers in Rate Zones I
622 and III pay 5.936 ¢/kWh and 5.619 ¢/kWh, respectively, for non-summer use over 800
623 kWh.

624 **Q. How has the analysis of hourly market based pricing influenced your**
625 **proposed residential rate design?**

626 A. Rates for DS and BGS were evaluated together in an effort to reduce the subsidy
627 in BGS prices for non-summer use over 800 kWh. In particular, the combined total of
628 the Meter and Customer Charge was increased by an above average amount so that
629 changes to variable Distribution Delivery Charges could be minimized. Minimal changes
630 to variable Distribution Delivery Charges allows variable BGS charges to move by a
631 greater amount. Specifically, changes to BGS-1 prices were held to a level that keeps
632 changes within a +/- 10% total variable charge change. This constraint helps minimize
633 customer bill impacts, while still progressing toward eventual elimination of the subsidy
634 to non-summer monthly use over 800 kWh.

635 **Q. What changes are you proposing for residential DS-1 rates?**

636 A. The Customer Charge is proposed to increase from \$12.28/month to
637 \$15.55/month. Combined with the Meter Charge, this represents a \$3.00/month increase
638 from \$17.00/month to \$20.00/month. The Distribution Tax is proposed to decrease for
639 Rate Zones I and III, and increase slightly for Rate Zone II, according to the plan I
640 discuss in my testimony. The remaining revenue allocation target for each Rate Zone is
641 recovered though adjusting summer, non-summer first 800 kWh, and non-summer over

642 800 kWh variable Distribution Delivery Charges by equal percentages. For example,
 643 Rate Zone I is proposed to receive a 12% increase. After deducting the revenue from
 644 price changes to Customer, Meter, and Distribution Tax Charges, an approximate 8.7%
 645 increase is required to Distribution Delivery Charges. Thus, each of the existing three
 646 Delivery Service Charges was adjusted by that uniform percentage accordingly. The
 647 same process was used for the other two Rate Zones as well. For Rate Zone II,
 648 Distribution Delivery Charges were increased by about 3.9% and by about 2.7% for Rate
 649 Zone III.

650 **Q. What changes are you proposing to BGS-1?**

651 A. BGS-1 is the fixed price power service AIC offers residential customers.
 652 Presently, prices vary by Rate Zone, and within Rate Zone for Rate Zones I and III. The
 653 table below shows the prices currently in effect.

Present BGS-1 Charges						
Season	<u>Rate Zone I</u>			<u>Rate Zone II</u>	<u>Rate Zone III</u>	
	<u>Non-Heat</u>	<u>Space Heat</u>	<u>Metro-east</u>	<u>All customers</u>	<u>Non-Heat</u>	<u>Space Heat</u>
Summer - All kWh	\$0.04945	\$0.04945	\$0.04945	\$0.04919	\$0.04911	\$0.04911
Non-Summer, First 800	\$0.05936	\$0.05936	\$0.05936	\$0.05900	\$0.05619	\$0.05619
Non-Summer, +800 kWh	\$0.05936	\$0.03366	\$0.01984	\$0.03775	\$0.05619	\$0.01844

654 As shown in the table above, summer pricing for each of the Rate Zones is different, but
 655 quite close. Non-summer prices for the first 800 kWh of use are consistent within Rate
 656 Zone, and again are close among each of the Rate Zones. Non-summer prices for Rate
 657 Zone I and Rate Zone III non-space heating customers are not differentiated for use
 658 above or below 800 kWh per month. Non-summer prices for all other Rate Zones are
 659 discounted for use over 800 kWh. Note as well that the non-summer first 800 kWh block
 660 is priced higher than the summer charge.

661 AIC proposes to restructure BGS-1 prices on a revenue neutral basis to rebalance
662 summer and non-summer prices, make summer prices uniform across Rate Zones, set
663 non-summer initial block charges uniform across rate zones, and continue the process of
664 removing the subsidy to space-heat customers begun in Docket Nos. 09-0306 et al.
665 (cons.). The proposed BGS-1 charges are as follows:

Proposed BGS-1 Charges

Season	Rate Zone I			Rate Zone II	Rate Zone III	
	Non-Heat	Space Heat	Metro-east	All customers	Non-Heat	Space Heat
Summer - All kWh	\$0.05398	\$0.05398	\$0.05398	\$0.05398	\$0.05398	\$0.05398
Non-Summer, First 800	\$0.05325	\$0.05325	\$0.05325	\$0.05325	\$0.05325	\$0.05325
Non-Summer, +800 kWh	\$0.05325	\$0.03740	\$0.02190	\$0.04150	\$0.05325	\$0.02190

666 **Q. How did you determine the appropriate summer season price level?**

667 A. The overall BGS portfolio costs from the previous (2010) Illinois Power Agency
668 power procurement event for Ameren Illinois for the summer, non-summer, and annual
669 periods were examined. The costs of summer power are 105% greater than the annual
670 average, and the cost of non-summer power is 97% lower than the annual average. The
671 overall BGS-1 estimated annual cost is 5.126 ¢/kWh. Applying the percentages of
672 relative seasonal cost differences from the procurement event to the BGS-1 annual
673 average price indicates that summer prices should be about 5.4 ¢/kWh and non summer
674 prices should be just below 5 ¢/kWh. Thus, proposed seasonal BGS-1 prices are
675 consistent with the cost basis observed in the most recent procurement event.

676 **Q. How did you determine the appropriate non-summer price levels for the**
677 **various rate zones and subgroups within rate zones?**

678 A. The non-summer block for use over 800 kWh was examined in conjunction with
679 the proposed Distribution Delivery Charge (and proposed Distribution Tax Charge) from

680 DS-1 to ensure the change to the overall variable price paid by customers changed by less
 681 than 10%. Also, the prices for Rate Zone I Metro-East and Rate Zone III space-heat
 682 customers have been made uniform since existing BGS-1 prices are close today. At the
 683 proposed price of 2.19 ¢/kWh for use over 800 kWh, Rate Zone I Metro-East and space-
 684 heat customers in Rate Zone III will see an 8.6% and 9.8% increase, respectively, in total
 685 variable charges for non-summer use over 800 kWh. As shown above, non-summer first
 686 800 kWh use is priced lower than current prices, and is now proposed to be uniform
 687 across each Rate Zone.

688 **Q. Have you summarized the percentage change in total variable costs under**
 689 **the proposed DS-1 and BGS-1 rate structure?**

690 A. Yes. The table below shows the percentage change in variable rates under
 691 proposed charges.

Percent Change in Total Variable Prices	<u>Rate Zone I</u>			<u>Rate Zone II</u>	<u>Rate Zone III</u>	
	<u>Non-Heat</u>	<u>Space Heat</u>	<u>Metro-east</u>	<u>All customers</u>	<u>Non-Heat</u>	<u>Space Heat</u>
Summer - All kWh	8.53%	8.53%	8.53%	8.30%	6.26%	6.26%
Non-Summer, First 800	-6.59%	-6.59%	-6.59%	-6.20%	-3.10%	-3.10%
Non-Summer, +800 kWh	-8.67%	9.80%	8.61%	9.78%	-3.66%	9.83%

692 **Q. Please describe the customer impact one may expect under the proposed**
 693 **residential rate design.**

694 A. The typical general use customer using 10,000 kWh per year will see total bill
 695 increases of less than 4% per year, or about \$3 per month for Rate Zones I and II, and
 696 \$3.78 for Rate Zone III customers. Average space-heat customers using 18,000 kWh per
 697 year are proposed to receive total bill increases ranging from 3.7%, or \$4.56/month, for
 698 Rate Zone I Metro-East to 4.5%, or \$6.07/month, for Rate Zone III. Additional bill

699 calculations of differing usage levels for general use and space-heat customers are shown
700 in Ameren Exhibit 13.5E.

701 **E. Small General Service**

702 **Q. What are the tariff components and charges for DS-2, AIC's Small General**
703 **Service non-residential electric service tariff?**

704 A. Service under DS-2 is generally available to non-residential customers with
705 demands up to 150 kW. Similar to DS-1, the small general service tariff contains
706 monthly Meter and Customer Charges and a Distribution Delivery Charge component for
707 kWh delivered in a month. Similar to DS-1, the DS-2 Distribution Delivery Charge was
708 also seasonally differentiated in the rate redesign docket. The proposed Meter and
709 Customer Charges are differentiated between customers served at secondary voltage
710 level, and metering at all other voltage levels.

711 **Q. Did the rate redesign docket also restructure power prices available to small**
712 **general service customers?**

713 A. Yes.

714 **Q. Please describe the proposed price changes to the small general service class.**

715 A. The proposed rates are shown in Ameren Exhibit 13.1, page 2. Similar to
716 DS/BGS-1, the Customer Charge is proposed to increase by an amount to recover the
717 fixed costs beyond those that are traditionally customer-related. The proposed Customer
718 Charge is \$18.00 for customers metered at secondary voltage and \$355 for customers
719 metered at higher voltages. The existing DS-2 Distribution Delivery Charge block
720 structure is proposed to remain in place, with the first 2,000 kWh of use priced higher

721 than use over 2,000 kWh. The block structure was developed in the rate redesign
 722 proceeding (Docket No. 07-0165) to address bill impact concerns. Existing BGS-2 non-
 723 summer prices use a declining block structure in Rate Zone I and Rate Zone III. The
 724 non-summer block for Rate Zone II was eliminated in the prior rate case (Docket Nos.
 725 09-0306 et al.). Present BGS-2 prices are similar in the summer and relatively similar in
 726 the non-summer. Power is purchased by AIC for all BGS customers without rate zone
 727 distinction. Thus, the cost of serving BGS is the same for all rate zones. Proposed BGS-
 728 2 prices are uniform across each of the Rate Zones. BGS-2 prices are already greater in
 729 the summer than the non-summer, thus seasonal rebalancing was not necessary at this
 730 time. Averaging each of the summer and non-summer BGS-2 prices across the rate
 731 zones produces proposed charges of 7.059 ¢/kWh in the summer and 5.639 ¢/kWh in the
 732 non-summer season. As with the residential class, we are mindful of the potential impact
 733 changing variable charges may have on customers. The table below shows the percent
 734 change in total variable charges for each of the Rate Zones.

	Percent Change in DS/BGS-2 Total Variable Prices		
	<u>Rate Zone I</u>	<u>Rate Zone II</u>	<u>Rate Zone III</u>
Summer - All kWh	4.06%	5.71%	3.75%
Non-Summer, First 2000	-6.57%	4.95%	-2.41%
Non-Summer, +2000 kWh	12.85%	4.69%	7.09%

735 **Q. Does AIC’s proposed DS/BGS-2 rate design impact competitive supply**
 736 **choices for customers?**

737 A. Yes. Alternate Retail Electric Suppliers (ARES) compete to provide power and
 738 energy service to customers. It may be challenging for an ARES to efficiently compete
 739 for power services against different BGS-2 prices by rate zone, with a non-summer
 740 declining block. It seems evident that it would be more efficient for an ARES to compete

741 against BGS-2 if the pricing was uniform across each Rate Zone and the non-summer
742 block was eliminated. Even if some ARES are indifferent, some may find administrative
743 benefits associated with the pricing of its power throughout the AIC service area.

744 **F. General Service and Large General Service**

745 **Q. What are the tariff components and charges for DS-3, AIC's General Service**
746 **non-residential electric service tariff?**

747 A. Service under DS-3 is generally available to non-residential customers with a
748 minimum demand of 150 kW and a maximum demand of less than 1,000 kW. Pricing
749 components under this rate are monthly Meter and Customer Charges, a Distribution
750 Delivery Charge, and a Transformation Charge.

751 **Q. What are the tariff components and charges for DS-4, AIC's Large General**
752 **Service tariff?**

753 A. Service under DS-4 is generally available to non-residential customers with a
754 demand equal to or exceeding 1,000 kW. Pricing components under this rate are the
755 same as for DS-3, except DS-4 also contains a Reactive Demand Charge for customers
756 with a supply line voltage under 100 kV.

757 **Q. Has AIC performed a study of a sample of circuits serving DS-3 and DS-4**
758 **customers to evaluate such customers' revenue contribution relative to their cost**
759 **responsibility, as directed in the Order in the last rate case? (Order 09-0306, p 268)**

760 A. Yes. The results of the study are shown in Ameren Exhibit 13.6E. In summary,
761 the study shows that circuits serving customers with constant demands through the year
762 contribute more revenue through the year relative to the costs of serving customers. On

763 the other hand, customers with large peaks in the fall can and do set the circuit peak,
764 making that demand point appropriate for setting the cost of the system. Due to the
765 seasonal usage patterns of the customers, they contribute far less revenue through the
766 year than a customer with a comparable annual peak and a constant demand through the
767 year.

768 **1. Customer Charges**

769 **Q. Please describe AIC's proposed changes to Customer Charges for DS-3 and**
770 **DS-4 customers.**

771 A. Customer Charges were set using the results of the cost of service study and
772 existing price levels as guides for proposed changes. The cost of customer components
773 was provided by Mr. Schonhoff. The unbundled cost of meters is a subset of the total
774 customer cost. The difference between the full customer component cost and unbundled
775 meter cost establishes the cost basis for the Customer Charge. The Customer Charge is
776 also voltage differentiated. Costs escalate as one moves from lower voltages to higher
777 voltages, primarily due to the cost of current and potential transformers required for
778 higher voltage metering facilities. Consistent with the directive in the meter unbundling
779 case (Docket No. 99-0013) the current and potential transformers are not part of the
780 unbundled metering service, and are thus priced into the Customer Charge.

781 As is the case today, proposed Customer Charges are uniform among DS-3 and
782 DS-4, and among Rate Zones. The proposed prices are lower than present prices, but the
783 combination of Customer and Meter Charges are comparable to those in effect presently.

784 Proposed Customer Charges are \$95, \$600, \$1,325, and \$2,325 for secondary, primary,
785 high voltage, and +100 kV meter voltage service, respectively.

786 **2. Transformation Charge**

787 **Q. Why does AIC have a separately stated Transformation Charge for DS-3 and**
788 **DS-4?**

789 A. The Transformation Charge component is a price that compensates AIC for
790 providing transformation of voltage from the customer's supply line voltage to the
791 voltage used by the customer. Voltage is transformed through a transformer or
792 substation, often dedicated to the customer. Customers who own and operate their own
793 transformers, or rent transformation facilities from AIC, do not pay the separate
794 Transformation Charge since they have made alternate arrangements for that service.

795 **Q. What price are you proposing for the Transformation Charge?**

796 A. The AIC propose the Transformation Charge remain at \$0.65/kW of a customer's
797 maximum demand occurring in the most recent 12 monthly billing periods. The charge is
798 identical for AIC's DS-3 and DS-4 customers. As with the Meter and Customer Charges,
799 AIC proposes to maintain a uniform Transformation Charge across rate zones.

800 **Q. Will assessing the Transformation Charge influence the development of the**
801 **Distribution Delivery Charge?**

802 A. Yes. The Distribution Delivery Charge for DS-3 and DS-4 is lower than it
803 otherwise would be in the absence of the Transformation Charge.

804 **Q. Is there still a Meter Reassignment Fee for certain Rate Zone I customers?**

805 A. Yes. DS-3 and DS-4 contain a provision in the Transformation Charge section of
806 the tariff that states “A Rate Zone I Customer owning their own transformation with
807 Delivery Service measured at the high voltage side of Customer-owned transformation as
808 of October 1, 2008 will be assessed a Customer Charge and a Meter Charge, if
809 applicable, based upon the low voltage side of the Customer-owned transformation and a
810 \$97.50 Meter Reassignment Charge will be assessed monthly.” This provision was
811 implemented for rates effective January 2, 2007. The legacy utility policy placed
812 metering on the high side of customer owned transformers, and the customer and meter
813 charges were not substantially different between voltage levels. Present (and proposed)
814 customer and meter charges reflect a sizeable difference between voltage levels. Due to
815 bill impact concerns, the Meter Reassignment Charge and provision was developed so
816 that customers owning their transformation would still benefit by avoiding
817 Transformation Charges and not have the avoided costs overwhelmed by the higher
818 voltage differentiated Customer Charge. The Meter Reassignment Charge was set based
819 on multiplying 150 kW (the minimum threshold for DS-3 service) times the
820 Transformation Charge. Since the Transformation Charge is not proposed to change, the
821 Meter Reassignment Charge should likewise remain at \$97.50/month.

822 **3. Reactive Demand Charge (DS-4 Only)**

823 **Q. What is reactive demand or power?**

824 A. Reactive power, measured in kVAR, is sometimes referred to as “wasted power.”
825 When combined with “real” power, or kW, one can determine how much total power is
826 supplied. Total supplied power is measured in kVA. Distribution planners must design

827 delivery systems to meet a customer's expected peak kVA demand. The typical industry
828 billing unit is the kW. Use of only the kW as the delivery service billing unit can cause a
829 mismatch between costs to serve and delivery charges for individual customers within the
830 class. Customers with a kVA value larger than the kW value will register a kVAR.

831 **Q. Why is the Reactive Demand Charge limited to only those customers with a**
832 **supply line voltage less than 100 kV?**

833 A. Low power factors (or a high reactive demand relative to kW demand) can cause
834 voltage problems on the distribution system. For lower voltage systems (under 100 kV),
835 capacitors are often installed to correct local power factor problems. For higher voltage
836 systems, power factor can still be a concern but the installation of distribution equipment
837 for correction of reactive demand (power factor) on facilities over 100 kV is rare.
838 Instead, more specialized or individualized solutions are required to address power factor
839 problems at the 100kV or greater level. Therefore, in lieu of charging a standard rate
840 based on capacitor costs per peak kVAR for customers over 100 kV, AIC directly assigns
841 the cost of power factor correction measures, if any, to the customer if it has a power
842 factor less than 95% lagging or leading.

843 **Q. Are you proposing any changes to the Reactive Demand Charge for those**
844 **customers with a supply line voltage less than 100 kV?**

845 A. No. The proposed charge remains unchanged at \$0.29/kVAR.

846 **Q. Will assessing the Reactive Demand Charge influence the development of the**
847 **Distribution Delivery Charge?**

848 A. Yes. The Distribution Delivery Charge for DS-4 is lower than it otherwise would
849 be in the absence of the Reactive Demand Charge.

850 **4. Distribution Delivery Charges**

851 **Q. Please explain how proposed DS-3 and DS-4 Distribution Delivery Charges**
852 **were developed.**

853 A. The Distribution Delivery Charges were adjusted to recover the remaining
854 revenue requirement target for each rate class for each Rate Zone. As the case for DS-1
855 and DS-2, the present Distribution Delivery Charges were generally scaled up or down on
856 a uniform percentage basis. For DS-3, Rate Zones I, II and III are targeted to receive 0%,
857 0%, and -5.7% overall rate revenue changes, respectively. Due to proposed changes to
858 the Customer, Meter, and Distribution Tax, the Distribution Delivery Charges must be
859 reduced by 4.7%, 7.9%, and 10.7%, respectively, for each of the Rate Zones. For DS-4,
860 the target rate changes are 14.95%, 14.95%, and 9.16% for Rate Zones I, II, and III,
861 respectively. Due to proposed changes to the Customer, Meter, and Distribution Tax, the
862 Distribution Delivery Charges must be increased by approximately 10.1%, 12.0%, and
863 4.9%, respectively, for each of the Rate Zones.

864 These percentages were applied uniformly to the voltage differentiated
865 Distribution Delivery Charges, and only adjusted to address a DS-3 situation where the
866 present charge greatly exceeds the cost basis for the service. Specifically, the
867 Distribution Delivery Charge in Rate Zone I and III is presently \$2.303 and \$2.95,
868 respectively, for +100 kV supply voltage service. Rate Zone I and III each serve one
869 customer at this level, and Rate Zone II does not serve any customers at +100 kV supply

870 voltage. Due to the paucity of data serving DS-3 customers at +100 kV Supply voltage,
871 proposed prices were set by examining the cost basis for serving +100 kV Supply
872 Voltage customers. The +100 kV supply voltage Distribution Delivery Charges were set
873 at \$0.20/kW, \$0.11/kW, and \$0.25/kW for Rate Zones I, II, and III, respectively. By
874 comparison, the proposed DS-4 +100 kV supply voltage Distribution Delivery Charges
875 are \$0.018/kW, \$0.009/kW, and \$0.031/kW for Rate Zones I, II, and III, respectively.

876 **5. Rate Limiter**

877 **Q. Please explain the provision for the Rate Limiter contained within DS-3 and**
878 **DS-4.**

879 A. Both DS-3 and DS-4 contain Rate Limiter provisions that ensure the monthly
880 charges for the sum of Distribution Delivery and Transformation Charges are limited to
881 no more than a set ¢/kWh value if 20% or less of the customer's annual usage occurs in
882 the summer months of June through September. The limiter value is presently 2.175
883 ¢/kWh for Rate Zone I, 2.100 ¢/kWh for Rate Zone II, and 2.800 ¢/kWh for Rate Zone
884 III. The limiter values do not differ between DS-3 and DS-4. The Rate Limiter provision
885 was implemented through the Order in Docket No. 07-0165 (rate redesign case). At that
886 same time, DS-3 and DS-4 Distribution Delivery Charges were increased to maintain
887 revenue neutrality. In Docket Nos.07-0585 (cons.) the Commission stated that "(t)he
888 Commission is committed to eliminating these Rate Limiters at the earliest opportunity".
889 Order 07-0585, p 354. This sentiment was affirmed in the prior rate case (Docket Nos.
890 09-0306 (cons.)), where it confirmed a desire to eliminate the Rate Limiter provision.
891 Order 09-0306, p 313.

892 **Q. Have you maintained the Rate Limiter provisions within proposed DS-3 and**
893 **DS-4 tariffs?**

894 A. Yes, the Rate Limiter provisions have been maintained. The levels of the Rate
895 Limiters for each rate zone have been increased by 12.5% in each of Rate Zones I and II,
896 and by 7.5% in Rate Zone III. Increases to the Rate Limiter prices allow the total dollar
897 value of Rate Limiter credits to be reduced by nearly 20% in each Rate Zone. The
898 following table shows the present and proposed Rate Limiters, the resulting limited
899 revenue, and the difference in limited revenue for each Rate Zone.

Rate Limiter Summary						
	Present		Proposed		Difference	
	¢/kWh	Dollars	¢/kWh	Dollars	Dollars	Percent
Rate Zone I	\$0.02175	(\$795,804)	\$0.02447	(\$650,497)	\$145,307	-18.3%
Rate Zone II	\$0.02100	(\$509,564)	\$0.02363	(\$408,594)	\$100,970	-19.8%
Rate Zone III	\$0.02800	(\$880,631)	\$0.03010	(\$694,351)	\$186,281	-21.2%
Total		(\$2,186,000)		(\$1,753,442)	\$432,558	-19.8%

900 **Q. Is there still a need for a Rate Limiter provision?**

901 A. Yes. The underlying reasons for implementing the Rate Limiter provisions still
902 stand – the large increase experienced by transitioning from legacy bundled rates to post
903 2006 unbundled rates caused some customers undue bill impacts. The Rate Limiter
904 provision eased those customers’ bill impacts. Retaining the Rate Limiter, while
905 reducing the total dollar amounts limited, still affords these customers an upper limit to
906 bill impacts, yet reduces the amount of subsidy provided by other DS-3 and DS-4 due to
907 the provision.

908 **G. Lighting Service**

909 **Q. What is the nature of service offered under the AIC’s proposed lighting**
910 **rates, Rate DS-5?**

911 A. Proposed DS-5 provides customers with dusk-to-dawn, photo-cell controlled
912 lighting service. AIC will typically own and maintain the lighting fixture, but DS-5 also
913 contains provisions for customers who own their own lighting facilities. The Fixture
914 Charges in DS-5 do not include power and energy, transmission or delivery service
915 charges, which are separately stated. Transmission and energy charges are charged
916 separately through Rider TS and Rider BGS if customers choose to take power and
917 energy service from AIC, and Distribution Delivery Charges are assessed through a
918 separate component within DS-5.

919 **Q. What types of lighting fixtures does AIC offer?**

920 A. The AIC offers Sodium Vapor and Metal Halide fixtures for area, directional, and
921 decorative lighting. Available wattages vary by fixture type. Present and proposed
922 prices by fixture type are shown in Ameren Exhibit 13.1E and Ameren Exhibit 13.3E.

Fixture Type	Nominal Wattage	Area	Directional	Decorative
Sodium Vapor	100	X		X
Sodium Vapor	250	X	X	
Sodium Vapor	400	X	X	
Metal Halide	150			X
Metal Halide	250	X	X	
Metal Halide	400	X	X	

923 **Q. Are there any changes to the standard fixtures offered by AIC?**

924 A. No, the AIC propose to offer the same standard fixtures as is presently offered.

925 The AIC also continue to provide lighting service to customers established under legacy
926 tariffs prior to 2007. Each of those legacy lighting services is priced based on the
927 standard fixture type that will eventually replace the “grandfathered” fixture when it is in
928 need of replacement.

929 **Q. How were lighting rates established in the last rate case?**

930 A. AIC priced individual fixtures according to their incremental cost, and scaled
931 prices by a uniform percentage to achieve the revenue requirement target for each DS-5
932 legacy utility. On setting final rates, the Commission agreed with the AIC approach to
933 move fixture prices among the legacy utilities closer together, while still adhering to the
934 target revenue requirement constraint for DS-5 for each legacy utility.

935 **Q. Please describe the methodology used to arrive at proposed fixture prices.**

936 A. Fixture prices were established, as before, with an eye toward gradually reducing
937 the differences among the rate zones. The revenue allocation methodology generates a
938 DS-5 class rate decrease of about 13.5%. Achieving parity among rate zones would
939 require fixture price increases to Rate Zones I and II of 29.1% and 1.5%, respectively,
940 and a decrease of 29.8% for Rate Zone III. However, to limit rate impacts to Rate Zone
941 I, while moving toward uniform prices, revenue changes to Rate Zone I and II were
942 limited to 0%, which allowed a 20.2% reduction to revenues for Rate Zone III. These
943 values are shown in Ameren Exhibit 13.4E, pages 1 and 6 (revenue allocation).

944 The Distribution Delivery Charge for Rate Zone I is presently set at zero. No
945 change for this price is proposed. Increasing this price component would place additional
946 downward price pressure on Fixture Charges, which runs counter to the goal of moving
947 toward price uniformity. The Distribution Delivery Charge for Rate Zone II is proposed
948 to remain the same at \$0.01497/kWh, while the component price for Rate Zone III is
949 proposed to decrease slightly from \$0.01531/kWh to \$0.0150/kWh. Customer-owned
950 lighting is also provided delivery service under this tariff, and in such situations may be
951 assessed a Customer and/or Meter Charge. These price components are identical to the
952 proposed values for DS-2: Customer Charge of \$18.00/month and a Meter Charge of
953 \$8.45/month. The residual revenue allocation is recovered by uniformly adjusting
954 Fixture Charges for each respective Rate Zone. Fixture Charges were decreased 1.1%,
955 1.8% and 30.2% for Rate Zone I, II, and III, respectively. A summary of present and
956 proposed DS-5 charges is shown in Ameren Exhibit 13.1E, and the effect of changes to
957 prices shown in Ameren Exhibit 13.3E.

958 **VI. REVENUE EFFECT OF PROPOSED ELECTRIC TARIFFS (BILLING**
959 **DETERMINANTS)**

960 **Q. Have you prepared a summary of the revenue generated by applying present**
961 **and proposed prices to test-year billing units?**

962 A. Yes. Ameren Exhibit 13.3E is a replica of Part 285 Schedule E-5, and shows the
963 electric service detailed billing determinants and provides the revenues expected under
964 present and proposed tariff charges. The revenue increase was computed by comparing
965 present and proposed prices billed at test year billing determinants.

966 **Q. What period of weather was used to normalize sales?**

967 A. Weather for the period from 2000 through 2009 was used. Use of a ten year
968 period is consistent with the period used for each of AIC's gas cases. The weather
969 normalization procedure is more fully described in Part 285 Schedule E-4(a)(2).

970 **VII. MISCELLANEOUS CHANGES TO EXISTING TARIFFS**

971 **Q. Please briefly describe the tariff changes AIC is proposing.**

972 A. The proposed rate schedules are shown in Part 285 Schedule E-1, and changes to
973 existing tariffs are shown in redline/strikeout format in Part 285 Schedule E-2. AIC has a
974 single tariff, and prices are separated by rate zone. Accordingly, provisions of tariffs are
975 substantially identical among AIC's rate zones, except for individual DS tariff prices.

976 **Q. In AIC's last rate case, the Commission directed AIC to work with IIEC,
977 Staff and any other interested parties to develop tariffs on combined billing of
978 multiple meters. What proposed changes to its tariffs is AIC proposing in this
979 regard?**

980 A. A modification to the Standards and Qualifications has been proposed to allow the
981 combined billing of multiple meters on the same premises. The proposed modifications
982 have been shared with Staff and representatives of the IIEC. As of the date of this filing,
983 AIC has not received word if the proposed language is acceptable or not. The proposed
984 language is shown in the AIC's proposed tariffs provided in Part 285 Schedules E-1 and
985 E-2. In anticipation of approval of the proposed language, AIC's proposed Billing
986 Demands and kWh sales for the High Voltage supply voltage category was reduced by
987 about 206,000 kW (about 17.2 MW/month) and 396,350,000 kWh for Rate Zone III due

988 to the expected application of the proposed language on a large customer. The reduced
989 volumes were taken into account when developing proposed revenue, including
990 Distribution Tax revenue levels.

991 **Q. What is the proposed Rider PBR – Pension Benefits Rider?**

992 A. Rider PBR provides for a true-up of the difference between pension expense
993 allowed in rates and actual pension expense recorded on the AIC's books. The first Rider
994 PBR adjustment would be determined in early 2013 for the difference between test year
995 expense in rates and actual costs for 2012. The adjustment value would apply from April
996 2013 through March 2014. Subsequent Rider PBR adjustments would follow the same
997 timeline. The Rider PBR adjustment is the same for all rate classes and Rate Zones, but
998 applies as a factor to the sum of each customer's bill amounts for specified base rate
999 components. Thus, customers' PBR adjustment is in proportion to the level of base rates
1000 they pay. The level of pension cost embedded within base rates also tends to follow the
1001 level of base rates paid. Thus, the PBR adjustment properly reflects the level of expense
1002 adjustment that customers' rates would experience if reset in a rate case, all other things
1003 constant. The proposed Rider PBR is shown in Ameren Exhibit 13.7E. Pages 1-4 show
1004 the proposed language for the electric business, while pages 5-8 show the proposed
1005 language for the gas business.

1006 **VIII. SUPPLY COST ADJUSTMENTS**

1007 **Q. What are the components that make up AIC's Supply Cost Adjustment?**

1008 A. AIC's Supply Cost Adjustment (SCA) is made up of the components that relate to
1009 the provision of AIC's supplied power and energy. The SCA contains three components:

1010 the Supply Procurement Adjustment, a Cash Working Capital Adjustment, and an
1011 Uncollectibles Adjustment. The Commission has directed AIC to update these costs
1012 and/or factors in delivery services rate case proceedings.

1013 The Supply Procurement Adjustment is intended to compensate AIC for all direct
1014 and indirect costs of procuring and administering power and energy supply for all
1015 customers, other than amounts recovered in other charges to customers receiving power
1016 and energy service from AIC. These costs consist of expenses such as professional fees,
1017 costs of engineering, supervision, insurance, payments for injury and damage awards,
1018 taxes, licenses, and any other administrative and general expense not already included in
1019 the cost of power and energy service.

1020 The purpose of AIC's Cash Working Capital Adjustment is the equitable recovery
1021 of the time value of expenses incurred to purchase power and energy for customers in a
1022 manner that recognizes the time lag between the incurrence of these expenses and the
1023 revenue stream or receipts from customers who pay for said power and energy.

1024 The Uncollectibles Adjustment "factor" is a fixed percentage adder applicable to
1025 AIC's supplied power and energy, and transmission service, differentiated and by
1026 customer class. In the past, this factor has also been differentiated by rate zone based on
1027 the write-offs incurred under each legacy utility. Since the AIC is a single utility, the
1028 Uncollectibles Adjustment factor is proposed to be uniform among rate zones to reflect
1029 the way in which Account 904 is reported in FERC Form 1 (and ILCC Form 21) – a
1030 single uniform value for AIC. (I note that the Procurement and Cash Working Capital
1031 provisions of the SCA are already uniform among the rate zones.) This factor has been
1032 calculated for each DS/BGS rate class based on the relative relationship between total

1033 uncollectibles expenses to the total bundled revenue amounts by class for the test year in
1034 this case. Ameren witness Mr. Ronald Stafford provides additional detail regarding each
1035 of the Supply Cost Adjustment factors.

1036 **Q. What changes to the level of the SCA factors is AIC proposing?**

1037 A. The Supply Procurement Adjustment is proposed to change from 0.007 ¢/kWh to
1038 0.006 ¢/kWh. The Cash Working Capital Adjustment is proposed to change from
1039 1.016% to 0.80%

1040 **Q. What are the proposed uncollectible factors applicable to power rates for**
1041 **each rate class?**

1042 A. The uncollectible factors are as follows:

<u>Delivery Rate</u>	<u>Accompanying Supply Service</u>	<u>Uncollectible Factor</u>
DS-1	BGS or RTP	0.01861
DS-2	BGS or RTP	0.00255
DS-3	BGS, RTP, or HSS	0.00104
DS-4	HSS	0.00005
DS-5	BGS	0.00241

1043 **Q. Is AIC proposing to change the methodology used to develop a total SCA?**

1044 A. No. The change to a uniform uncollectible factor is not a methodology change,
1045 but implementation of the same methodology applied to AIC.

1046 **Q. Rider EUA provides for a true-up of uncollectible expense “included in**
1047 **rates” and that recorded in FERC Account 904. Have the average uncollectible**
1048 **base rate components “included in rates” been updated under proposed rate levels?**

1049 A. Yes. The proposed uncollectibles base rate values considered to be “included in
1050 rates” are as follows:

<u>Deliver Service</u>	<u>Avg Amt per Customer/Mo*</u>
DS-1	\$0.68
DS-2	\$0.18
DS-3	\$1.11
DS-4	\$0.17
DS-5	\$3.77

1051 These values are shown in each DS rate for informational purposes, considered a subset
1052 of the Customer Charge, and used by the AIC to track the amount of uncollectible
1053 expense is “included in rates” for administration of Rider EUA.

1054 **IX. CONCLUSION**

1055 **Q. Does this conclude your direct testimony?**

1056 A. Yes, it is.

APPENDIX

STATEMENT OF QUALIFICATIONS

LEONARD M. JONES

My name is Leonard M. Jones. My business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I am employed by Ameren Services Company as Managing Supervisor – Restructured Services – Regulatory Policy and Planning.

I graduated from Western Illinois University with a Bachelor of Arts Degree in Economics in 1987. In 1988, I received a Master of Arts Degree in Economics, also from Western Illinois University. From 1988 through 2004 I was employed by Illinois Power Company (“Illinois Power”) as a Rate Analyst, Senior Rate Analyst, Rate Specialist, Team Leader - Costing and Economic Services, and Director – Business Planning and Forecasting. Shortly after completion of Ameren Corporation’s (“Ameren”) acquisition of Illinois Power, I was assigned to my current position.

I previously testified before the Illinois Commerce Commission in Docket No. 91-0335, regarding Illinois Power’s electric marginal cost of service study; Docket No. 93-0183, regarding Illinois Power’s gas marginal cost of service study; Docket No. 98-0348, regarding Illinois Power’s proposed Rider DA-RTP II; Docket No. 98-0680, regarding the investigation concerning certain tariff provisions under Section 16-108 of the Public Utilities Act and related issues; Docket No. 98-0769, regarding requirements governing the form and content of contract summaries for the 1999 Neutral Fact Finder; Docket Nos. 99-0120 & 99-0134 (Cons.) regarding approval of Illinois Power’s Delivery Service Implementation Plan and Tariffs; Docket Nos. 00-0259/00-0395/00-0461

(Cons.) regarding proposed Rider MVI and revisions to Rider TC; Docket 01-0432 regarding electric Delivery Service Tariff rate design and related matters; Docket 04-0476 regarding gas rate design; Docket Nos. 06-0070/06-0071/06-0072 (Cons.) regarding electric Delivery Service Tariff rate design and related matters; Docket Nos. 06-0691/06-0692/06-0693 (Cons.) regarding residential real-time pricing tariffs; Docket 06-0800 regarding an investigation into changes to auction process and the Ameren Illinois Utilities' market value tariffs (Rider MV); Docket 07-0165 regarding an investigation into the Ameren Illinois Utilities' rate design, Docket 07-0527 regarding tariff changes resulting from passage of the IPA Act; Docket 07-0585 – 07-0590 (cons.) regarding electric rate design; Docket 07-0539 regarding electric energy efficiency programs; Docket 08-0104 regarding gas energy efficiency programs; Docket 09-0306 – 09-0311 (cons.) regarding electric rate design; Docket 09-0535 regarding Rider EDR and GER reconciliation; Docket 10-0095 regarding tariff changes required for on-bill financing programs; and Docket 10-0517 regarding a petition for an accounting order.