Ameren Exhibit 4.0

ILLINOIS COMMERCE COMMISSION

DOCKET No. 11-0603

REBUTTAL TESTIMONY

OF

NANCY L. GUDEMAN

Submitted on Behalf

Of

AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois

July 26, 2012

TABLE OF CONTENTS

Page No.

ILLINOIS COMMERCE COMMISSION

DOCKET No. 11-0603

REBUTTAL TESTIMONY

OF

NANCY L. GUDEMAN

Submitted on Behalf Of

Ameren Illinois

I. <u>INTRODUCTION</u>

Q. Please state your name and business address.

A. My name is Nancy L. Gudeman. My business address is 1901 Chouteau Avenue, St. Louis, Missouri.

Q. Are you the same Nancy L. Gudeman who sponsored direct testimony in this proceeding?

A. Yes, I am.

Q. Please describe the purpose of your rebuttal testimony.

A. The purpose of my rebuttal testimony is to address the need to revise Rider EUA – Electric Uncollectible Adjustment ("Rider EUA") and Rider GUA - Gas Uncollectible Adjustment ("Rider GUA"), which was recommended by Illinois Commerce Commission ("Commission") Staff ("Staff") witness, Ms. Theresa Ebrey. Also, I will respond to some aspects of the reconciliations of Rider EUA and Rider GUA.

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

A. Yes. I am sponsoring four exhibits as follows:

- Ameren Exhibit 4.1 - Rider EUA – Electric Uncollectible Adjustment (revised)
- Ameren Exhibit 4.2 - Rider GUA - Gas Uncollectible Adjustment (revised)
- Ameren Exhibit 4.3 – Response to Staff Data Request TEE 2.07
- Ameren Exhibit 4.4 – Response to Staff Data Request TEE 3.01(without attachments)

Q. Please describe Ameren Exhibits 4.1 and 4.2.

A. Ameren Exhibits 4.1 and 4.2 show proposed changes Rider EUA and Rider GUA tariffs, respectively. The changes are shown in underline and strikeout format. The tariff language has been revised to simplify the administration of the tariffs, including uncertainty regarding the number of and level of detail required for reconciliations. The language revisions are the same for both Riders EUA and GUA and will be discussed together, unless otherwise specified.

Q. Please describe Ameren Exhibits 4.3 and 4.4.

A. Ameren Exhibits 4.3 and 4.4 are the Ameren Illinois Company d/b/a Ameren Illinois' ("AIC" or the "Company") responses to Staff data requests TEE 2.07 and TEE 3.01, respectively.

II. <u>TARIFF REVISION</u>

Q. Please describe the need for Rider EUA and Rider GUA tariff revisions.

A. The Company and Staff have a difference of opinion on how the Automatic Balancing ("AB") component of the respective tariffs is allowed to operate under the current language of the tariffs. The AB component of the tariffs evaluate the application of the Incremental

Uncollectible Adjustment amount from a prior period, comparing the expected revenue or credits to those actually received. Ms. Ebrey suggests the tariffs language for both Riders EUA and GUA call for the AB component be calculated for each customer class designation based strictly on an examination of expected revenue or credits realized from a specific class to the revenue or credits actually realized for the same class. Under Staff's interpretation, reconciliations are to be computed separately for each Rate Zone and rate class designation per delivery and supply. While the Company does not agree that Staff's interpretation is the only way to apply the AB component to individual rate classes, we have worked with Staff to identify tariff changes that should clarify what is allowed under the tariffs, streamline tariff administration and address potential adverse customer impacts.

Q. How did AIC perform the distribution of the AB component?

A. In the Informational Sheets containing the 2008 and 2009 AB components, AIC calculated the AB in total and then reallocated to the various customer classes. The allocation approach is in keeping with the tariff language, providing for a "**Company-determined** Automatic Balancing component for each customer designation".

Q. Are there any concerns with doing the reconciliation as Ms. Ebrey describes in ICC Staff Exhibit 1.0C?

A. Yes, as set forth in Ameren Exhibit 4.3, which is a copy of the Company's response to Staff data request TEE 2.07, AIC expressed a few concerns with using Staff's reconciliation process. Ms. Ebrey's reconciliation is based on a direct assignment approach which could, result in undue customer impacts to some customer class groups. This could directly lead to future uncollectibles expense. Also, the direct assignment approach creates a total of 63 different reconciliations, greatly increasing the administrative effort required of both the Company and Staff to maintain and evaluate the operation of the Riders. This amount of tracking would be very time consuming. AIC does not believe the Commission intended any of these outcomes when it approved the tariff language, and even if it did, these outcomes should be avoided.

Q. **Without tariff changes, would implementing Staff's direct assignment approach cause undue customer impacts?**

A. Yes, as set forth in Ameren Exhibit 4.4, which is AIC's response to Staff data request TEE 3.01, the largest rate impacts relate to the AB component for the 2008 reporting year, Rate Zone I, GDS-4 and GSD-5 Supply category. The table below summarizes what the rate would have been under Staff's approach and what was actually filed for rates effective from June 2011 through May 2012. The difference in resulting Rider GUA uncollectible adjustment values is significant.

	Staff Approach	As Filed	Difference
GDS-4	$171.80	($119.13)	$290.93
GDS-5	$80.82	($16.17)	$96.99

Q. **How would the differences reflected in table above affect customers taking service under the GDS-4 and GDS-5 rates?**

A. Applying Staff's interpretation of the tariffs, the difference shown above would be added to a future Rider GUA adjustment. This is problematic from a customers' perspective since the difference amount is nearly as large as the monthly Customer Charge for each rate class. Rate Zone I GDS-4 Customer Charge has recently changed as a result of the order issued in ICC Docket No. 11-0282 from $301.79 to $503.55 per month for customers with

Maximum Daily Contract Quantities below 10,000 therms per day. The difference in Rider GUA amount of $290.93 is 58% of the present Customer Charge, and 96% of the Customer Charge in effect prior to January 2012. Similarly, the GDS-5 Customer Charge has recently changed also as a result of the order issued in ICC Docket No. 11-0282 from $301.79 to $348.02 per month for customers with Maximum Daily Contract Quantities below 3,250 therms per day. The difference in Rider GUA amount of $96.99 is 28% of the present Customer Charge, and 32% of the Customer Charge in effect prior to January 2012. In non-grain drying months, the Customer Charge is usually a significant portion of the GDS-5 customer's total bill, because usage is much less.

Secondly, this is problematic for the Company in that Supply service for both of these rate classes is optional. If these customers know that an additional nearly $300 and $100 per month will be assessed for the next year, they will be more likely to switch from Rider S - Supply Service ("Rider S"), a Company-provided Purchase Gas Adjustment ("PGA") service, to Rider T – Gas Transportation Service ("Rider T"). This "incentive" creates a death spiral of sorts. Customers will leave the rate and the remaining customers will continue to absorb greater charges.

Moreover, not only could those customers switch from Rider S, they could also switch to an otherwise applicable service. If customers switch service, that too could drive future differences to higher levels as fewer customers remain to recover the uncollectible expenses, potentially leaving the Company with unrecovered uncollectible expense.

Q. Does Ms. Ebrey agree that 63 reconciliations is not a manageable process?

A. Yes, on page 6 of ICC Staff Exhibit 1.0C, Ms. Ebrey requests the Company to provide in its rebuttal testimony tariff revisions that would limit the level of detail by which the reconciliations are performed.

Q. How did you arrive at a value of 63 separate reconciliations?

A. Ms. Ebrey points out page 4 of her corrected direct testimony, the different class designations for both Rider EUA and Rider GUA per Rate Zone. Rider EUA has four Delivery class designations (3 Rate Zones*4=12) and five Supply class designations (3 Rate Zones*5=15). Rider GUA has six Delivery class designations (3 Rate Zones*6=18) and six Supply class designations (3 Rate Zones*6=18). Adding the four categories together produces a total of 63 different reconciliations.

Q. Please describe the proposed Rider EUA and Rider GUA tariff language changes.

A. For electric, AIC proposes, beginning with the 2012 reporting year, the uncollectible adjustments to be computed separately for each Rate Zone and class designation, as follows:

IDUA Delivery Class Designations	**ISUA Supply Class Designations**
Residential Delivery Service 1/	Residential Supply Service 3/
Non-Residential Delivery Service 2/	Non-Residential Supply Service 4/

1/ Residential Delivery Service class designation is: DS-1 Residential Delivery Service
2/ Non-Residential Delivery Service class designations consist of: DS-2 Small General Delivery Service, DS-3 General Delivery Service and DS-4 Large General Delivery Service
3/ Residential Supply Service class designation consist of: BGS-1/RTP-1/PSP
4/ Non-Residential Supply Service class designations consist of: BGS-2/RTP-2 - Small General Service, BGS-3/RTP-3/HSS under 1000 kW- General Service, RTP-LI /HSS ≥ 1000 kW - Large General Service, and BGS-5 - Lighting Service

Similarly, for gas, AIC proposes, beginning with the 2012 reporting year, the adjustments to be computed separately for each Rate Zone and class designation, as follows:

IDUA Gas Delivery Class Designations	**ISUA Supply Class Designations**
GDS-1 Residential Delivery Service	Rider S-PGA
Non-Residential Gas Delivery Service 1/	Rider S-PGA

1/ Non-Residential Delivery Service class designations consist of: GDS-2 Small General Delivery Service, GDS-3 General Delivery Service, GDS-4 Large General Delivery Service, GDS-5 Seasonal Delivery Service, and GDS-7 Special Contract Delivery Service.

Condensing the non-residential classes into a single group reduces the total number of reconciliation to 24, which is more manageable than 63. There is also significantly less risk for undue customer impacts with the non-residential group since the uncollectible expense is being spread across a larger number of customers.

Q. Have you evaluated what kind of impact this change will have on customers?

A. Yes. I have recomputed the Incremental Uncollectible Amounts using the 2011 reporting year, which forms the basis for charges that are now in effect (applied from June 2012 through May 2013). The tables below shows the rate that was charged compared to the rate under the proposed method. Generally, the rate changes result in a minimal impact.

Summary of Rider EUA and GUA Rates									
As Filed vs As Proposed									
		Rider EUA					Rider GUA		
		June 2012 - May 2013					June 2012 - May 2013		
		RZ I	RZ II	RZ III			RZ I	RZ II	RZ III
Delivery Service (IDUA) 1/					**Delivery Service (IDUA) 1/**				
Filed	DS1	$0.07	($0.20)	($0.13)	Filed	GDS1	($0.11)	($0.11)	($0.09)
	DS2	$0.00	($0.11)	($0.09)		GDS2	($0.04)	($0.09)	($0.06)
	DS3	($1.07)	($0.04)	($1.75)		GDS3	$0.75	($0.89)	($0.47)
	DS4	$8.87	($0.69)	($4.88)		GDS4	($5.36)	$0.00	$0.00
						GDS5	$0.00	$0.00	$0.00
Proposed	DS1	$0.07	($0.20)	($0.13)		GDS7	$0.00	$0.00	$0.00
	DS2-4	$0.00	($0.11)	($0.15)					
					Proposed	GDS1	($0.11)	($0.11)	($0.09)
Supply Service (ISUA) 2/						GDS2 - GDS7	($0.07)	($0.11)	($0.05)
Filed	Supply1	($0.00017)	($0.00055)	($0.00036)	**Supply Service (ISUA) 1/**				
	Supply2	$0.00005	($0.00008)	$0.00000					
	Supply3	($0.00001)	$0.00010	($0.00003)	Filed	GDS1	($0.17)	($0.29)	($0.18)
	Supply4	($0.00001)	$0.00000	($0.00002)		GDS2	($0.16)	($0.37)	($0.21)
	Supply5	$0.00008	$0.00001	$0.00008		GDS3	$1.84	$0.89	($0.70)
						GDS4	$0.00	$0.00	$0.00
Proposed	Supply1	($0.00017)	($0.00055)	($0.00036)		GDS5	$0.00	$0.00	$0.00
	Supply2-5	$0.00002	($0.00005)	($0.00002)		GDS7	$0.00	$0.00	$0.00
					Proposed	GDS1	($0.17)	($0.29)	($0.18)
						GDS2 - GDS7	($0.13)	($0.34)	($0.14)
1/ Value added to Customer Charge									
2/ Value recovered as $/kWh									

Q. What other tariff changes are being proposed?

A. The proposed tariff language changes are the same for both gas and electric and for delivery service and supply service. The following tariff language discusses how any over/under recoveries would be applied.

ABc = Company-determined Automatic Balancing component for each class designation C, equal to the cumulative debit or credit balance (over-or-under recovery) resulting from application of the IDUA for a prior period. The (AB) amount shall be expressed in dollars ($). The total amount of any over or under recovery Incremental Delivery Service Uncollectible Amount for a preceding effective period will be included in the AB component and thereby be reflected in the applicable $IDUA_{EPc}$ for the effective period following the reconciliation period.

O_c = Commission ordered adjustment amount, in dollars ($), for class designation C, resulting from a Commission Order in a reconciliation proceeding, plus the calculated interest attributable to the O component. Interest shall be at the rate established by the Commission under 83 Ill. Adm. Code 280.70(e)(1). Interest on the O component shall be applied from the end of the reconciliation period until the O component is refunded or charged to customers through the IDUA. The total amount of any O component for a preceding effective period will be reflected in the applicable $IDUA_{EPc}$ for the effective period following the reconciliation period.

Q. How will the Factor O from this docket be applied?

A. The ordered adjustment for the 2008 reporting year will be incorporated into a Factor O component calculated for the Residential and Non-Residential subgroups. In other words, the non-residential Factor O will be calculated for non-residential customers as a group instead of by individual rate class. The following tariff language has been added in the Annual Reconciliation Section to capture new reconciliations covering periods prior to 2012.

> Any Commission ordered adjustment amounts for the 2008 through 2011 reporting years applicable to Delivery Service (IDUA) or Company power supply services (ISUA) shall be assigned to class designations in effect beginning with the 2012 reporting year.

Q. Have the proposed language changes been discussed with Staff?

A. Yes, AIC and Staff have worked together to develop the proposed solution for making the 63 reconciliations more manageable.

Q. Are there any other tariff language changes?

A. Yes, there are some “housekeeping” changes to the tariffs. In general, references to the operation of the tariff provisions covering the 2008 through 2010 reporting years have been deleted. Uncollectible Adjustment values covering reporting years 2008 through 2010 have already been assessed, making retention of these provisions unnecessary. The formula components of REUR (EUA) and RGUR (GUA) have been removed because uncollectible cost expressed in Rider EDR and GER (Energy Efficiency Cost Recovery Riders) was removed in a filing effective May 1, 2010. There are also a few proposed wording changes in an effort to make the tariff clearer. Staff has reviewed the revised tariffs and concurs with the changes.

Q. Were the amounts shown in Ms. Ebrey's 63 reconciliations supported by any documents filed by AIC?

A. Yes. When AIC files the Rider EUA and GUA Informational Sheets (filed annually on May 20, effective June), the detailed working papers contained sufficient detail to allow determination of 63 reconciliations. The total values shown in Ameren Exhibits 3.1 and 3.2 agree, within rounding, to the totals shown on those Informational Sheets. Ameren Exhibits 5.01 and 5.02 attached to the rebuttal testimony of AIC witness, Mr. Leonard A. Mans show the 2008 and 2009 reconciliation under the proposed changes to the tariffs outlined above.

Q. Could you please discuss the Factor O that Staff identified for 2008 for Rider EUA and GUA (ICC Schedule 1.01C, electric and ICC Schedule 1.02C, gas)?

A. When responding to data requests issued by Staff, it was noted that there was a difference in the 2008 AB Factor for Riders EUA and GUA contained in the Informational Filing documents to Ameren Exhibits 3.1 and 3.2. The difference in the two documents stems from the sources relied upon for each. The values in the Informational Filing documents relied upon a billing system query for the period from March – December 2010 to determine amounts collected for the 2008 reporting year uncollectibles. The query inadvertently excluded the first couple of March billing cycles, which occur in the calendar month of February. These uncollectible revenues were not captured at the time of the Information Filing. The values contained in Ameren Exhibits 3.1 and 3.2 originate from the General Ledger System, which correctly captured Rider EUA and GUA uncollectible revenue amounts for the entire March through December billing periods.

Q. How will the Factor O amounts be incorporated into Riders EUA and GUA Incremental Uncollectible Adjustment amounts?

A. The Company will add the resulting Factor O unit rate impact to the currently filed adjustment values at an appropriate time after receiving the final Order in this Proceeding. The Factor O recovery/credits would apply from the first Billing Month after the filing through the May 2013 Billing Period.

III. CONCLUSION

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.