

REBUTTAL TESTIMONY

of

MIKE OSTRANDER

Accounting Department

Financial Analysis Division

Illinois Commerce Commission

Ameren Illinois Company d/b/a Ameren Illinois  
Proposed General Increase in Gas Rates

Docket No. 13-0192

August 7, 2013

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**ATTACHMENTS**

- Attachment A      AIC Response to Staff DR JMO 9.03
- Attachment B      AIC Response to Staff DR JMO 9.01 CONFIDENTIAL
- Attachment C      AIC Response to Staff DR JMO 7.03

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. Are you the same Mike Ostrander who previously provided direct  
6 testimony in this proceeding?**

7 A. Yes. My direct testimony was filed on June 11, 2013 as ICC Staff Exhibit  
8 3.0.

9 **Purpose of Testimony**

10 **Q. What is the purpose of your rebuttal testimony?**

11 A. The purpose of my rebuttal testimony is to:

- 12 a) Identify issues contained in my direct testimony that the Company  
13 does not contest;
- 14 b) Modify my rate case expense adjustment;
- 15 c) Present the amounts associated with the removal of the costs  
16 associated with the implementation of a small volume gas  
17 transportation ("SVT") program if the Commission should order the  
18 Company to not implement a SVT program; and
- 19 d) Recommend that the Company in surrebuttal testimony disclose  
20 the projects eligible as Qualified Infrastructure Plant ("QIP") through

21 a QIP Rider that are included in the Company's surrebuttal revenue  
22 requirement.

23 **Q. Please identify any adjustments from your direct testimony that the**  
24 **Company no longer contests and has reflected in its rebuttal revenue**  
25 **requirement.**

26 A. The Company no longer contests and has reflected in its rebuttal revenue  
27 requirement the budget payment plans adjustment that I proposed in my  
28 direct testimony, ICC Staff Exhibit 3.0, Schedule 3.02. (Ameren Ex. 17.0R,  
29 30:630-634.)

30 **Q. Were there any other issues from your direct testimony that the**  
31 **Company no longer contests?**

32 A. Yes. The Company accepts my recommendation for the original cost  
33 determination. (Ameren Ex. 17.0R, 3:59-62.)

34 **Schedule Identification**

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

36 A. Yes. I prepared the following schedule for the Company, which shows  
37 data as of, or for the future test year ending, December 31, 2014:

Schedule 12.01 Rate Case Expenses

(Confidential and Public)

38 Unless identified with a specific rate zone, the following discussion applies  
39 to all rate zones.

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

41 **Q. Please describe Schedule 12.01, Rate Case Expenses (Confidential**  
42 **and Public).**

43 A. Schedule 12.01 is a revised adjustment to AIC's estimated rate case  
44 expense that removes expenses AIC agrees are now not necessary. (ICC  
45 Staff Ex. 12.0, Attachment A.) My rebuttal testimony rate case expense  
46 amount includes the Company's estimated costs of services, regarding  
47 cash working capital issues, to be provided by David A. Heintz of  
48 Concentric Energy Advisors, Inc, for which AIC has provided support. (ICC  
49 Staff Ex. 12.0, Attachment B (Confidential).)

50 **Q. Section 9-229 of the Public Utilities Act ("Act") (220 ILCS 5/9-229)**  
51 **requires the Commission to expressly address in its final order the**  
52 **justness and reasonableness of any amount expended by a public**  
53 **utility to compensate attorneys or technical experts to prepare and**  
54 **litigate a general rate case filing. Does the evidence set forth by the**  
55 **Company in support of amounts expended to compensate attorneys**  
56 **and technical experts satisfy the requirements of Section 9-229?**

57 A. Although I am not an attorney, it appears that the evidence set forth by the  
58 Company is of a type that may allow the Commission to make the required  
59 Section 9-229 assessment. The Company intends to submit the  
60 supporting documentation provided, and the supplemental documentation

61 it will provide, as an exhibit for the record after it files surrebuttal testimony  
62 due to the quantity of information. (Ameren Ex. 17.0R, 12:247-250.)

63 Staff witness Rochelle Phipps has reviewed the documentation supporting  
64 the costs attributable to the review of the Company's cost of common  
65 equity performed by Sussex Economic Advisors. She concluded that no  
66 adjustments were necessary. (Staff Ex. 5.0, 40:727-728, 41:729-732.)

67 I have reviewed the remaining documentation not being reviewed by Staff  
68 witness Phipps that supports the actual costs incurred through April 30,  
69 2013 and the methods to determine the projected costs. However, as  
70 noted above, my review resulted in a reduction to the estimated rate case  
71 expenses that the Company included in its revenue requirement to reflect  
72 the estimated costs for only one rebuttal witness.

73 In addition, I may receive supplemental DR responses from the Company  
74 that may provide additional documentation of actual costs. If there is  
75 sufficient time between the time of receipt of the responses and the  
76 evidentiary hearing, I will evaluate the supplemental DR responses to  
77 determine if an adjustment for unreasonable costs is warranted. If such  
78 an adjustment is warranted, I will file supplemental rebuttal testimony.

79 As described above, I reviewed the invoices provided to me by the  
80 Company which detailed Section 9-229 expenses by attorneys and  
81 outside technical experts. In my opinion, the amounts appear to be just

82 and reasonable. I have also reviewed the documentation provided by the  
83 Company that supports the remaining estimated rate case expenses not  
84 yet invoiced and it appears that the amounts are just and reasonable.

85 **Q. Do you have a recommendation for the Commission as to the**  
86 **language that should be included in the final order?**

87 A. If the Order in this proceeding were to conclude that the Commission is  
88 able to make the determination as to the justness and reasonableness of  
89 amounts expended to compensate attorneys and technical experts to  
90 prepare and litigate this rate filing pursuant to Section 9-229 of the Act, I  
91 recommend that the Order in this proceeding express a Commission  
92 conclusion as follows:

93 The Commission has considered the costs expended by the  
94 Company to compensate attorneys and technical experts to  
95 prepare and litigate this rate case proceeding and assesses that  
96 such costs in the amount of \$2.209 million<sup>1</sup> are just and reasonable  
97 pursuant to Section 9-229 of the Act (220 ILCS 5/9-229).

98 **SVT Costs**

99 **Q. Do you have a recommendation regarding SVT costs?**

100 A. Yes. The Company has included projected capital expenditures in the test  
101 year revenue requirement for the implementation of a SVT support  
102 system, pending the Commission decision regarding the program. The  
103 Company did disclose that “[i]f the Commission decides not to order an

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<sup>1</sup> Staff Ex. 12.0, Sched. 12.01, 2.

104 SVT program, the revenue requirements associated with the capital  
105 expenditures can be removed from the case.” (Ameren Sched. F-4, 6.)

106 These costs are included in the test year revenue requirement and should  
107 the Commission order the Company to not implement an SVT program,  
108 then the costs associated with the SVT program should be removed from  
109 the test year. (ICC Staff Ex. 12.0, Attachment C.)

110 **Qualified Infrastructure Plant**

111 **Q. Do you have a recommendation regarding QIP?**

112 A. Yes. Section 9-220.3 of the Act authorizes the recovery of costs  
113 associated with investments in QIP through a QIP Rider that was  
114 approved by the Commission in Docket No. 13-0458. Staff DR JMO 11.01  
115 has requested that the Company identify the projects and related rate  
116 base and operating statement amounts that would qualify as QIP eligible  
117 projects that are included in the test year in this proceeding. I recommend  
118 that the Company in surrebuttal testimony disclose the QIP eligible  
119 projects that are included in the Company’s surrebuttal revenue  
120 requirement. I also recommend that the Company in surrebuttal testimony  
121 provide assurance and the rationale for that assurance that the QIP  
122 eligible projects included in the revenue requirement in this proceeding will  
123 not also be included for recovery in the QIP Rider.

124 **Conclusion**

125 **Q. Does this question end your prepared rebuttal testimony?**

126 **A. Yes.**

**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	\$ 736	\$ 736	\$ 736
2	Amounts per Company	<u>804</u>	<u>804</u>	<u>804</u>
3	Staff Proposed Adjustments (Line 1 - Line 2)	(68)	(68)	(68)
4	2 Year Amortization Period	<u>2</u>	<u>2</u>	<u>2</u>
5	Staff Proposed Adjustments (Line 3 / Line 4)	<u>\$ (34)</u>	<u>\$ (34)</u>	<u>\$ (34)</u>

Sources:

Line 1 - Staff Exhibit 12.0, Schedule 12.01, 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					20
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>\$ (204)</u>	<u>\$ 2,209</u>

Sources:

Column (c) = AIC WPC-10

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

Column (g), line 6 = AIC response to Staff Data Request JMO 9.01 Confidential

**Ameren Illinois Company's  
Response to ICC Staff Data Requests  
Docket No. 13-0192  
Proposed General Increase in Natural Gas Delivery Service Rates  
Data Request Response Date: 7/18/2013**

JMO 9.03

**(Rate Case Expenses – Rebuttal Witness)** Will rate case expenses be incurred for rebuttal witnesses other than Mr. Heinz? If so, please provide the information requested in Staff Data Requests JMO 9.01 and JMO 9.02 for those witnesses.

**RESPONSE**

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

To date, Mr. Heintz is the only rebuttal witness that has been engaged by the Company. Please also refer to page 10, lines 196-215, of Mr. Stafford's Rebuttal Testimony.

**Ameren Illinois Company's  
 Response to ICC Staff Data Requests  
 Docket No. 13-0192  
 Proposed General Increase in Natural Gas Delivery Service Rates  
 Data Request Response Date: 7/18/2013**

JMO 9.01

**(Rate Case Expenses – Rebuttal Witness)** Referring to the rebuttal testimony of Ronald D. Stafford, Ameren Exhibit 17.0, page 9, please provide the supporting documentation for the estimated cost of the services to be provided by rebuttal witness David A. Heinz of Concentric Energy Advisors, Inc. The supporting documentation, including engagement letters, contracts, etc., must specify (1) the services to be performed, (2) by whom they will be performed, (3) the estimated time to be expended, and (4) the hourly rate charged.

**RESPONSE**

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

**CONFIDENTIAL and PROPRIETARY**  
 (highlighted text only)

Mr. Heintz has been engaged by Ameren Illinois Company (“Company”) to provide testimony on Cash Working Capital issues. An estimate of the services to be provided and the related cost are as follows:

Item	Estimated Hours	Hourly Rate	Estimated Cost
<b>Services</b>			
Rebuttal Testimony	7.5		
Surrebuttal Testimony	8.0		
Witness Prep	8.0		
Hearings	8.0		
Briefs, Reply Briefs, Briefs on Exceptions, Review Proposed Order, Review Final Order	8.0		
<b>Total Services</b>	<b>39.5</b>		
<b>Expenses</b>			
Witness prep trip to St. Louis			
Hearing trip to Springfield			
<b>Total Expenses</b>			

Total All				
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The cost estimate presented above, related to post-filing support provided in the Company’s gas rate proceeding, reflects only those costs associated with the services to be provided by Mr. Heintz, as requested in the data request, and not the total post-filing support services to be provided by Concentric.

**Ameren Illinois Company's  
Response to ICC Staff Data Requests  
Docket No. 13-0192  
Proposed General Increase in Natural Gas Delivery Service Rates  
Data Request Response Date: 5/9/2013**

JMO 7.03

Referring to the response to JMO 7.01, Project J00QW – Small Volume Gas Transport System, please provide the pro-forma adjustments that would be required to remove this project from the 2014 revenue requirement in the event the project is delayed for any reason and therefore, not placed in service during 2014.

**RESPONSE**

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

JMO 7.03 Attach provides the adjustments that would be required if the assets associated with Project J00QW – Small Volume Gas Transport System were not placed in service during 2014.

**AMEREN ILLINOIS COMPANY**  
**Capital Expenditures**  
**\$000**

Line No.	Project	Description	Account Group	Description	Capital \$000	Capital \$ / 2	Depreciation Expense	Accumulated Depreciation	Deferred Taxes
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
1	J00QW	Small Volume Gas Transport System	301-303	Gas Intangible Plant	\$ 7,009	3,505	156	156	(528)