

**ILLINOIS COMMERCE COMMISSION  
DOCKET Nos. 11-0279 / 11-0282 (CONS.)**

**REVISED DIRECT TESTIMONY  
OF  
LEONARD M. JONES**

**Submitted on Behalf Of**

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

**May, 2011**

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1                                   **ILLINOIS COMMERCE COMMISSION**  
2                                   **DOCKET Nos. 11-0279 / 11-0282 (CONS.)**  
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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 III because current pricing levels exceed a reasonable cost basis for  
75 the 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	<b>\$ 64,896,864</b>	<b>7.24%</b>

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

294

## 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%

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

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

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

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

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

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

#### 322 **IV. DISTRIBUTION TAX**

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

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

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

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

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

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

	<b>Present Distribution Tax Rates in Tax Additions Tariff</b>		
	<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

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

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

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

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

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

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

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

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

378

379

	<b>Distribution Tax Revenue @ Present Prices, 2012 TY Sales</b>			
	<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>

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

382 A. No. At 2012 test year sales, AIC expects to pay the State of Illinois \$51,303,467  
 383 in Distribution Tax. AIC also expects to receive a credit memo of about \$1,910,000 in  
 384 2012. Thus, net Distribution Tax expense is \$49,393,467, or \$5,251,197 less than what  
 385 would be produced under present rates.

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

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

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

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

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

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

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

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

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

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

<b>Distribution Tax</b>			
<b>Present Rate as a Percent of Average Proposed Cost</b>			
	<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%

423 The Commission also expressed that eliminating inter and intra class subsidies in the next  
 424 rate case should be a priority in the next rate filing. Order, Docket Nos. 09-0306 et al.  
 425 (cons.), p. 260. Thus, the AIC proposal takes a proactive approach to eliminating the  
 426 inter- and intra-class subsidies for the Distribution Tax, at a quicker pace than applying a  
 427 1.5 times the average increase “subclass” increase limit.

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

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

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

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

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

	<b>Step 1 Proposed Distribution Tax Rates</b>		
	<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

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

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

	<b>Distribution Tax</b>		
	<b>Step 1 Proposed Rate Difference from Present Rate</b>		
	(\$/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

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

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

<b>Step 2 Proposed Distribution Tax Rates</b>			
	<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

451 This represents incremental and decremental price changes as follows:

<b>Distribution Tax</b>			
<b>Step 2 Proposed Rate Difference from Step 1 Rate</b>			
<b>(\$/kWh)</b>			
	<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

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

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

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

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

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

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

485 **V. RECOMMENDED RATE DESIGN**

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

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

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

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

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

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

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

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

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

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

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

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

539 **C. Meter Charges**

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

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

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

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

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

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

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

575 **D. Residential Service**

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

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

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

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

592 A. Yes.

593 **Q. Did the Commission provide any guidance in the last rate order (Docket Nos.**  
594 **09-0306 et al. (cons.)) on residential rate structures to consider in this proceeding?**

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

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

602 A. Yes. A synopsis of average monthly day-ahead hourly locational marginal prices  
603 is provided in the table below. As shown in the table, the simple average annual hourly  
604 price is about 3.6 ¢/kWh. Customers' actual usage would tend to use relatively more  
605 energy during the on-peak period, which has had an average annual price of about 4.4  
606 ¢/kWh. An all-electric customer usually uses more energy in the non-summer season.  
607 The average price for the eight non-summer months is 3.33 ¢/kWh. Isolating the average  
608 to only the five primary heating months of November - March yields an average price of  
609 3.53 ¢/kWh. The average on-peak price for the five primary heating months is about 4

610 ¢/kWh. Of course, this analysis is only a snapshot in time, and future day-ahead prices  
611 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%.

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

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

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

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

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

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

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

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

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

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

<b>Present BGS-1 Charges</b>						
<b>Season</b>	<b><u>Rate Zone I</u></b>			<b><u>Rate Zone II</u></b>	<b><u>Rate Zone III</u></b>	
	<b><u>Non-Heat</u></b>	<b><u>Space Heat</u></b>	<b><u>Metro-east</u></b>	<b><u>All customers</u></b>	<b><u>Non-Heat</u></b>	<b><u>Space Heat</u></b>
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

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

663 AIC proposes to restructure BGS-1 prices on a revenue neutral basis to rebalance  
 664 summer and non-summer prices, make summer prices uniform across Rate Zones, set  
 665 non-summer initial block charges uniform across rate zones, and continue the process of  
 666 removing the subsidy to space-heat customers begun in Docket Nos. 09-0306 et al.  
 667 (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

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

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

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

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

682 DS-1 to ensure the change to the overall variable price paid by customers changed by less  
 683 than 10%. Also, the prices for Rate Zone I Metro-East and Rate Zone III space-heat  
 684 customers have been made uniform since existing BGS-1 prices are close today. At the  
 685 proposed price of 2.19 ¢/kWh for use over 800 kWh, Rate Zone I Metro-East and space-  
 686 heat customers in Rate Zone III will see an 8.6% and 9.8% increase, respectively, in total  
 687 variable charges for non-summer use over 800 kWh. As shown above, non-summer first  
 688 800 kWh use is priced lower than current prices, and is now proposed to be uniform  
 689 across each Rate Zone.

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

692 A. Yes. The table below shows the percentage change in variable rates under  
 693 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%

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

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

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

703 **E. Small General Service**

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

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

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

715 A. Yes.

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

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

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

	<b>Percent Change in DS/BGS-2 Total Variable Prices</b>		
	<b><u>Rate Zone I</u></b>	<b><u>Rate Zone II</u></b>	<b><u>Rate Zone III</u></b>
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%

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

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

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

746 **F. General Service and Large General Service**

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

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

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

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

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

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

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

770 **1. Customer Charges**

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

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

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

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

788 **2. Transformation Charge**

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

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

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

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

802 **Q. Will assessing the Transformation Charge influence the development of the**  
803 **Distribution Delivery Charge?**

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

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

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

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

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

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

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

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

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

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

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

848 **Q. Will assessing the Reactive Demand Charge influence the development of the**  
849 **Distribution Delivery Charge?**

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

852 **4. Distribution Delivery Charges**

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

855 A. The Distribution Delivery Charges were adjusted to recover the remaining  
856 revenue requirement target for each rate class for each Rate Zone. As the case for DS-1  
857 and DS-2, the present Distribution Delivery Charges were generally scaled up or down on  
858 a uniform percentage basis. For DS-3, Rate Zones I, II and III are targeted to receive 0%,  
859 0%, and -5.7% overall rate revenue changes, respectively. Due to proposed changes to  
860 the Customer, Meter, and Distribution Tax, the Distribution Delivery Charges must be  
861 reduced by 4.7%, 7.9%, and 10.7%, respectively, for each of the Rate Zones. For DS-4,  
862 the target rate changes are 14.95%, 14.95%, and 9.16% for Rate Zones I, II, and III,  
863 respectively. Due to proposed changes to the Customer, Meter, and Distribution Tax, the  
864 Distribution Delivery Charges must be increased by approximately 10.1%, 12.0%, and  
865 4.9%, respectively, for each of the Rate Zones.

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

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

878 **5. Rate Limiter**

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

881 A. Both DS-3 and DS-4 contain Rate Limiter provisions that ensure the monthly  
882 charges for the sum of Distribution Delivery and Transformation Charges are limited to  
883 no more than a set ¢/kWh value if 20% or less of the customer's annual usage occurs in  
884 the summer months of June through September. The limiter value is presently 2.175  
885 ¢/kWh for Rate Zone I, 2.100 ¢/kWh for Rate Zone II, and 2.800 ¢/kWh for Rate Zone  
886 III. The limiter values do not differ between DS-3 and DS-4. The Rate Limiter provision  
887 was implemented through the Order in Docket No. 07-0165 (rate redesign case). At that  
888 same time, DS-3 and DS-4 Distribution Delivery Charges were increased to maintain  
889 revenue neutrality. In Docket Nos.07-0585 (cons.) the Commission stated that "(t)he  
890 Commission is committed to eliminating these Rate Limiters at the earliest opportunity".  
891 Order 07-0585, p 354. This sentiment was affirmed in the prior rate case (Docket Nos.  
892 09-0306 (cons.)), where it confirmed a desire to eliminate the Rate Limiter provision.  
893 Order 09-0306, p 313.

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

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

	Present		Proposed		Difference	
	<u>¢/kWh</u>	<u>Dollars</u>	<u>¢/kWh</u>	<u>ars</u>	<u>Dollars</u>	<u>Percent</u>
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%

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

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

910 **G. Lighting Service**

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

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

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

922 A. The AIC offers Sodium Vapor and Metal Halide fixtures for area, directional, and  
923 decorative lighting. Available wattages vary by fixture type. Present and proposed  
924 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	

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

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

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

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

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

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

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

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

960 **VI. REVENUE EFFECT OF PROPOSED ELECTRIC TARIFFS (BILLING**  
961 **DETERMINANTS)**

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

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

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

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

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

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

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

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

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

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

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

994 A. Rider PBR provides for a true-up of the difference between pension expense  
995 allowed in rates and actual pension expense recorded on the AIC's books. The first Rider  
996 PBR adjustment would be determined in early 2013 for the difference between test year  
997 expense in rates and actual costs for 2012. The adjustment value would apply from April  
998 2013 through March 2014. Subsequent Rider PBR adjustments would follow the same  
999 timeline. The Rider PBR adjustment is the same for all rate classes and Rate Zones, but  
1000 applies as a factor to the sum of each customer's bill amounts for specified base rate  
1001 components. Thus, customers' PBR adjustment is in proportion to the level of base rates  
1002 they pay. The level of pension cost embedded within base rates also tends to follow the  
1003 level of base rates paid. Thus, the PBR adjustment properly reflects the level of expense  
1004 adjustment that customers' rates would experience if reset in a rate case, all other things  
1005 constant. The proposed Rider PBR is shown in Ameren Exhibit 13.7E. Pages 1-4 show  
1006 the proposed language for the electric business, while pages 5-8 show the proposed  
1007 language for the gas business.

1008 **VIII. SUPPLY COST ADJUSTMENTS**

1009 **Q. What are the components that make up AIC's Supply Cost Adjustment?**

1010 A. AIC's Supply Cost Adjustment (SCA) is made up of the components that relate to  
1011 the provision of AIC's supplied power and energy. The SCA contains three components:

1012 the Supply Procurement Adjustment, a Cash Working Capital Adjustment, and an  
1013 Uncollectibles Adjustment. The Commission has directed AIC to update these costs  
1014 and/or factors in delivery services rate case proceedings.

1015 The Supply Procurement Adjustment is intended to compensate AIC for all direct  
1016 and indirect costs of procuring and administering power and energy supply for all  
1017 customers, other than amounts recovered in other charges to customers receiving power  
1018 and energy service from AIC. These costs consist of expenses such as professional fees,  
1019 costs of engineering, supervision, insurance, payments for injury and damage awards,  
1020 taxes, licenses, and any other administrative and general expense not already included in  
1021 the cost of power and energy service.

1022 The purpose of AIC's Cash Working Capital Adjustment is the equitable recovery  
1023 of the time value of expenses incurred to purchase power and energy for customers in a  
1024 manner that recognizes the time lag between the incurrence of these expenses and the  
1025 revenue stream or receipts from customers who pay for said power and energy.

1026 The Uncollectibles Adjustment "factor" is a fixed percentage adder applicable to  
1027 AIC's supplied power and energy, and transmission service, differentiated and by  
1028 customer class. In the past, this factor has also been differentiated by rate zone based on  
1029 the write-offs incurred under each legacy utility. Since the AIC is a single utility, the  
1030 Uncollectibles Adjustment factor is proposed to be uniform among rate zones to reflect  
1031 the way in which Account 904 is reported in FERC Form 1 (and ILCC Form 21) – a  
1032 single uniform value for AIC. (I note that the Procurement and Cash Working Capital  
1033 provisions of the SCA are already uniform among the rate zones.) This factor has been  
1034 calculated for each DS/BGS rate class based on the relative relationship between total

1035 uncollectibles expenses to the total bundled revenue amounts by class for the test year in  
1036 this case. Ameren witness Mr. Ronald Stafford provides additional detail regarding each  
1037 of the Supply Cost Adjustment factors.

1038 **Q. What changes to the level of the SCA factors is AIC proposing?**

1039 A. The Supply Procurement Adjustment is proposed to change from 0.007 ¢/kWh to  
1040 0.006 ¢/kWh. The Cash Working Capital Adjustment is proposed to change from  
1041 1.016% to 0.80%

1042 **Q. What are the proposed uncollectible factors applicable to power rates for**  
1043 **each rate class?**

1044 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

1045 **Q. Is AIC proposing to change the methodology used to develop a total SCA?**

1046 A. No. The change to a uniform uncollectible factor is not a methodology change,  
1047 but implementation of the same methodology applied to AIC.

1048 **Q. Rider EUA provides for a true-up of uncollectible expense “included in**  
1049 **rates” and that recorded in FERC Account 904. Have the average uncollectible**  
1050 **base rate components “included in rates” been updated under proposed rate levels?**

1051 A. Yes. The proposed uncollectibles base rate values considered to be “included in  
1052 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

1053 These values are shown in each DS rate for informational purposes, considered a subset  
1054 of the Customer Charge, and used by the AIC to track the amount of uncollectible  
1055 expense is “included in rates” for administration of Rider EUA.

1056 **IX. CONCLUSION**

1057 **Q. Does this conclude your revised direct testimony?**

1058 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.