

**STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION**

<b>AMEREN ILLINOIS COMPANY</b>	)	
Proposed general increase in electric delivery service rates.	)	Docket No. 11-0279
	)	
	)	(cons.)
	)	
<b>AMEREN ILLINOIS COMPANY</b>	)	
Proposed general increase in gas delivery service rates.	)	Docket No. 11-0282
	)	

**REPLY BRIEF OF THE COMMERCIAL GROUP**

V. COST OF SERVICE

C. CONTESTED ISSUES

2. Electric

a. Allocation of Public Utilities Revenue Act ("PURA")/Electric Distribution Tax Expense

The IIEC's argument in its initial brief (pp. 39-49) that not all PURA tax should be allocated on a kwh basis has merit, and the outcome on that issue would change the proposed PURA allocations. However, should the Commission nevertheless determine that every dollar of PURA tax should be allocated per kwh, the Commercial Group agrees with AG/CUB/AARP that AIC's proposed treatment of PURA tax produces some illogical results at the class level,<sup>1</sup> which is also true at the DS-3 class level. Finally, the Commercial Group corrects a statement made in the PURA tax section of the AG/CUB/AARP brief that makes it appear that AIC proposes to reduce DS-3 rates overall to below-cost levels. Unfortunately, AIC's proposed revenue level for the DS-3 class is set well above cost. As this issue is more appropriate for the revenue allocation section of the outline, the Commercial Group shall address it there.

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<sup>1</sup> AG/CUB/AARP Initial Brief, p. 41. Note: the document the Commercial Group received did not have internal page numbers so the Commercial Group cites to its .pdf pagination.

The AG/CUB/AARP brief focuses on the illogical treatment of substantially increasing DS-1 PURA rates to levels well above the average kwh PURA rate of \$0.0012936 per kwh in AIC’s Step 1 and then decreasing these rates back to the average level by Step 3. The effect is even more pronounced for the DS-3 class.

According to AIC Ex. 13.0E (p. 20), the PURA tax rate for the DS-3 class is substantially equal to the system average for Rate Zone 1 (99.7%), somewhat below average for Rate Zone 2 (69.9%), and above average for Rate Zone 3 (106.7%). AIC proposes the following changes to DS-3 PURA tax rates (*Id.* at pp. 16-22):

	<b>Current Rate</b>	<b>Step 1</b>	<b>Step 2</b>	<b>Step 3</b>
Zone 1	\$0.00129	\$0.0017720	\$0.0015328	\$0.0012936
Zone 2	\$0.00090	\$0.0018249	\$0.0015593	\$0.0012936
Zone 3	\$0.00138	\$0.0017181	\$0.0015058	\$0.0012936

Thus, DS-3 PURA tax rates for all three rate classes would soar to well above the average kwh PURA rate<sup>2</sup> in Step 1. Zone 1 DS-3, which currently is at the average kwh charge, would rise to 37 percent above “cost” in Step 1, Zone 2 DS-3 PURA rates would double to a level 41 percent above “cost,” and Zone 3 DS-3 PURA rates, which currently already are set above the average “cost,” would also increase substantially. Then in subsequent steps, the PURA tax rates would adjust back toward the system average. This roller-coaster treatment is particularly troubling in that present DS-3 distribution rates overall were already near or above cost – even before AIC filed to increase its rates in this consolidated docket. *See* Commercial Group Initial Brief, pp. 6-7. DS-3 ratepayers that already subsidize other ratepayers in base rates should not also have to subsidize other ratepayers for the PURA tax.

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<sup>2</sup>With the caveat that the cost of the PURA shall be determined based on the outcome of IIEC’s PURA arguments, for simplicity, the Commercial Group shall refer to the average PURA rate of \$0.0012936 as the “cost” rate.

## VI. REVENUE ALLOCATION

### C. CONTESTED ISSUES

#### 1. Electric

##### b. Allocation of Revenue Requirement Across Customer Classes

AG/CUB/AARP state correctly that “Ameren’s COSS shows that the existing revenues received from DS-3. . . are in excess of Ameren’s proposed cost of serving those classes,” but then add that “Ameren’s proposal would reduce DS-3 rates to below the cost of serving that class,” and “DS-1 and DS-2 are being asked to subsidize the rate reductions for DS-3. . . .” In fact, Ameren does not propose to reduce DS-3 rates to cost as would be appropriate but instead seeks to increase revenues from DS-3 by 6.02 percent in Rate Zone 1 and 1.13 percent in Rate Zone 3, while slightly reducing revenues in Rate Zone 2 by 0.65 percent. Ameren Ex. 31.1, pp. 1-3 (column 24, line 3). As noted on pages 6-7 of the Commercial Group’s initial brief, revenues from the DS-3 class should fall by 18.5 percent in Rate Zone 2 to be at cost – and yet Ameren’s approach, 50 percent of which is weighted as an across-the-board increase, would keep those rates well above cost. Ameren’s 50/50 proposal is better than Staff’s 100 percent across-the-board proposal that would increase DS-3 rates by up to 14 percent (CG Ex. 2.1), but Ameren’s proposal would still saddle DS-3 ratepayers with a significant subsidy burden.

A better approach would be to set rates at cost. Alternatively, if the Commission prefers to implement some rate moderation, it should set rates at cost with an increase in revenue from any class limited to no more than 150 percent of the average increase, or a total of ten percent, whichever is greater.

VIII. CONCLUSION

WHEREFORE, the Commercial Group respectfully requests that the Administrative Law Judges recommend the relief requested herein and in the Commercial Group's Initial Brief.

Respectfully submitted this 25th day of October, 2011.

/S/ Alan R. Jenkins

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