Ameren Exhibit 50.0

ILLINOIS COMMERCE COMMISSION

DOCKET Nos. 11-0279, 11-0282 (Cons.)

SURREBUTTAL TESTIMONY

OF

KAREN R. ALTHOFF

SUBMITTED ON BEHALF

OF

AMEREN ILLINOIS COMPANY

d/b/a Ameren Illinois

September 1, 2011

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Karen R. Althoff. My business address is 370 S. Main Street, Decatur, Illinois 62523.

Q. Are you the same Karen R. Althoff who provided direct testimony, supplemental direct testimony and rebuttal testimony in this proceeding?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your surrebuttal testimony in this proceeding?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of the Illinois Commerce Commission (Commission) Staff witness, Mr. Philip Rukosuev; the People of the State of Illinois and The Citizens Utility Board (jointly AG/CUB) witness, Mr. Scott J. Rubin; and Grain and Feed Association of Illinois (GFA) witness, Mr. Jeffrey Adkisson.

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

A. No, I'm not.

III. RESPONSE TO STAFF WITNESS, MR. RUKOSUEV

A. Cost of Service

Q. Mr. Rukosuev finds AIC's COS revisions presented in its rebuttal testimony an improvement and that the revisions address the concerns over the deficiency versions. How do you respond?

A. I agree. Mr. Rukosuev now agrees on lines 104 and 105 of his rebuttal testimony that the difference between the individual Federal Energy Regulatory Commission (FERC) account amounts in AIC's last rate filing (ICC Docket Nos. 09-0306 et al. (Cons.)) and the current cases' test year FERC account amounts are relatively immaterial. Based on this comment, I believe that AIC has addressed his concern.

Q. Mr. Rukosuev finds problematic the length of time it took AIC to provide a viable cost of service foundation for ratemaking in this case. Do you agree with Mr. Rukosuev's assertion that the revised gas embedded cost of service studies are untimely and the "significant delay" in producing the studies makes it difficult to determine whether the studies provide a reasonable foundation for ratemaking in this case?

A. No. Staff witness, Mr. Peter Lazare raises the same concerns with respect to the electric embedded cost of service studies (ECOSS). AIC witness Mr. Jones responds to Mr. Lazare. As Mr. Jones explains, the only difference between the Rate Zone ECOSS provided in rebuttal testimony and those provided in response to the deficiency letter is the additional granularity of functional level costs, as discussed by Company witness, Mr. Ronald D. Stafford in his rebuttal testimony. The cost allocation differences between the deficiency filing ECOSS and the rebuttal testimony ECOSS are minor and relatively few. As stated above, Mr. Rukosuev finds the FERC

account amount differences relatively immaterial and the "Rate Zone ECOSSs are an improvement from the ECOSS provided in the Company's initial filing and the gas Rate Zone ECOSSs it provided in response to the ALJs' deficiency letter".

Q. Mr. Rukosuev, on page 6 of his rebuttal testimony, stated that AIC did not provide supporting testimony in response to the ALJs' deficiency letter, and this inhibited the review of the ECOSS. Please comment on his statement.

A. As explained by Mr. Jones in response to the same concern regarding the electric ECOSS, the deficiency ECOSS by rate zone were filed March 24, more than 5 months ago and 3 months before Staff filed its direct case, allowing ample time for review. Providing additional testimony was unnecessary and would not have changed the results of the initial ECOSS. AIC has responded to applicable data requests and has revised its ECOSS to address Staff's concerns. It is not uncommon that changes are made throughout the course of a rate proceeding for class cost allocations given different recommendations in direct and rebuttal testimonies offered by Staff and other intervening parties. Therefore, I do not agree that any lack of testimony inhibited Staff's review.

Q. How do you respond to Mr. Rukosuev's statement that he can not conclude that the gas ECOSS provides a reasonable foundation for ratemaking in this case?

A. I find this statement somewhat confusing given Mr. Rukosuev's statements in his direct testimony beginning on line 248 that the cost allocations in this case and AIC's last case are consistent and that he finds "Ameren's choice of allocators for its gas ECOSSs to be acceptable for ratemaking in this case". He then continues on line 259 that the accuracy of the ECOSS is based not only on the choice of allocators but also the accuracy of the costs that are to be

allocated among rate classes. Based on his acknowledgement in rebuttal as stated above, he agrees that the FERC accounts' cost variations are immaterial. Given that Mr. Rukosuev's concerns appear to be addressed, I disagree with the conclusion that he cannot "conclude that these studies provide a reasonable foundation for ratemaking in this case". To the contrary, the revised ECOSS do provide a reasonable basis for ratemaking.

Q. Mr. Rukosuev states beginning on line 145 that you "essentially acknowledge that ratemaking should be based on three ECOSS's rather than one". Please comment.

A. The rate design that I presented in rebuttal was done based on Mr. Rukosuev's concern that rates should be cost-based; as such, I designed the Rate Zones' rates to address this concern.

B. Rate Design

Q. What is Mr. Rukosuev's rebuttal position regarding gas rate design?

A. His recommendation is that the Commission accept the proposed rate design in his direct testimony, moving half the distance from equal percentage, across-the-board increases to full cost-based revenue allocations for AIC's Rate Zones. Mr. Rukosuev also recommends the Commission accept AIC's proposal to move individual rate classes toward cost based rates subject to a constraint that no class exceeds an increase of 1.50 times the overall average increase allocated to the respective rate zone. On page 12, line 268, Mr. Rukosuev states, "The 1.50 times the system average increase will help mitigate potential undue bill impacts to customers compared to moving to full cost of service immediately. At the same time, application of the constraint may result in slower progress towards achieving eventual rate uniformity." On the top of page 13, he then recommends approval of AIC's proposed second step revenue constraint; i.e., the 1.50 times the overall average increase, to lessen customer bill impacts.

Q. How do you respond?

A. His recommended rate design is the same as the rate design I proposed in my rebuttal testimony. I agree with his recommendations. As I indicated in rebuttal, the 1.50 times the system average increase helps mitigate potential undue bill impacts to customers, compared to moving to full cost of service immediately, while still allowing prices to increase by an amount greater than average and gradually move toward rate uniformity among the Rate Zones.

Q. Does Mr. Rukosuev support continuing movement towards uniform rates?

A. Yes. On page 9, line 211 of Mr. Rukosuev's testimony, he states, "I do not oppose movement toward uniform rates, where it is deemed under the circumstance necessary and appropriate."

Q. What is Mr. Rukosuev's recommendation on the Company's proposal to conform the GDS-2 Customer Charge rate structure for Rate Zone III to that of Rate Zones I and II?

A. He recommends accepting it. On page 16, line 365 of Mr. Rukosuev's rebuttal testimony, he states, "I believe that the Company's rate design proposal… to conform the GDS-2 Customer charge rate structure for Rate Zone III to that of Rate Zones I and II, is in the best interests of its customers and therefore, I do not object to its implementation." I agree with his recommendation.

Q. What is Mr. Rukosuev's recommendation on AIC's proposal to move Rate Zones I, II, and III GDS-4 toward price uniformity?

A. On page 21, line 489 of Mr. Rukosuev's rebuttal testimony, he states, "I believe that the Company's rate design proposal for the GDS-4 customer class is in the best interests of its

customers and therefore, I do not object to its implementation." Specifically, he recommends that the Commission accept AIC's approach to the development of rate design for GDS-4 to achieve rate structure uniformity along with pricing uniformity over time. I agree with his recommendation.

Q. How do you respond to Mr. Rukosuev's conclusion that, in light of the revised ECOSS, he now recommends the Commission accept, subject to various modifications as discussed by Staff witness, Mr. David Sackett, Rider TBS - Transportation Bank Service?

A. I agree with his recommendation as it regards to cost of service. However, as discussed by Company witness, Mr. Timothy L. Eggers, Mr. Sackett's proposed modification to Rider TBS should be rejected.

Q. Do you agree with Mr. Rukosuev's recommendation that the Commission reject GFA's proposal to add an additional tier to GDS-5 across all rate zones?

A. Yes.

IV. RESPONSE TO AG/CUB WITNESS, MR. RUBIN

Q. Mr. Rubin testifies that you did not provide any new information relevant to the concerns he raised in his direct testimony. How do you respond?

A. I disagree with Mr. Rubin's comment. Mr. Rubin raised two points in rebuttal testimony regarding gas distribution rate design for GDS-1 and GDS-2, where AIC proposes to recover 80% of the class revenue requirement in the Customer Charges. First, Mr. Rubin states in his direct testimony, lines 377 through 380, that this "method of pricing is simply a method of transferring wealth (or consumer surplus) from one group of customers to another. There is no discernible increase in overall societal welfare and no improvement in the efficiency of use of

the utility's service." Second, he states that only 45% of AIC's cost of service is fixed. Both of these points were addressed in my rebuttal testimony.

Q. Mr. Rubin states he never claimed low-income customers used less gas than higher-income customers; rather he testified regarding rate discrimination and social welfare in a solely economic sense. How do you respond?

A. Mr. Rubin did not make this clarification in his direct testimony, and in my view the implication of his testimony on direct was that there was a social benefit to avoiding the alleged shift of costs from high volume to low volume users. In other words, he appears to believe that low volume customers are harmed by recovery of fixed costs through the customer charge. While Mr. Rubin did not specifically mention a relationship between low usage and low-income customers' utilization of governmental welfare funds in his direct testimony, the main theme of his discussion was that higher customer charges inappropriately shift costs from high usage customers to low usage customers. However, now that he has clarified his social welfare concern as a purely economic question, I do not see a basis, from an economic standpoint, for his assertion that his alleged cost shift (if any) does not do anything to improve the "efficiency" of service. In other words, Mr. Rubin has not explained why his alleged cost shift is a concern. One could just as easily argue that the concern is recovery of costs through a higher volumetric charge results in an economically inefficient subsidy of low volume customers by high volume customers. As I discuss below, it is more efficient to send the proper price signals to customers by having fixed costs recovered through fixed charges.

Q. How do you respond to Mr. Rubin's statement that his rebuttal testimony was regarding low-use customers and that he never claimed there was a correlation between gas usage and income?

A. Mr. Rubin appears to agree that there is no connection between usage and income. If anything, he states that low income customers may be high volume users when he acknowledges, "This is particularly the case for gas customers who receive Low Income Home Energy Assistance Program (LIHEAP) assistance, since those customers—by definition—must use gas for space heating. I would expect most low-use gas customers to be non-heating customers." Nevertheless, as I discuss above, Mr. Rubin has failed to explain why his alleged shift of cost from high volume to low volume users poses a concern. To the contrary, if high volume users are LIHEAP customers, Mr. Rubin's position would penalize those customers because they are paying more than their appropriate share of fixed costs.

Q. On page 10, line 189, Mr. Rubin states, "The Company's pricing proposal … simply shifts cost from high-use customers to low-use customers, but it does nothing to improve the overall efficiency of service." Do you agree?

A. No. To begin with, AIC has been recovering 80% of its residential class revenue requirement through the customer charge since 2008 (following the Docket 07-0585 Order). Thus, AIC's current proposal does not "shift" any costs as compared to previous pricing structures, as AIC is using the 80% pricing structure used since 2008. Mr. Rubin's assertion is that AIC's proposal could lead to inefficient consumption decisions because customers would not receive a price signal reflecting the true cost of meeting customers' demands for energy service. The opposite is true. Because AIC's gas distribution costs are primarily fixed, the cost

of providing gas distribution service to low usage customers differs little from the cost of providing gas distribution service to high usage customers. As discussed above and in my rebuttal testimony, AIC's proposal sets the proper price signal for customers by setting fixed prices for these fixed costs. Additionally, the distribution charges of a residential customer's bill are only a portion of their bill—the majority of the total bill amounts are the gas commodity charge. The customer receives usage related price signals from the cost of their gas consumption through AIC's Purchased Gas Adjustment (PGA). For example, in looking at Ameren Exhibit 13.11G for the residential customers at 785 annual therms, Present PGA Gas Costs compared to Present Annual Total Bill for Rate Zones I, II and III are 66%, 69% and 64%, respectively. As such, this significant portion of the residential customer's bill which is tied to therm usage would send a price signal to consumers regarding their consumption.

Q. Mr. Rubin disagrees with the classification of storage field costs as "fixed". How do you respond?

A. As I explained in my rebuttal, AIC's "fixed" costs should be recovered in a fixed recovery mechanism and it appears that Mr. Rubin agrees with that, given that his primary concern now appears to be what constitutes a "fixed" cost of AIC. Further, Mr. Rubin's introduction of storage field costs as not being "fixed" is contradictory to his direct testimony. Specifically, in reviewing Mr. Rubin's suggested 45% "fixed" cost calculation pertaining to residential customers, he had included the storage costs in the fixed amount. The 45% was determined by dividing line 5, column 2 of Ameren Exhibit 13.2G totaling $107,174,000 divided by line 31, column 2 totaling $234,967,300. In looking at the components comprising the numerator, it in fact includes storage field costs of $32,752,000. Regardless of this shift in Mr.

Rubin's testimonies, however, I disagree with Mr. Rubin's conclusion that underground gas storage fields are not "fixed". The cost of service for underground storage fields consist of physical assets including land and land rights, structures and improvements, wells, non-recoverable natural gas (necessary for the fields to operate), lines, and storage equipment along with the associated operation and maintenance expenses to support the operation of these facilities. And even assuming that storage fields were not fixed costs, accepting Mr. Rubin's reduction in fixed costs for storage fields of 7% would not change AIC's proposed customer charge, as I discuss below.

Q. Mr. Rubin also claims treatment of storage field costs as fixed costs directly contradicts the approach of other major gas utilities. He cites the current Peoples Gas rate case, ICC Docket No. 11-0280/0281 (cons.), and the utility's proposal therein to create a separate rider to recover storage field costs on a per-therm basis. What is your response?

A. The operation of the proposed rider Mr. Rubin references does not necessarily demonstrate that storage costs are not fixed. There is not necessarily a relationship between the classification of a cost in an ECOSS and the pricing method to recover that cost. Mr. Rubin focuses on the fact that this recovery is based on a per-therm basis to support his theory that underground gas storage assets are variable costs. For the residential class, Peoples Gas and North Shores Gas propose to recover such costs on a per-therm basis; however, they propose to recover the transportation storage costs on a capacity basis, not usage. Further, it is my understanding that the utilities have addressed the unbundled storage costs due to their 2009 Rate Case Order, where the Commission ordered Peoples Gas to work collaboratively with the Commission Staff and other stakeholders to develop an unbundling proposal. Additionally,

recovery of such costs could have been developed on a per-therm basis for ease of billing purposes. To connect the per-therm charge to variable cost is speculative. Mr. Rubin nevertheless concludes that the Peoples / North Shore's proposal recognizes that storage costs are directly associated with gas demands. However, his conclusion that Peoples used a per-therm allocator of storage costs because storage costs are variable is conclusory - he does not demonstrate that Peoples Gas' proposal was in fact made for that reason.

Q. Do you agree with Mr. Rubin that since storage field capacity can be sold to other entities who store natural gas that it is a variable cost?

A. No. The classification of a cost doesn't change from fixed to variable simply because it can be sold as a separate service. Clearly, renting or selling a portion of the storage field simply reduces the capacity (fixed amount) available for the utility's customers.

Q. Mr. Rubin states that since storage costs are a significant part of the AIC's "so-called" fixed costs, if storage costs are removed from fixed costs and the Commission continues to set GDS-1 customer charge to recover 80% of fixed costs, that customer charge should not exceed $19.33. What is your response?

A. Mr. Rubin has calculated on page 11, beginning on line 219 what he considers are the residential customers' portion of underground gas storage costs which he believes is 7.3% of the total residential cost of service. As I state above, I do not agree that underground gas storage field costs are variable. However, AIC's proposal is to recover 80% of the residential class revenue requirement through the customer charge given the prior Commission Order. Mr. Rubin inappropriately uses the 80% recovery of fixed cost as his starting point to reflect the reduction of underground gas storage, not the class revenue requirement. The fixed cost percentage of

AIC's gas distribution operations is 97%, as I stated in my rebuttal testimony. Even if the Commission would agree with Mr. Rubin's point, the 7.3% adjustment would lower AIC's fixed costs to about 90%. This percentage is still far above the 80% fixed cost recovery granted by the Commission's Order in ICC Docket Nos. 07-0585 through 07-0590 (Cons.) - and on which AIC bases its customer charge in this case. One additional point to note is that Mr. Rubin's calculation of the residential Customer Charge after his underground gas storage adjustment is $19.33 which is actually above AIC's proposed rebuttal residential Customer Charge ($18.24) for Rate Zone II.

V. RESPONSE TO GFA WITNESS, MR. ADKISSON

Q. What is Mr. Adkisson's rebuttal position?

A. He continues to make the recommendations he made on direct. He believes (page 2, line 32 of Mr. Adkisson's testimony), "[a] typical small to intermediate size grain dryer would never be expected to utilize the GDS-5 rate because of the proposed high monthly fixed charges and may opt to use propane instead." Therefore (on page 2, line 38), Mr. Adkisson states, "I propose to broaden the range of customer charges that are equal to the AIC proposed customer charges for GDS-3 rates in the respective rate zones."

Q. What is your general response?

A. His recommendation should be rejected. AIC must properly assess charges to recover the costs that are necessary to provide service to customers. If AIC does not appropriately recover the costs caused by customer groups, then the remaining customer groups subsidize these costs and that is unfair to these remaining groups. The fact is that GDS-5 grain drying customers do utilize significant amounts of gas when drying their crops and the equipment needed to meet

demands at such levels must be sized appropriately along with providing data to administer the requirements of the tariff. This equipment is much more costly, and these costs should be recovered from GDS-5 users. Such recovery would not happen under Mr. Adkisson's proposal, as I explained in rebuttal. Therefore, Mr. Adkisson's recommendations should be rejected (as Staff agrees).

Q. On page 3, line 51, Mr. Adkisson states, "Ms. Althoff's rebuttal testimony (Ameren Ex. 33.0) was that the proposal should be rejected primarily because of the cost differential of a GDS-3 meter versus a demand meter necessary to provide service under GDS-5 is substantial." Is this a correct characterization?

A. Not entirely. A meter is only one element of the Customer Charge that Mr. Adkisson is concerned about. The Customer Components of the Embedded Cost of Service Study includes the cost of the meter plus its installation cost along with the regulator, services, meter reading, and customer records and collection expenses. Regulators serve to reduce the pressure of gas so that delivery is safe; as such, there is a cost difference in regulators that provide service to small and large demand customers. Likewise, meter reading and billing is more complex for a grain drying customer versus a small or intermediate general use customer, as general use customers' metering and billing are less complex so the amount of time required to process is less. The GDS-5 customers do have more complex metering and billing given the design of this tariff, which offers a price break for their non-seasonal usage.

Q. On page 3, line 65, Mr. Adkisson states, "with the lower gas flow of GDS-3 customer on the GDS-5 rate, the cost of a complete installation of a regulator, meter with demand

recording capability with temperature and pressure compensation and data storage electronics would cost less than $5,000 installed." How do you respond?

A. AIC's average installed cost of $5,400, as stated in my rebuttal testimony on page 28, relates to the current installation costs of meters that provide service to our existing GDS-3 customers. Likewise, AIC's average installed cost of $10,800 in my rebuttal testimony relates to the current installation costs of meters that provide service to our existing GDS-5 customers. The costs do not include regulators or interval metering equipment (necessary for GDS-5 but not GDS-3) which are a part of the meter set; as such, the total asset costs installed for each customer groups would, in fact, be higher. Mr. Adkisson does not take all this into account. Further, as stated in my direct testimony, engineers utilize three planning criteria when evaluating service adequacy -- a customer's Maximum Daily Quantity (MDQ), peak hourly demand, and operating pressure. Mr. Adkisson is focusing only on the amount of therm usage; as such, his analysis is incomplete in assessing the required equipment for the GDS-3 type customer.

Further, GFA Exhibits 2.01G and 2.02G provide suggested equipment for "GDS-2 or GDS-3 size customer hourly flow taking service under optional GDS-5," which includes a 2M175 rotary meter that our engineers believe would not be capable of metering the gas usage of most of the grain drying customer installations served by AIC. The regulator cost also appears too low for the volumes of gas most grain dryers use, which requires a much larger and more expensive regulator. The GFA exhibits also reflect identification of what appears to be some piping fittings and meter set costs (flanges and "Y" strainer); however, this is only a small portion of a gas meter set. Installations for these types of meter sets are much more significant in size and complexity; as such, the labor cost component in GFA's exhibit is also low. Meter sets

are engineered and fabricated to the individual customer's requirements, and AIC believes the required installation time would be more than stated on GFA Exhibit 2.01G.

Q. On page 4, line 81, Mr. Adkisson refers to an Ameren Missouri tariff as a "gas tariff which demonstrates that the cost for a smaller-use customer meter is less than that of a larger-use customer even if both require interval/demand meters." How do you respond?

A. The Ameren Missouri tariff he references is not comparable. Mr. Adkisson, on line 86 of his rebuttal testimony, is comparing the Ameren Missouri Tariff Sheet 10 Standard Transportation Customer Charge of $28.72 plus the Electronic Metering Administrative Charge of $43.45, and EGM Meter Equipment Charge of $21.00 per month for a total of $93.17. First, this cost development reflects the cost of service, net of accumulated depreciation, of the average cost of the equipment in Ameren Missouri's plant records versus the costs of GFA Exhibits 2.01G and 2.02G, which are current costs. Additionally, the cost estimates that I provided in my rebuttal are based on current costs as well. AIC utilizes the current costs of the installed meters set by GDS customer groups to allocate the recorded plant costs of these assets. In other words, the $5,400 or $10,800 installed meter costs for GDS-3 and GDS-5 customers are used to allocate the historical plant dollars of the meter assets. You cannot compare these costs, or the costs on GFA Exhibits 2.01 and 2.02G, to the Ameren Missouri charges.

Q. Your rebuttal testimony provided concern over revenue stability if Mr. Adkisson's additional Customer Charge tier was added. What does Mr. Rukosuev state in his rebuttal testimony about this issue?

A. Mr. Rukosuev is in agreement with my concern stating "[t]he GFA's proposal would add ambiguity for rate administration, which would result in financial uncertainty for the recovery of Ameren's approved revenue requirement".

VI. CONCLUSION

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.