

DIRECT TESTIMONY

of

MIKE OSTRANDER

ACCOUNTANT

Accounting Department  
Financial Analysis Division  
Illinois Commerce Commission

Proposed General Increase in Gas Rates

Ameren Illinois Company

Docket No. 13-0192

June 11, 2013

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**ATTACHMENT**

Attachment A      AIC Response to Staff DR JMO 1.10

1 **Witness Identification**

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

3 A. My name is Mike Ostrander. My business address is 527 East Capitol  
4 Avenue, Springfield, Illinois 62701.

5 **Q. By whom are you employed and in what capacity?**

6 A. I am currently employed as an Accountant in the Accounting Department  
7 of the Financial Analysis Division of the Illinois Commerce Commission  
8 (“ICC” or “Commission”).

9 **Q. Please describe your background and professional affiliation.**

10 A. I received a Bachelor of Business Administration in Accounting from the  
11 University of Notre Dame. I am a Certified Public Accountant and a  
12 Certified Internal Auditor. I joined the Commission Staff (“Staff”) in March  
13 2006. Prior to joining the Commission, I was employed for three years as  
14 a Staff Accountant in public accounting, seventeen years in private  
15 industry with positions ranging from Accounting Manager to Corporate  
16 Officer encompassing all areas of accounting and internal auditing, and  
17 three years as Controller of a law firm and software company.

18 **Q. Have you previously testified before this Commission?**

19 A. Yes, I have testified before the Commission on several occasions.

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

21 A. The purpose of my testimony is to propose adjustments to Ameren Illinois  
22 Company's ("AIC" or the "Company") rate base and operating statement  
23 concerning rate case expenses and budget payment plans. I also provide  
24 a recommendation for the original cost determination per AIC Exhibit 2.5.  
25 Finally, I cite outstanding issues which are related to non-utility operations  
26 and the removal of the costs associated with the implementation of a  
27 small volume gas transportation ("SVT") program if the Commission  
28 should order the Company to not implement a SVT program.

29 **Schedule Identification**

30 **Q. Are you sponsoring any schedules as part of your testimony?**

31 A. Yes. I prepared the following schedules for the Company, which show  
32 data as of, or for the future test year ending, December 31, 2014:

Schedule 3.01 Rate Case Expenses

(Confidential and Public)

Schedules 3.02 Budget Payment Plans

33 Unless identified with a specific rate zone, the following discussion of  
34 schedules and issues apply to all rate zones.

35 **Rate Case Expenses (Confidential and Public)**

36 **Q. Please describe Schedule 3.01, Rate Case Expenses (Confidential**  
37 **and Public).**

38 A. Schedule 3.01 presents my adjustment to remove the estimated expenses  
39 that AIC included in its rate case expense for additional rebuttal witnesses  
40 that may or may not be necessary.<sup>1</sup> The Company's past experience  
41 indicates that expenses will be incurred for additional rebuttal witnesses;  
42 however, the Company does not know which rebuttal witnesses will be  
43 engaged and at what cost or if any additional rebuttal witnesses will be  
44 necessary. AIC based its estimated expenses for possible additional  
45 rebuttal witnesses for this proceeding on the cost of rebuttal witnesses in  
46 the Company's initial electric formula rate filing in Docket No. 12-0001.<sup>2</sup>

47 Since the Company has not supported the need or the cost of additional  
48 rebuttal witnesses that amount of estimated rate case expense must be  
49 removed from the revenue requirement.

50 In rebuttal testimony I will modify my adjustment, if necessary, based on a  
51 review of the support the Company provides for any additional rebuttal  
52 witnesses. Supporting information must be provided for each additional  
53 rebuttal witness to enable the Commission to assess the reasonableness  
54 of amounts expended for rebuttal witnesses for services performed in this  
55 proceeding.

56 **Q. Section 9-229 of the Public Utilities Act ("Act") requires the**  
57 **Commission to expressly address in its final order the justness and**

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<sup>1</sup> AIC Response to Staff Data Request ("DR") JMO 1.01

<sup>2</sup> AIC Response to Staff DR JMO 1.10.

58 **reasonableness of any amount expended by a public utility to**  
59 **compensate attorneys or technical experts to prepare and litigate a**  
60 **general rate case filing. (220 ILCS 5/9-229) Has the Company**  
61 **provided documentation to support the justness and reasonableness**  
62 **of actual rate case expenses incurred through April 30, 2013?**

63 A. The Company has provided supporting documentation for the actual rate  
64 case expenses incurred through April 30, 2013. Staff witness Rochelle  
65 Phipps is in the process of reviewing the documentation supporting the  
66 costs attributable to the review of the Company's cost of common equity  
67 performed by Sussex Economic Advisors. I have reviewed the remaining  
68 documentation not being reviewed by Staff witness Phipps. However,  
69 Staff expects supplemental ("DR") responses from the Company related  
70 to actual rate case expenses incurred as the rate case progresses. Staff  
71 will evaluate the supplemental DR responses to determine whether the  
72 Company has supported its projected rate case expense or if an  
73 adjustment for unreasonable costs is warranted. If such an adjustment is  
74 warranted, Staff will present its recommendation in rebuttal testimony.

75 **Q. Will you provide in rebuttal testimony a Staff recommended amount**  
76 **of rate case expenses and a recommended conclusion for the**  
77 **Commission to make in its final order?**

78 A. Yes. For the amount of reasonable rate case expense costs supported by  
79 AIC, I will recommend in my rebuttal testimony that the Order in this  
80 proceeding express a Commission conclusion as follows:

81 The Commission has considered the costs expended by the  
82 Company to compensate attorneys and technical experts to  
83 prepare and litigate this rate case proceeding and assesses that  
84 such costs in the amount of \$\_\_\_\_\_ are just and  
85 reasonable pursuant to Section 9-229 of the Act (220 ILCS 5/9-  
86 229).

87 **Budget Payment Plans**

88 **Q. Please describe Schedule 3.02, Budget Payment Plans.**

89 A. Schedule 3.02 presents my adjustment to include an average balance of  
90 the Company's budget payment plans in rate base which will reduce the  
91 Company's rate base by the average over-collection associated with the  
92 budget payment plans. Based on its own forecasts, the Company will  
93 over-collect from its customers for the test year.<sup>3</sup> This over-collection  
94 represents a ratepayer funded source of capital. These ratepayer  
95 supplied funds are projected to be available for the Company's use and  
96 should be deducted from the rate base on which the Company is  
97 expected to earn a return.

98 **Q. What method did you use to calculate the budget payment plans**  
99 **account balances?**

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<sup>3</sup> AIC Schedules B-14 RZ-I (CIPS), RZ-II (CILCO), and RZ-III (IP).

100 A. I calculated a 13-month average of the account balances for the test year.  
101 Budget payment plans are programs designed to produce level payments  
102 and reduce wide fluctuations in customer utility bills. A 13-month average  
103 is more representative than a year-end balance and is consistent with the  
104 methodology used in the determination of the test year amounts for other  
105 rate base items: materials and supplies and customer deposits.

106 **Original Cost Determination**

107 **Q. The Company requests that the Commission conclude and make a**  
108 **finding in the Order in this proceeding that AIC's plant balances as of**  
109 **December 31, 2011, as reflected on Ameren Exhibit 2.5, be approved**  
110 **for purposes of an original cost determination. (Ameren Exhibit 2.0,**  
111 **p. 25) Do you agree with the Company's request?**

112 A. Yes. The requested determinations are made separately by rate zones  
113 and include adjustments to reflect prior Commission disallowances to  
114 plant in service.

115 **Q. What findings do you recommend the Commission make regarding**  
116 **AIC's original cost of plant in service in this proceeding?**

117 A. The Commission's Order in this proceeding should include the following  
118 Findings and Ordering paragraphs:

119 (x1) the Commission, based on AIC's gas Rate Zone I original  
120 cost of plant in service as of December 31, 2011, before  
121 adjustments, of \$410,594,000, and reflecting the  
122 Commission's determination adjusting that figure, approves

123 \$407,242,000 as the original cost of plant for AIC's gas Rate  
124 Zone I as of said date;

125

126 (x2) the Commission, based on AIC's gas Rate Zone II original  
127 cost of plant in service as of December 31, 2011, before  
128 adjustments, of \$571,575,000, and reflecting the  
129 Commission's determination adjusting that figure, approves  
130 \$566,851,000 as the original cost of plant for AIC's gas Rate  
131 Zone II as of said date; and

132

133 (x3) the Commission, based on AIC's gas Rate Zone III original  
134 cost of plant in service as of December 31, 2011, before  
135 adjustments, of \$1,013,093,000, and reflecting the  
136 Commission's determination adjusting that figure, approves  
137 \$1,004,731,000 as the original cost of plant for AIC's gas  
138 Rate Zone III as of said date.

139

140 **Other Outstanding Issues**

141 **Q. Are there any other issues on which you have not presented**  
142 **testimony, but on which future testimony may be warranted?**

143 A. Yes. First, as of the writing of this testimony, I am awaiting the  
144 Company's responses to Staff Data Requests JMO Series 8 (JMO 8.01  
145 through JMO 8.06) regarding non-utility operations. Depending on the  
146 information presented in the Company's responses to those data  
147 requests, supplementary direct testimony and further adjustments may be  
148 necessary.

149 Second, the Company has included projected capital expenditures in the  
150 test year revenue requirement for the implementation of a SVT support  
151 system, pending the Commission decision regarding the program. The

152 Company did disclose that “If the Commission decides not to order an  
153 SVT program, the revenue requirements associated with the capital  
154 expenditures can be removed from the case.”<sup>4</sup> These costs are included  
155 in the test year revenue requirement and should the Commission order  
156 the Company to not implement an SVT program, then the costs  
157 associated with the SVT program should be removed from the test year.

158 **Conclusion**

159 **Q. Does this question end your prepared direct testimony?**

160 **A. Yes.**

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<sup>4</sup> AIC Schedule F-4, p. 6.

**Ameren Illinois Company's  
Response to ICC Staff Data Requests  
Docket No. 13-xxxx  
Proposed General Increase in Natural Gas Delivery Service Rates  
Data Request Response Date: 3/5/2013**

JMO 1.10

Referring to Schedule WPC-10, Rate Case Expense, page 1 of 6, line 7, "Other Rebuttal Witnesses", please explain if the indicated witnesses may or may not file rebuttal testimony depending upon how issues develop in the current rate case.

**RESPONSE**

**Prepared By: Ronald D. Stafford  
Title: Director, Regulatory Accounting  
Phone Number: 314-206-0584**

AIC objects to this request to the extent it asks for information protected from disclosure by the attorney-client privilege or attorney work product doctrine. Subject to and without waiving that objection, AIC responds as follows.

Schedule WPC-10, Rate Case Expense, page 1 of 6, line 7, column (B) should read "Miscellaneous Rebuttal Issues" and does not indicate that rebuttal work is expected by particular witnesses. The witnesses referred to on Schedule WPC-10 page 1 of 6, line 7, "Other Rebuttal Witnesses" were the rebuttal witnesses in AIC's initial electric formula rate filing in Docket No. 12-0001, and the actual expenses resulting from their services in that case were used to develop the Other Rebuttal Witnesses cost estimate in this case. See AIC's response to JMO 1.04. However, these witnesses may or may not file rebuttal or surrebuttal testimony, and other, as of yet unidentified, witnesses may file rebuttal or surrebuttal testimony, depending upon how the issues develop in the current rate case. The Company cannot anticipate whether or which other witnesses will be required at the rebuttal or surrebuttal stage of this proceeding at this time. However, AIC's past experience indicates that cost will be incurred for rebuttal witnesses. See also AIC's response to JMO 1.01, discussion of Other Rebuttal Witnesses.

**Ameren Illinois Gas  
 Rate Case Expenses  
 For the Test Year Ending December 31, 2014  
 (In Thousands)**

Line No.	Description	RZ I (CIPS)	RZ II (CILCO)	RZ III (IP)
(a)	(b)	(c)	(d)	(e)
1	Amounts per Staff	\$ 730	\$ 730	\$ 730
2	Amounts per Company	<u>804</u>	<u>804</u>	<u>804</u>
3	Staff Proposed Adjustments (Line 1 - Line 2)	(74)	(74)	(74)
4	2 Year Amortization Period	<u>2</u>	<u>2</u>	<u>2</u>
5	Staff Proposed Adjustments (Line 3 / Line 4)	<u>\$ (37)</u>	<u>\$ (37)</u>	<u>\$ (37)</u>

Sources:

Line 1 - Staff Exhibit 3.0, Schedule 3.01, page 2 of 2, column (h), line 10  
 allocated 33.33% to each rate zone per AIC Schedule WPC-10 RZ

Line 2 - AIC Schedule C-10 RZ I (CIPS), RZ II (CILCO), RZ III (IP)

Line 4 - AIC Schedule C-10

**NOTE: Only Page 2 is Confidential**

**Ameren Illinois Gas  
 Rate Case Expenses  
 For the Test Year Ending December 31, 2014  
 (In Thousands)**

Line No.	Description	Estimate	4/30/2013 Actual	Remaining Estimate (c) - (d)	Remaining Estimate Adjustment	Disallowed Amount	Allowed Amount (d)+(e)+(f)+(g)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1	Concentric Energy Advisors	\$ 276					\$ 276
2	Concentric Energy Advisors	76					76
3	Sussex Economic Advisors	131					131
4	Kerber Eck & Braeckel	53					53
5	Tower Watson	15					15
6	Other Rebuttal Witnesses	224					-
7	Other	114					114
8	CW Flynn	300					300
9	Whitt Sturtevant	<u>1,224</u>					<u>1,224</u>
10	Total Rate Case Expense (Sum of Line 1 through Line 9)	<u>\$ 2,413</u>	<u>\$ 932</u>	<u>\$ 1,481</u>	<u>\$ -</u>	<u>\$ (224)</u>	<u>\$ 2,189</u>

Sources:

Column (c) = AIC WPC-10

Column (d) = AIC response to Staff Data Request JMO 1\_07S3 Attach 1 Confidential

**Ameren Illinois Gas  
 Budget Payment Plans  
 For the Test Year Ending December 31, 2014  
 (In Thousands)**

Line No.	Description	RZ I (CIPS)	RZ II (CILCO)	RZ III (IP)
(a)	(b)	(c)	(d)	(e)
1	Amounts per Staff	\$ (79)	\$ (111)	\$ (145)
2	Amounts per Company	<u>-</u>	<u>-</u>	<u>-</u>
3	Staff Proposed Adjustments (Line 1 - Line 2)	<u>\$ (79)</u>	<u>\$ (111)</u>	<u>\$ (145)</u>

Sources:

Line 1 - Staff Exhibit 3.0, Schedule 3.02, page 2 of 2, columns (c), (d) and (e), line 15

Line 2 - AIC Schedule B-1 RZ I (CIPS), RZ II (CILCO), RZ III (IP)

Note:

The amounts per Staff for the 13 month average overpayments are reflected as negative amounts since the overpayments will reduce the Company's test year rate base.

**Ameren Illinois Gas  
 Budget Payment Plans  
 For the Test Year Ending December 31, 2014  
 (In Thousands)**

Line No.	Description	RZ I (CIPS) Budget Plan Balances	RZ II (CILCO) Budget Plan Balances	RZ III (IP) Budget Plan Balances
(a)	(b)	(c)	(d)	(e)
1	December, 2013	\$ (1,148)	\$ (1,602)	\$ (2,104)
2	January	292	407	534
3	February	1,385	1,933	2,539
4	March	1,662	2,318	3,046
5	April	1,268	1,769	2,324
6	May	614	856	1,125
7	June	182	255	334
8	July	190	265	348
9	August	327	456	599
10	September	(110)	(153)	(201)
11	October	(1,020)	(1,423)	(1,869)
12	November	(1,463)	(2,041)	(2,681)
13	December, 2014	<u>(1,148)</u>	<u>(1,602)</u>	<u>(2,104)</u>
14	Sum of Lines 1 through 13	<u>1,031</u>	<u>1,438</u>	<u>1,890</u>
15	Budget Payment Plan 13 Month Average Overpayments  (Line 14 / 13)	<u>\$ 79</u>	<u>\$ 111</u>	<u>\$ 145</u>

Sources:

- Column (c) - AIC Schedule B-14 RZ-I (CIPS)
- Column (d) - AIC Schedule B-14 RZ-II (CILCO)
- Column (e) - AIC Schedule B-14 RZ-III (IP)

Notes:

- A positive balance reflects the amount of overpayments made by customers.
- A negative balance reflects the amount owed by customers.