

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Ameren Illinois Company	:	
d/b/a Ameren Illinois	:	
	:	13-0476
	:	
Revenue-neutral tariff changes	:	
related to rate design. (tariffs filed	:	
July 22, 2013)	:	

ORDER

DATED: March 19, 2014

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I. INTRODUCTION

A. Procedural History

On July 22, 2013, Ameren Illinois Company d/b/a Ameren Illinois (“AIC” or “Ameren” or the “Company”) filed revised tariff sheets (“Filed Rate Schedule Sheets”) with the Illinois Commerce Commission (“Commission”). The filing was made pursuant to Section 16-108.5(e) of the Illinois Public Utilities Act (the “Act”) (220 ILCS 5/16-108.5(e)) which requires utilities with performance-based formula rates to file at 3 year intervals tariffs that propose revenue-neutral tariff changes or to re-file the existing tariffs without a change. The filing presents the Commission with an opportunity to consider revenue-neutral tariff changes related to rate design.

The Company proposes certain modifications to its embedded cost of service study (“ECOSS”) methodology as well as modifications to financial allocators required to separate AIC costs into costs attributed to each Rate Zone. The modifications address how the revenue requirement is to be recovered from various customer classes and among the various Rate Zones. This proceeding is limited to considering revenue neutral tariff changes to the allocation of delivery service costs among Ameren’s rate classes and possible changes to the rate design and rate components for Ameren in accordance with provisions of subsection 16-108.5(e) of the Act.

On August 14, 2013, the Commission issued a Suspension Order which suspended the Filed Rate Schedule Sheets for the Commission to “enter upon a hearing concerning the propriety of the proposed revenue-neutral tariff changes related to rate design.” The Filed Rate Schedule Sheets were resuspended on December 4, 2013. Pursuant to notice duly given in accordance with the law and the rules and regulations of the Commission, a status hearing was held in this matter before a duly appointed Administrative Law Judge (“ALJ”) on September 11, 2013 at the Commission offices in Springfield, Illinois. A schedule was set. The Citizens Utility Board (“CUB”), the Illinois Industrial Energy Consumers (“IIEC”), the Grain and Feed Association of

Illinois ("GFA"), and the Commercial Group filed Petitions to Intervene which were granted. Staff of the Commission ("Staff") and the People of the State of Illinois ("AG") also participated in the proceeding.

An evidentiary hearing was held on December 11, 2013 at the offices of the Commission in Springfield, Illinois. Appearances at the hearing were entered on behalf of all parties. AIC presented the testimony of Leonard M. Jones, its Director of Rates and Analysis, Ryan K. Schonhoff, a Regulatory Consultant at the Company, and Steven D. Martin, Supervisor of Regulatory Accounting for AIC. Staff presented the testimony of Philip Rukosuev and Cheri L. Harden, Rate Analysts in the Rates Department of the Financial Analysis Division and Mary H. Everson, an Accountant in the Accounting Department, of the Financial Analysis Division. The AG presented the testimony of Scott J. Rubin, an attorney and consultant in the area of public utility industry. The GFA presented the testimony of Jeffrey Adkisson, its Executive Vice President and Treasurer. The IIEC presented the testimony of two consultants in the field of public utility regulation at Brubaker & Associates, Inc.: Robert R. Stephens, also a Principal, and Amanda M. Alderson.

The record was marked "Heard and Taken" on January 8, 2014. Initial and Reply Briefs were filed. A Proposed Order ("PO") was served on the parties. AIC, Staff, IIEC, the AG, and the GFA filed briefs on exception ("BOEs").

B. Nature of Operations

AIC is a combination gas and electric public utility whose service area is located in central and southern Illinois and consists of former service territories of its three predecessor companies: AmerenCILCO, AmerenCIPS, and AmerenIP. AIC was formed on October 1, 2010, when AmerenCILCO and AmerenIP were merged into AmerenCIPS. Concurrent with the merger, the newly formed company changed its name to Ameren Illinois Company and began doing business in this State as Ameren Illinois. Ameren Illinois provides electric delivery service to approximately 1.2 million Illinois customers.

C. Applicable Law

The scope of this proceeding is limited to considering revenue neutral tariff changes to the allocation of delivery service costs among AIC's rate classes and possible changes to the rate design formula of Rate MAP-P - Modernization Action Plan - Pricing ("Rate MAP-P") and Rate DS-6 - Temperature Sensitive Delivery Service ("Rate DS-6") in accordance with provisions of subsection 16-108.5(e) of the Act.

Section 16-108.5(e) of the Act provides:

Nothing in subsections (c) or (d) of this Section shall prohibit the Commission from investigating, or a participating utility from filing, revenue-neutral tariff changes related to rate design of a performance-

based formula rate that has been placed into effect for the utility. Following approval of a participating utility's performance-based formula rate tariff pursuant to subsection (c) of this Section, the utility shall make a filing with the Commission within one year after the effective date of the performance-based formula rate tariff that proposes changes to the tariff to incorporate the findings of any final rate design orders of the Commission applicable to the participating utility and entered subsequent to the Commission's approval of the tariff. The Commission shall, after notice and hearing, enter its order approving, or approving with modification, the proposed changes to the performance-based formula rate tariff within 240 days after the utility's filing. Following such approval, the utility shall make a filing with the Commission during each subsequent 3-year period that either proposes revenue-neutral tariff changes or re-files the existing tariffs without change, which shall present the Commission with an opportunity to suspend the tariffs and consider revenue-neutral tariff changes related to rate design.

Pursuant to Section 16-108.5(e), the Commission must reach a decision in this proceeding within 240 days from the initial filing, March 20, 2014. The resulting rate design would be implemented when the revenue requirement from the Company's 2014 annual formula rate update will be implemented in January 2015.

II. COST ALLOCATION

A. Resolved Issues

With regard to cost allocation, there are three uncontested issues discussed immediately below. The Commission finds that in each instance, the record supports adopting the uncontested proposal and each is hereby adopted.

1. Allocation Using Supply and Service Voltage Designations

AIC proposes to modify its Electric Cost of Service Study to allocate distribution plant costs using supply voltage and service voltage, rather than the current methodology that allocates those costs based solely on supply voltage. (Ameren Ex. 2.0, pp. 7-9) Staff recommends that the Commission accept AIC's cost allocation approach using both supply and service voltage to allocate distribution plant rather than only using supply voltage. (Staff Ex. 1.0C, p 13) Staff relies upon AIC's explanation that using both supply and service voltage will better determine the collective demand of all customers within each rate class and each rate class' relative contribution to total system demand at each voltage level of the distribution system. (Ameren Ex. 2.0, at 7:134-143) Staff states that AIC's proposed methodology was proposed and adopted in the Proposed Order ("PO") in Docket No. 11-0279 *Ameren Illinois Company d/b/a Ameren Illinois Proposed general increase in electric delivery service rates* (henceforth "Docket No. 11-0279"), although that docket was withdrawn as required by the newly enacted Section 16-108.5(c) of the Act, before a Final Order was entered by the

Commission. Staff notes that in Docket Nos. 09-0306 through 09-0311 (Cons.), *Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a AmerenIP, Proposed general increase in electric delivery service rates*, Order, (Apr. 29, 2010), (henceforth "Docket Nos. 09-0306, et al."), the Commission directed AIC to use supply voltage as the allocator of distribution assets to DS-4 customers in future electric rate filings unless more persuasive evidence was provided. Staff asserts that AIC provided such new supporting evidence in Docket No. 11-0279 and again in this proceeding. Staff states that the proposed approach using supply voltage and service voltage designations for cost allocation refined AIC's electric ECOSS and led to a more transparent and accurate allocation of costs at the subclass level. Staff agrees with AIC that allocating these costs using the supply voltage alone results in illogical and inappropriate allocation of costs and recommends that the Commission approve the proposed allocation change. (Staff Ex. 1.0C, pp. 12-13) The AG also accepts AIC's position on this ECOSS modification. (AG Ex. 1.0, p. 4) No other party addressed this issue.

2. Functionalization of Overhead Distribution Lines

AIC proposes a modification to the functionalization of overhead distribution lines (FERC Accounts 364-365) from a two-stage process to a process that incorporates all voltage categories of overhead distribution lines into the Replacement Cost New ("RCN") study. (Ameren Ex. 2.0, pp. 13-15) Initially, Staff agreed conceptually with using a more accurate method to functionalize these costs, but stated it was not confident that implementation of its proposal is as straightforward as AIC suggests. Staff requested that AIC address its concerns, explain the proposed methodology in greater detail, and provide evidence to substantiate the reasonableness of the modification and to establish that it would better reflect cost causation. (Staff Ex. 1.0C, pp. 7-10) AIC provided additional evidence, which includes an explanation of the superior accuracy and functionalization of costs using this modification, as well as an explanation of why a new cost allocation method was not required by adoption of the functionalization modification. (Ameren Ex. 5.0 (Rev.), pp. 3-9) In rebuttal testimony, Staff testifies that it agrees that AIC's new method will provide a better functionalization of costs. Staff recommends that the Commission approve AIC's proposed modification to its functionalization of overhead distribution lines as it more accurately and consistently categorizes costs and results in an ECOSS that more accurately assigns costs to the rate classes. (Staff Ex. 4.0, pp. 3-4) The AG also accepts AIC's position on this ECOSS modification. (AG Ex. 1.0, p. 4) No other party addressed this issue.

3. Use of CUST370 and CUST 370A Allocation Factors for Meter Investments

AIC states its proposal separates meter investment components into two categories: (i) Meters (CUST370) and (ii) Potential and Current Transformers (CUST370A). It asserts its proposal refines the presentation of the meter investment allocation in proceedings after Docket Nos. 09-0306, et al. (Ameren Ex. 5.0 (Rev.), pp. 25-31) The IIEC initially presented concerns that CUST370A was a new allocation

method that should not be adopted without additional support. (IIEC Ex. 2.0, pp. 2–10) These concerns were eliminated by AIC’s explanation that use of the CUST370A allocator was not a methodological change in the way costs would be allocated. (IIEC Ex. 4.0, p. 2)

In her initial testimony, IIEC witness Amanda Alderson raised concerns regarding the new allocation factor, CUST370A contained in each of the three Rate Zone ECOSS model files and used to allocate a portion of meter investment costs. (IIEC Ex. 2.0, at 2:25-28) She states that she was concerned with what appeared to be a new and unexplained allocation method employed by the Company. (IIEC Ex. 4.0, at 2:5-6) She explains that the perceived impact of the new factor, versus continued use of what seemed to be the previous methodology, CUST370, appeared to be a significant cost shift between delivery service classes. (Id., at 2:9-11)

Ms. Alderson states that AIC witness Schonhoff demonstrated that the Company simply changed the presentation of data, but did not actually change the underlying allocation methodology in the CUST370A allocator. (Ameren Ex. 5.0 Rev., p. 26) She notes that he also provided a mathematical analysis which shows that when combining CUST370 and CUST370A allocators as proposed, the results are very similar to the prior CUST370 allocation factor used in Docket Nos. 09-0306, et al. She states that the slight differences are due only to updated assumptions in meter counts and component cost estimates. IIEC concludes that although AIC did not explain the change in its direct testimony, it did not make a substantive change in the allocation methodology regarding its meter investment cost, but merely a change in the ECOSS presentation. As such IIEC does not object to AIC’s use of the allocator CUST370A.

B. Contested Issues

1. Allocator for Primary Distribution Line Costs

a. AIC's Position

AIC states that it and Staff have reached an agreement about the using a hybrid of the Coincident Peak ("CP") allocation method generally supported by Staff and the Non-Coincident Peak ("NCP") allocation method generally supported by the AIC, for the primary distribution line allocation method that should be used by AIC for rates effective for the January 2015 billing period. The Company says the “Modified Primary Line Allocator,” which sets forth the agreement, contains allocation factors which are presented on a class-specific basis in AIC Cross Exhibit 3. AIC asserts that the Modified Primary Line Allocator is reasonable given recent precedent on the topic and that it addresses specific concerns held by Ameren regarding the potential under-allocation of costs to DS-5 and DS-6 customers using the CP method recommended by Staff. It notes that disagreement between Staff and AIC on the propriety of using the CP or NCP method for distribution plant has been ongoing since at least 2009. See e.g., Docket Nos. 09-0306, et al., Order (Apr. 29, 2010), pp. 232–37.

AIC asserts that the Modified Primary Line Allocator allocates primary distribution line costs based on CP demands for the DS-1, DS-2, DS-3 and DS-4 customer classes, uses an allocation percentage equal to that derived using the NCP method for the new DS-6 customer class, and incorporates a percentage equal to 50% of the value derived under the NCP method (which is also roughly equivalent to the value derived using the 12 CP method) for DS-5 street lighting customers. (See AIC Cross Ex. 3;Tr., at 131:12–132:2)

AIC witness Schonhoff states that AIC currently allocates gross distribution plant associated with primary distribution lines using a CP allocator. (Ameren Ex. 2.0, p. 9) He asserts that under this method the amount of primary distribution line plant cost allocated to each delivery service rate class is proportionate to the class' contribution, if any, at the time of the Company's annual single hour system peak demand. (Id., at 9:190–93) He testifies that, for purposes of this case, AIC proposed to adopt the NCP method, which allocates costs according to the single highest hourly aggregate demand at the time of peak for only those customers within each rate class, regardless of the time of AIC's overall system peak demand. (Id., at 9:194–10:199) He states that Staff contested the AIC's NCP proposal. (Tr., at 130:23–131:4)

According to Mr. Schonhoff, AIC supports the NCP method because it is a more appropriate allocator to use for facilities operated at lower voltage levels, such as primary distribution lines, and which have lower load diversity than higher voltage distribution facilities. (Ameren Ex. 5.0 (Rev.), p. 14; Ameren Ex. 8.0, p. 4) He states that AIC also was, and is, particularly concerned about the under allocation of costs to DS-5 and DS-6 customers under the CP approach. (Ameren Ex. 2.0, pp. 12–13; Ameren Ex. 5.0 (Rev.), pp. 14–16; Ameren Ex. 8.0, pp. 12–21) In his view, using the CP method would result in significant under allocation to these classes of customers, which would adversely and inappropriately affect the other classes. (Ameren Ex. 5.0 (Rev.), at 9:190–10:196)

Mr. Schonhoff explains that the DS-5 lighting class consists of a large number of individual lighting devices with small individual demands dispersed throughout the system. He testifies that under the currently-approved CP method, the DS-5 lighting class fails to receive a single dollar of the cost allocation of primary distribution lines, due to the fact that the CP Demand is zero during AIC's single hour peak. He asserts that it is inappropriate to allocate zero costs of substations and primary distribution lines to a class that uses both of these facilities. (Ameren Ex. 2.0, at 12:255–13:260) AIC asserts that the Modified Primary Line Allocator addresses this situation by allocating to the DS-5 customer class 50% of the primary distribution line costs that would have otherwise been allocated to DS-5 customers using the AIC-proposed NCP method. It asserts the Modified Primary Line Allocator represents a middle ground approach between the CP allocator offered by Staff and the NCP allocator offered by AIC. The Company states this allocation factor ensures that the DS-5 customer class is allocated some (albeit a small percentage of) primary distribution line costs, but also tempers the allocation to address Staff's concerns about the potential for an over allocation of distribution plant costs for the DS-5 class under the NCP method.

Mr. Schonhoff also asserts that the DS-6 class would receive cost allocations of the primary distribution system that are far too low using the CP method. (Ameren Ex. 5.0 (Rev.), at 15:306–09) He explains that the DS-6 rate class imposes large demands on the primary distribution system (primary distribution lines). He then asserts that the CP method simply doesn't perform well when allocating costs of primary distribution lines to the DS-6 class. (Id., at 16:318–20) According to Mr. Schonhoff, the DS-6 class imposes its largest demands on the primary system during the off-peak fall period and the NCP method more appropriately recognizes this. Therefore, he concludes, the NCP method is more appropriate to use in allocating costs of primary distribution lines to the DS-6 class. (Id., at 16:320–23)

In surrebuttal testimony, AIC provides counterpoints with respect to Staff's arguments, explaining that based on the Company's review of the billing determinants provided in the proceeding, it expects customers to switch to the new DS-6 rate, which will be beneficial to many of those who are eligible. (Ameren Exs. 8.0, pp. 20-21; 8.1) Mr. Schonhoff states that the DS-6 class consists of much fewer customers than DS-5, all of which will have a relatively large demand. He notes that only DS-3 or DS-4 customers can take service under the optional DS-6 rate. Mr. Schonhoff asserts that local primary line circuits are built to serve local primary line demands, which are often set in the fall when DS-6 customer demands are the highest. He says that the migration of customers to the DS-6 class can drive the annual primary distribution line peak demand, causing it to occur in the fall. (Ameren Ex. 8.0, at 18:384–385; 20:428-429) Mr. Schonhoff states that the primary distribution line must be designed and constructed to meet the maximum demand on the line regardless of when it occurs. (Id., at 21:434–435) He explains that if the maximum demand occurs in the fall, as is anticipated to be the case for the new DS-6 class, cost causation would indicate that the demand used to allocate the cost of primary distribution line to these customers should be the maximum fall peak demand, not their summer CP demand. (Id., at 21:440–42)

AIC asserts that the Modified Primary Line Allocator allocates to the DS-6 class an amount equal to the percentage derived using the AIC-proposed NCP method. It states this approach is reasonable given the concerns it raises about the adoption of the CP method and the additional support it provides for AIC's NCP proposal.

AIC states that the Modified Primary Line Allocator allocates the remaining primary distribution line costs based on CP demands for the DS-1, DS-2, DS-3, and DS-4 customer classes. It clarifies that this allocation is not equal to the stand-alone allocations derived under the CP approach, because of the adjustments made to the DS-5 and DS-6 customer classes. (AIC Cross Ex. 3) AIC explains that each of the DS-1, DS-2, DS-3, and DS-4 customer classes are allocated less costs under the Modified Primary Line Allocator than it would have been allocated under the Staff-advocated CP method. (Id.) It says that the resulting values, with the exception of those applicable to the DS-1 class, all fall between the values advocated by Staff and those advocated by AIC. (Id.) AIC states that the Modified Primary Line Allocator allocates to the DS-1 class less costs of primary distribution lines than either the NCP or the CP method.

AIC asserts that this result is reasonable given the recent history on this issue and the fact the agreement, as a whole, addresses AIC's DS-5 and DS-6 customer class concerns. It states that although it presented different, additional, and perhaps more information on this topic than was provided in the Docket Nos. 09-0306, et al., the Commission in that docket found the CP method to be the preferred method for allocating substation and primary distribution line costs. Mr. Schonhoff expressly recognizes this decision in his testimony. (Ameren Ex. 2.0, at 10:200–13:275) AIC notes that this case deals with primary distribution line costs, separate and apart from those associated with substations. Mr. Schonhoff argues this is a meaningful distinction from a cost causation standpoint. The Company asserts that the resolution presented in the Modified Primary Line Allocator is reasonable, as a whole, considering the evidence presented in this docket and reflecting on the possibility that decisions rendered in a previous docket may affect the outcome of the issue in this proceeding.

In response to the Commercial Group's criticism of the timing of the presentation of the Modified Primary Line Allocator into the record, AIC concedes that the timing was not ideal, but explains it was a function of the schedule. AIC asserts that any procedural imperfections were acknowledged during the evidentiary hearing. It states that in recognition of the timing of the agreement it agreed to retender its witness, but the parties later waived any supplemental cross-examination.

AIC states that, in the event the Commission harbors concerns or reservations about the evidentiary support for the Modified Primary Line Allocator, the Company recommends that the Commission adopt either the NCP Method or a hybrid NCP Method which Company witness Schonhoff discussed in surrebuttal testimony. The Company lists the advantages of the NCP method over the CP Method as noted by IIEC. (IIEC Initial Brief "IB", pp. 7-11) AIC would find it reasonable to accept an adjustment to the DS-5 class' NCP demand that would reduce the same by either 50% or 92.5%. (Ameren Ex. 8.0, p. 17) The Company observes that IIEC apparently supports the 50% figure for purposes of resolving the issue in this proceeding. (IIEC IB, p. 11)

AIC recommends the Commission adopt the Modified Primary Line Allocator agreed upon by Staff and AIC as presented on AIC Cross Exhibit 3. AIC advocated in testimony the adoption of the NCP method for all classes and recognizes the inherent disadvantages of the CP method for allocating primary distribution line costs to DS-5 and DS-6 customers. However, it states the Modified Primary Line Allocator addresses these concerns and, relevant to these classes in particular, resolves, for this proceeding, a debate between Staff and AIC that has been ongoing since at least 2009. It repeats that the adoption of the Modified Primary Line Allocator allocates less primary distribution lines costs to the remaining classes (DS-1, DS-2, DS-3, and DS-4) than would have been derived under application of the CP Method. AIC concludes that the Modified Primary Distribution Line allocator, as a whole, is reasonable and the Commission should adopt it.

b. Staff's Position

Staff recommends that the Commission adopt the allocations for primary distribution lines which were agreed to between Staff and AIC and are set forth in the Modified Primary Line Allocator. Staff states that the new methodology, in the Modified Primary Line Allocator, was agreed upon between Staff and AIC as a compromise in order to reduce issues and reach a reasonable resolution to the issue of how primary lines should be allocated. Staff notes that IIEC was not part to this agreement.

Staff recounts the history of the CP/NCP debate, beginning with the Commission Order in Docket Nos. 09-0306, et al. (Staff Ex. 1.0C, p. 25) Staff states that prior to Docket Nos. 09-0306, et al., AIC used the NCP allocator approach. (Id.) In Docket Nos. 09-0306, et al., Staff recommended that the Commission direct AIC to switch away from using the NCP demand allocator approach in favor of the CP methodology. Staff states that the Commission agreed and directed AIC to use CP, rather than NCP, as an allocator. However, it states, in this proceeding AIC recommended that the cost of gross plant associated with primary distribution lines be allocated to each class using NCP demand allocator. (Id., at 24)

Prior to Staff and AIC reaching a compromise in this docket, AIC, IIEC and Staff were debating the proper allocator for primary distribution lines. Staff argued in favor of the CP method for a number of reasons. First, Staff asserts that in Docket Nos. 09-0306, et al., the Commission determined that CP is the allocation method that best allocates the costs of primary distribution lines and substations. Staff states this issue was also the topic of debate in *Illinois Commerce Commission vs. Commonwealth Edison Company ("ComEd") Investigation of Rate Design Pursuant to Section 9-250 of the Public Utilities Act* Docket No. 08-0532 and *ComEd Proposed general increase in electric rates*, Docket No. 10-0467. Staff states that the Commission spent 18 months investigating several aspects of ComEd's rate design, including the NCP versus CP issue. Staff explains that ComEd, IIEC, and the Commercial Group argued in favor of the NCP methodology while it and the City of Chicago were on the other side of the spectrum, arguing that the Commission should adopt the CP method. (Staff Ex. 1.0C, p. 29) Ultimately Staff states, the Commission accepted Staff's and the City's arguments and adopted the CP methodology. (Id., at 30) Staff points out that in Docket No. 10-0467, the Commission once again sided with Staff and the City of Chicago on the use of the CP allocation method. (Docket No. 10-0467, Order, (May 24, 2011), pp. 202-203) Staff asserts that aside from the Modified Primary Line Allocator agreed to between Staff and AIC, there are no new compelling arguments or evidence to support reversing course and using NCP.

Staff describes that despite the Commission's three recent pronouncements on this issue dealing with the two largest electric utilities in Illinois, in this docket AIC asked that the Commission reverse course and use the NCP method to allocate primary lines. Staff states that after reviewing the initial filing in this proceeding, it argued that AIC presented no compelling arguments that warrant the Commission reversing, directly and indirectly, its three recent decisions. Staff states that AIC rehashed arguments made in

the prior case which were rejected by the Commission. (Docket Nos. 09-0306, et al., Order, (April 29, 2010), p. 237; Staff Ex. 1.0C, p. 30)

Staff asserts that throughout this proceeding, it supported maintaining the CP allocator as previously approved by the Commission, while AIC and IIEC presented arguments in favor of the NCP allocator. (Staff Ex. 1.0C, pp. 23-38; Staff Ex. 4.0, pp. 10-27) Staff states that, consistent with cost-causation principles, those customers imposing a demand on the facilities at the time of the coincident peak should be allocated a proportionate share of the costs. Staff recognizes that under this analysis, the DS-5 lighting customers, because they tend to have zero demand during the coincident peak, are not allocated any of the costs of primary lines. Staff explains that DS-5 customers are not responsible for any of peak demand on primary lines, because DS-5 customers are rarely, if ever, considered in sizing primary lines. (Staff Ex. 4.0, p. 11) Staff believes that this result is appropriate. Staff clarifies that DS-5 customers should be expected to pay for distribution service, but that the DS-5 customers' delivery service charges will consist of costs for facilities and services other than primary lines. In Staff's opinion, because the demands of multiple classes on primary lines more closely correspond to CP rather than NCP demands, the most reasonable, cost-based approach is to allocate the cost of this equipment according to the collective peak demands of all rate classes. (Id., at 12) In response to IIEC's reliance on AIC's arguments in this proceeding in favor of the NCP, Staff points out that AIC now is in agreement with Staff favoring the Modified Primary Line Allocator

Staff asserts that there is a fundamental difference between DS-5 lighting and DS-6 customers. It explains that the DS-5 lighting class consists of a large number of individual lighting devices with small individual demands dispersed throughout the system, while the DS-6 class consists of much fewer customers, all of which will have a relatively large demand. (Ameren Ex. 8.0, p. 18) Staff recognizes and agrees that DS-6 customers can drive the annual primary distribution line peak demand, pushing the peak to occur in the fall. (Ameren Ex. 8.1)

However, Staff states that the existence of the DS-6 class is not a sufficient reason to impose the NCP allocator for the entire system. Staff argues that to the extent that demands by the DS-6 rate class take place during fall off-peak periods, DS-6 rate class' contribution to the need for investments in primary lines and substations will be reduced. In Staff's view, this off-peak usage should be rewarded, not punished. Staff maintains that it remains to be seen how many current DS-3 and DS-4 customers, who are the only customers eligible to take service under the DS-6 class, will actually switch to the DS-6 rate. In Staff's opinion, there is no indication whether some or most of grain dryer customers will switch to take service under the new rate classification. (Staff Ex. 4.0, pp. 20-21) Staff considers it to be premature to tweak the entire system to utilize the NCP allocator for the benefit of a very few DS-6 potential customers.

Staff states that because of AIC's concern that maintaining the CP allocator would give DS-6 customers reduced cost allocations that would be borne by other customers, it was open to a reasonable resolution to this situation with AIC. It explains

that at the hearing, it reached a compromise with AIC on the record with respect to the proper way in which to allocate the primary distribution lines. Staff notes it was willing to work with AIC to correct the supposed flaws that AIC claims follow from the CP allocator for the DS-5 and DS-6 classes, in light of its disagreement that the CP allocator should be completely eliminated and for the NCP allocator to be applied to the whole system.

Staff asserts that not only is using the CP allocator for primary distribution lines consistent with recent Commission decisions, the evidence shows that using an NCP allocator for all primary distribution lines as initially proposed by AIC, and still advocated by IIEC, would not accurately reflect how the costs of primary distribution lines are caused. (Staff Ex. 1.0C, pp. 27-28) It explains that distribution lines (and substations) are generally constructed to serve, not just any individual rate class, but rather the demands of multiple rate classes that collectively use those facilities. Staff states that if these facilities were to serve customers from a single rate class, then the peak demands of individual rate classes would determine their size and ultimate cost. However, Staff asserts, individual facilities serve customers from numerous rate classes. Therefore, it concludes the rate design would have to take into account the combined CP demands of customers from all classes served.

Staff states it and the Company reached an agreement that culminated in the Modified Primary Line Allocator. Staff explains that in that agreement, the modified primary line allocator would allocate primary lines based on CP demands for classes DS-1, DS-2, DS-3, and DS-4. (Tr., 131, December 16, 2013) As for the DS-6 class, Staff states the agreement will allocate primary lines equal to the percentage derived under the use of the NCP method. Lastly, Staff states that for the DS-5 street lighting class, the agreement will allocate primary lines equal to 50 percent of the value derived using the NCP method, which is approximately equal to the value derived using the 12 CP method. (Id., at 131-132.) Staff asserts that the Modified Primary Line Allocator is a reasonable approach to resolve this issue and recommends that the Commission direct AIC to allocate primary lines based on this method.

c. IIEC's Position

IIEC explains that primary distribution lines are defined as overhead or underground distribution circuits recorded in Ameren's plant accounting records under the Federal Energy Regulatory Commission ("FERC") Accounts 364-367 with phase voltage greater than 600 Volts but less 30,000 Volts. According to IIEC, higher voltage parts of the system are properly allocated using a CP allocator, which it states is a point which is not in dispute. Similarly, IIEC says lower voltage lines (i.e., secondary voltage lines) are properly allocated using the NCP, saying again this is without dispute.

IIEC supports AIC's proposed return to the NCP method for allocating primary distribution plant costs. IIEC acknowledges Staff's concerns, but states that AIC addresses each of the concerns that were expressed by Staff in Docket Nos. 09-0306, et al. and led to the Commission's switch to a CP allocator for these costs. (Ameren Ex. 2.0, pp. 10-13) IIEC maintains that AIC effectively diffused the previous Staff concern

about the allocation factor addressing the collective demands of multiple rate classes by performing an analysis of the number of feeder circuits and showing the proportions that serve multiple classes. (Id., at 11-12) IIEC recounts AIC's testimony that its approach in this case is more balanced, in that only the primary lines would be allocated on an NCP basis, rather than addressing both substations and primary lines together. It also states the Company addresses Staff's concern regarding the DS-5 Lighting class by pointing out that it is inappropriate to allocate zero costs of substations and primary distribution lines to a class that uses both of these facilities. (Id., at 13)

IIEC reviews Staff witness Rukosuev's testimony, noting that he opines that the NCP allocator "does not accurately reflect how the costs of primary distribution lines are caused." (Staff Ex. 1.0C, at 27:612-614) IIEC posits that Staff's testimony that neither a CP allocator nor an NCP allocator measures "local" demands (Id., at 28:629-630), appears to be an acknowledgement that "local" peak demands drive the need for, and sizing of primary distribution circuits more than the system peak demand does. IIEC states this is a point made by both Ameren and IIEC. IIEC reasons that it is a question of which demand measure, NCP or CP, is a better indicator of local peak demands that cause the costs of the primary system. It argues that this point is essentially acknowledged by Mr. Rukosuev. (Id., at 34:775-779) Yet, IIEC notes that Mr. Rukosuev maintains that because primary lines serve customers in multiple rate classes, these costs more closely relate to CP demands. In response to Mr. Rukosuev's statement that AIC has not provided adequate justification as to why the Commission should now reject the approach it has previously approved (Id., at 38:870-872), IIEC notes that, Staff had no problem recommending that the Commission reject the approach it had previously approved in many rate cases prior to Docket Nos. 09-0306, et al. (See, Ameren Ex. 5.0 Rev., at 17:344-346) In IIEC's view, AIC witness, Mr. Schonoff's, testimony provides more than ample justification for rejecting use of the CP allocators in this case.

IIEC opines that in rebuttal testimony, Ameren successfully addresses each of the concerns raised by Mr. Rukosuev. It notes Mr. Schonhoff's testimony that there would be negative consequences associated with using the CP method, which include significant under-allocation of costs to the DS-5 and DS-6 classes and that continued use of the CP method would conflict with national industry practices. (Id., at 10:191-197) IIEC references Mr. Schonhoff's explanation that both the CP and NCP methods are equally accurate because the process of determining the NCP demand is identical to the process of determining the CP demand and undergoes the same level of scrutiny. It states he also points out that the Commission currently accepts the NCP method for purposes of allocating secondary distribution lines, and, as such, the Commission obviously finds the NCP method to be accurate. (Id., at 10-11:211-220) IIEC opines that the illustration, involving two local circuits, provided by witness Schonhoff explains both the difference between the NCP and CP demands and provides a persuasive explanation as to how, in the example, NCP provides a better recognition of load diversity and cost causation since distribution circuits often operate independently of each other and each is designed on an individual circuit basis. (Id., at 11-12:228-241; see also, IIEC Ex. 3.0C, at 5:103-110)

IIEC asserts that the evidence presented in this case refutes the concerns of the Staff about use of the NCP method as expressed in Docket Nos. 09-0306, et al. It opines that those concerns were apparently the basis for the Commission's conclusion. It recounts that the Commission reasoned that because multiple demand of multiple classes served by primary lines and substations "more closely corresponded to CP rather than NCP demand" it would adopt Staff's recommendation to use the CP demand allocator. Docket Nos. 09-0306, et al., Order, (April 29, 2010) p. 237. In this case, IIEC states, the Company has presented evidence that addressed those concerns and refutes or rebuts it. (See, Ameren Ex. 2.0, at 11-13:218-271)

IIEC points out that while Mr. Schonhoff agrees with Staff's claim that neither a CP allocator nor an NCP allocator measures "local" demands, he indicates that the NCP method actually provides a closer approximation of demand on the local primary distribution system than does CP demand. (Ameren Ex. 5.0 Rev., at 12:242-249) The IIEC relies upon Mr. Schonhoff's testimony that although he believes a "better" allocator than CP or NCP may be possible, he concludes that development of such an allocation factor is impractical in this case, given the data available to Ameren. (Ameren Ex. 8.0, at 25:527-528)

The IIEC also points out the information provided by Mr. Schonhoff from the Edison Electric Institute. IIEC asserts the information demonstrates that the use of an NCP allocator is the most widely accepted method for purposes of allocating the costs of distribution plant, especially primary distribution lines. (Ameren Ex. 5.0 Rev., at 17-18:354-363) IIEC states that Mr. Schonhoff provided survey responses from 28 electric utilities from various jurisdictions throughout the U.S. related to plant allocation methods reflecting that not one of the responding utilities utilized the CP method proposed by Staff. (Id.) IIEC notes that in an updated survey by the Edison Electric Institute, 16 utilities responded and, again, not one utility reported using the CP method proposed by Staff in this proceeding. (Id., at 18:364-378) IIEC also points to a passage from the Electric Utility Cost Allocation Manual prepared by the National Association of Regulatory Utility Commissioners ("NARUC"), referenced by Mr. Schonhoff that he says clearly states that NCPs are generally used to allocate demand-related distribution plant. (Ameren Ex. 5.4)

IIEC says that AIC further rebuts Staff's arguments in favor of the CP allocator in its surrebuttal testimony. IIEC points to witness Schonhoff's argument that Staff's statements in support of the CP demand allocator are "conclusory and unsupported assertions that do not demonstrate why the CP method should be used for allocating primary distribution lines" and he goes on to assert that "this notion is problematic." (Ameren Ex. 8.0, at 6:118-121) IIEC also relies upon Ameren Exhibit 8.1, describing it as an illustration of the various voltage levels of distribution plant utilized by Ameren showing individual components such as distribution substations and primary and secondary lines. IIEC cites to the AIC witness' explanation that the various levels of the distribution system are designed for very different purposes and that the level of load diversity inherent within each type of facility is distinctly different. It also recounts his

statement that it is useful to review the illustration to see where each of the various voltage levels of distribution plant falls on this diversity level spectrum. (Id., at 7-10:141-205) IIEC states the AIC witness replies to Mr. Rukosuev's claim that "very little distribution equipment should be allocated to the street lights," by pointing out that, in fact, Ameren only "has allocated a very small amount of primary distribution line costs" to the DS-5 class. (Id., at 16:321-328)

In response to arguments regarding previous Commission decisions, IIEC asserts that Commission decisions must be based on the record in the case before it (220 ILCS 5/10-201(e)(iv)(A)) and are not *res judicata*. (*City of Chicago v. Commerce Comm'n*, 133 Ill. App. 3d 435 at 440 (1st Dist. 1985), citing *Mississippi River Fuels Corp. v. Commerce Comm'n*, 1 Ill. 2d 509 (1953)). Therefore, it concludes, the Commission is free to reach a different decision than it reached in a prior case, especially where the evidence in the record of the current case justifies a different conclusion. IIEC asserts the record in this case fully demonstrates that use of the NCP method as opposed to the CP method to allocate primary lines is appropriate, as explained in the testimony of Ameren witness Mr. Schonhoff and IIEC witness Mr. Stephens and in the Initial Brief of the Commercial Group.

IIEC asserts that Staff's agreement to the Modified Primary Line Allocator, is apparently a recognition that the CP method under-allocated primary distribution line costs to some rate classes (and thus, over-allocated primary line costs to other classes). It cites to Staff's Initial Brief discussing problems with the use of the CP method to allocate primary line costs to Rate Classes DS-5 and DS-6 and describing the basis for Staff's agreement on the use of the Modified Primary Line Allocator. (Staff IB, at 10-12) IIEC argues that Staff's Brief suggests that Staff has concerns about the continued use of the CP demand allocator for primary line costs on a gong-forward basis. (See, Staff IB, at 11, stating: "In essence, Staff considers it to be premature to tweak the entire system to utilize the NCP allocator for the benefit of a very few DS-6 potential customers.") In IIEC's view, Staff appears to recognize that the use of the CP method may not be appropriate going forward.

IIEC concludes that AIC has provided thorough and convincing evidence supporting its proposed return to the NCP method for allocating primary distribution plant costs, or at least a portion thereof. It asserts that the Company has addressed and refuted every single Staff argument to the contrary. IIEC observes that AIC has emphasized the need to maintain proper cost-causation principles and to "protect the remaining rate classes from the inappropriate cost allocations associated with the CP method." (Ameren Ex. 8.0, at 16:338-342) IIEC, and its witness, support Ameren's evidence in this regard and fully support Ameren's proposal.

IIEC argues that AIC's statements about the Modified Primary Line Allocator addressing specific concerns regarding the potential underallocation of costs to DS-5 and DS-6, and its statement that the result is reasonable given the history of the issue, amounts to allowing the "tail to wag the dog." It states DS-5 and DS-6 customers represent a small portion of AIC's revenues. According to the figures on Ameren Ex.

1.2, it explains, the combined DS-5 and DS-6 classes represent about 2.1%, 3.0%, and 4.3% of the total revenues in Rate Zones I, II, and III, respectively, or about 4% for AIC overall. IIEC concludes that effectively, AIC is agreeing to an allocation approach that it has testified is wrong for 96% of its customers (measured by revenue), in order to improve the cost study for under-allocation to the remaining 4 percent. IIEC argues this makes no sense. (IIEC Reply Brief "RB", at 7)

IIEC also addresses the AIC statement that under its agreement, rate classes DS-1, DS-2, DS-3, and DS-4 all receive less allocation of costs under the Modified Primary Line Allocator than if the Commission adopted the CP method advocated by Staff. (Id.) IIEC asserts that while technically correct, AIC's claim amounts to splitting hairs. It states that the revised allocators for these classes are certainly no "middle ground" or balanced compromise. Rather, it says, they are almost identical to the CP allocators that AIC previously disparaged, as shown on AIC Cross Ex. 3, the summary of Modified Primary Line Allocator. It explains that using DS-4, for example, the allocation under Staff's straight CP is 12.5%, while under the agreement, the allocation is 12.4%. These allocations are virtually the same. In contrast, it says, the NCP allocator that AIC had championed for that class is 11.1% significantly different from the AIC/Staff agreed allocation. It asserts that a review of AIC Cross Ex. 3 shows similar allocation results for the other rate classes.

IIEC notes that in surrebuttal testimony, Ameren provided a slight modification to its proposal to ameliorate at least some of Staff's concern and which IIEC would find reasonable as well. It references AIC's testimony that it "would find it reasonable to accept one of two potential adjustments to the DS-5 class's NCP demand, in an event the Commission does not accept AIC's originally proposed NCP method." (Ameren Ex. 8.0, at 17:348-350) IIEC interprets this to mean that Ameren stands by its original proposal for using the NCP method in totality, but could agree to a very limited deviation under which the DS-5's NCP demand is modified to address, at least in part, Staff's concern with the impact on the DS-5 class. IIEC could support Ameren's proposed modest adjustment if this were to be the case.

Specifically, IIEC says that Ameren describes what it would find acceptable with regard to the DS-5 class as entailing either a 50% reduction in its NCP demand or a 92.5% reduction in its NCP demand. Of these, IIEC explains that it supports the 50% figure because it "correlates to the approximate number of hours in a year that the Lighting class operates at full load (daytime vs. nighttime hours in a day)." Like Ameren, IIEC states it could accept the 50% modification for purposes of resolving this issue in this proceeding. (IIEC RB, at11-12) IIEC asserts that any modification that involves continued use of CP demands is not properly reflective of cost causation, for the many reasons stated in the testimony of Ameren witness Schonhoff and IIEC witness Stephens, and, thus, it does not support use of the CP method in the context of this case.

d. Commercial Group's Position

The Commercial Group agrees with AIC witness Schonhoff and IIEC witness Stephens that the NCP method best captures how AIC incurs primary distribution line costs. The Commercial Group finds it important that the NCP method recognizes that AIC must design its primary distribution lines with sufficient capacity to serve the peak load that exists on those lines, whenever that peak occurs, and not simply the load that exists on AIC's overall system on one peak day of the year.

The Commercial Group cites to Mr. Schonhoff's testimony that AIC's distribution system has distinct seasonally-peaking circuits that peak "during a different season of the year: winter, fall, and summer." (Ameren Ex. 8.0, at 10:210-212) It asserts that nearly 10 percent of AIC's primary distribution lines peak during the winter or fall and not when AIC's system peak occurs in summer. (Id., at 12:248-249) It states that some circuits peak "during the winter months during nighttime hours when the outside temperature is lowest." (Id., at 12:242-243) The Commercial Group asserts that those lines must be sized to meet the actual winter or fall peak on those lines, and not simply the lower usage level on these lines that would occur during the summer months (including at the overall system peak). But, the Commercial Group says, the CP method would allocate 100 percent of primary distribution line cost based solely on the usage level that occurs during the summer peak, when temperatures are the hottest.

It states, the NCP approach is widely used by utilities for allocating distribution plant costs. The Commercial Group says that in fact, most utilities use the NCP method and not one utility responding to AIC's survey on the topic use the CP method. (Ameren Ex. 5.0, p.18) Plus, it argues, the NARUC manual does not even list the CP method as a recommended method for the allocation of distribution plant costs. (Ameren Ex. 8.0, p.22)

The Commercial Group states that near the very end of the evidentiary hearing, after five rounds of testimony had been filed, and after AIC's witness on the issue (Mr. Schonhoff) had already concluded his testimony, AIC submitted AIC Cross Exhibit 3, the substance of which directly contradicted much of the testimony of its own witness on the issue. It asserts that the Commission should give little weight to AIC Exhibit 3 and instead focus on how primary distribution line costs are incurred. (Commercial Group IB, at 3) The Commercial Group states that AIC witness Schonhoff devoted 21 pages of surrebuttal testimony in a cogent demonstration of why the NCP method best captures how AIC designs its primary distribution line circuits. (Ameren Ex. 8.0, pp.3-24) It also points to his testimony (Id., at 16:338-342) that AIC would accept a "modified or hybrid allocation" only if such modification were "limited to the DS-5 class" and the remaining rate classes were protected from "the inappropriate cost allocations associated with the CP method." The Commercial Group states that to the contrary, AIC Cross Ex. 3 would force the "remaining rate classes" of DS-1, DS-2, DS-3, and DS-4 to be subject to the "inappropriate" CP allocation. (AIC Cross Ex. 3 at n.3; see also, Tr., at 177:1-9) It asserts that under that approach, nearly 100 percent of primary distribution line cost would be allocated on the inappropriate CP basis. The Commercial

Group states that the important thing to keep in mind is not this late-filed exhibit but Mr. Schonhoff's sworn testimony that the NCP method best captures how AIC incurs the cost of its primary distribution line circuits.

The Commercial Group concludes that the Commission should adopt the NCP allocator for primary distribution line costs.

e. GFA's Position

In its Reply Brief, the GFA states that, acknowledging that the arguments presented on both sides have precedent in the industry and that the parties fully discussed their respective positions, it did not take a position on this issue in this case. GFA states, in particular, it recognized that whether AIC's or Staff's proposal was adopted, every class would be treated in the same manner: every class would either have NCP allocation or every class would have CP allocation. In other words, it states, the same allocation method would be applied to all classes.

The GFA asserts that the Modified Primary Line Allocator presented by Staff and AIC during the evidentiary hearing, does not treat all of the classes equally. The GFA asserts that it discriminates against DS-6 customers. The GFA explains that in particular, under the Modified Primary Line Allocator, the DS-6 allocation of primary lines will be equal to the percentage derived under AIC's NCP method, while DS-1, DS-2, DS-3, and DS-4 allocation of primary lines will be based on CP demands. Moreover, it states, DS-5 allocation of primary lines will be set equal to 50% of AIC's proposed NCP method.

The GFA protests that whatever allocation method is used (CP, NCP or a combination), all classes should be treated the same, regardless of when the individual class peak occurs. The GFA reasons that this is because all classes use the same system, which is designed to carry the combined loading of all classes. Indeed, it points to Ameren's 2009 rate case, where the Commission ruled that the peak of an individual class is irrelevant:

As with any cost allocation issue, the Commission's goal is to allocate costs to those customers who cause the costs. In this instance, the Commission must determine which allocation method, NCP or CP, best allocates the costs of primary distribution lines and substations. When constructing or expanding primary lines and substations, a utility considers what load those customers to be served by the facilities will impose on the facilities. In most situations, the facilities will serve customers from more than one customer class. The peak of each individual class to be served by the facilities is irrelevant. What is relevant is the combined or coincident peak of all of those served by the facilities, regardless of which class each customer is in. The utility therefore sizes and constructs primary lines and substations to accommodate the anticipated coincident peak.

Docket Nos. 09-0306, et al., Order, (April 29, 2010), p. 237.

The GFA emphasizes that it is not advocating the adoption of the CP method or the NCP method. Rather, GFA asks the Commission to treat the DS-6 class the same as the other classes, whether it be using the CP method, NCP method, or 50% of NCP method.

f. Commission Analysis and Conclusion

In its filing, AIC proposed to adopt the NCP method, which allocates costs according to the single highest hourly aggregate demand at the time of peak for only those customers within each rate class, regardless of the time of AIC's overall system peak demand. Staff advocated the use of the CP allocator, stating consistent with cost-causation principles, those customers imposing a demand on the facilities at the time of the coincident peak should be allocated a proportionate share of the costs. AIC and Staff resolved their differences in the Modified Primary Line Allocator, which they presented at the evidentiary hearing. IIEC, the Commercial Group, and, to some degree the GFA, object to the Modified Primary Line Allocator. IIEC and the Commercial Group maintain that the NCP allocator is the best method for allocating primary distribution plant costs. The GFA does not advocate a specific method, but asks that the Commission treat the DS-6 class the same as the other classes.

The Commission agrees with IIEC that the concerns raised in Docket Nos. 09-0306, et al., which led to the Commission's switch from an NCP to a CP allocator for the primary line costs, were addressed by AIC's analysis in this proceeding. The Commission notes that AIC must design its primary distribution lines with sufficient capacity to serve the peak load that exists on those lines, whenever that peak occurs, and not to meet the load on those lines that occur at the time of AIC's system peak. The Commission finds that the evidence in this proceeding supports adoption of the NCP allocator for DS-1, DS-2, DS-3, DS-4, and DS-6 rate classes. The Commission agrees with Staff that because of their unique demand, the DS-5 lighting customers are not responsible for peak demand on primary lines during any day and thus should not be allocated the entirety of the NCP allocation for primary lines. The Commission finds the modification proposed by AIC of a 50% reduction in the DS-5 class' NCP demand will adequately address the concerns raised by Staff about over-recovery from the lighting class under the NCP method. For these reasons, the Commission adopts the NCP allocator modified to reduce the DS-5 class' NCP demand by 50%.

2. Allocation of Single-Phase and Three-Phase Primary Facility Costs

a. Workshop on the Future Allocation of Single-Phase and Three-Phase Primary Facility Costs

i. AIC's Position

AIC explains that the issue surrounding the allocation of single-phase and three-phase primary facility costs generally deals with the extent to which customers who take service at different voltage levels (primary versus secondary) should be allocated costs of facilities (single phase and three phase) that they may or may not use. AIC asserts that although the primary distribution system consists of facilities delivering either single or three phase service, IIEC witness Mr. Stephens argues that the single-phase facilities exist to serve “exclusively or nearly exclusively” secondary voltage customers; thus, those customers should be allocated more of the related costs. (IIEC Ex. 1.0, p. 5) The Company states that in furtherance of this view, Mr. Stephens recommends the Commission direct AIC to participate, with ComEd, in a workshop or investigation designed to review the merits of separating and allocating the costs of these facilities (and, if necessary, conducting further discussions on a utility-specific basis). AIC cites to the Commission Order in *ComEd Revenue-neutral tariff changes related to rate design*, Docket No.13-0387, stating that the Commission recognized the inherent complexities in conducting the studies that would be required to determine or segregate costs by phase of service and further declined to order parties to conduct workshops or further investigations on this topic. Docket No. 13-0387, Order, (Dec. 18, 2013), pp. 50-51. AIC states that the Commission declined to order the parties to conduct workshops in Docket No. 13-0387 and should reach the same conclusion here.

AIC describes the IIEC proposal as a two-step workshop and investigation process. (IIEC 3.0C, p. 12) It states the IIEC proposes that the first step, which could be conducted jointly with ComEd, would be for participants to review the merits of separating and allocating single phase and three phase costs. It explains the proposed second step would involve discussions on how to quantify and segregate specifically the single-phase costs, if necessary, could be AIC-specific. (Id.)

AIC asserts that the Commission's rejection of a similar workshop recommendation offered by IIEC in Docket No. 13-0387 should be fatal for the recommendation in this case. It notes that in Docket No. 13-0387, despite recognizing that ComEd has the capability to perform the required analysis, the Commission recognized that such studies are “highly complex” and that “segmenting the cost allocation by phase of service does not appear to be practicable.” Docket No. 13-0387, Order, (Dec. 18, 2013), p. 51. It also notes the Commission's concerns in regards to whether segmenting the cost according to phase of service would be equitable or accurate and whether the process would become unsustainable due to the constantly changing distribution system.

AIC responds to IIEC's arguments by stating that the Commission having entered its decision in Docket No. 13-0387, need not look for guidance on this topic from Wisconsin or Michigan. AIC argues that despite IIEC's previous agreement that initial workshops could be conducted jointly by AIC and ComEd, IIEC now urges the Commission to ignore the ComEd decision based on distinctions in the evidentiary records. AIC concedes that the facts are different given Staff's opposition to IIEC's position in Docket No. 13-0387 and its respective neutrality (or lack of official position) in this matter. (Tr., 137-38, see also Staff IB, p. 12) But, AIC again points to the complexities of the primary distribution system and the potential impracticality of "deconstructing costs." (Ameren Ex. 8.0, p. 27) It also states that IIEC witness Mr. Stephens conceded that any investigation into the further segregation of single- and three-phase costs would not be static, a new investigation would be required each time AIC or the Commission wanted to determine whether a different segregation was warranted. (Tr., at 157-160) Given this complexity, the incremental time and expenses that any investigation would require, and the result of the recent decision in Docket No. 13-0387, AIC maintains that the Commission should decline to order AIC to participate in workshops on this topic.

AIC states that the Commission's decision in Docket No. 13-0387 appears to resolve this issue in both proceedings, since it eliminates the first step of IIEC's two-step proposal. (Ameren Ex. 8.0, p. 26) AIC witness Schonhoff states he recognizes many of the same substantive issues that gave the Commission pause in ComEd's case. In particular, he notes the complexities of the primary distribution system and the potential impracticality of "deconstructing costs." (Id. at 27:568-69) AIC concludes that, given this complexity and the result of, and findings in, the ComEd docket, the Commission should decline to order AIC to participate in workshops on this topic. It further states that even though the second step of IIEC's suggested two-step process would appear to envision (or tolerate) a utility-specific examination, based on the Order in Docket No. 13-0387, it appears as though the Commission has determined that there is no merit in IIEC's recommendation at this time. AIC asserts that the Commission should reject IIEC's recommendation, which, if approved, would require AIC to participate in workshops examining potential segregation of the primary distribution system into single and three phase components.

ii. IIEC's Position

IIEC states that it introduced the concept of further segregating primary voltage system costs between single-phase and three-phase sub-functions in the last Ameren-filed rate case, Docket No. 11-0279. IIEC reasons that these systems serve largely different customer groups and, accordingly, the cost causation for these components also differ. It specifies that single-phase primary distribution assets exist and function to serve, exclusively or nearly exclusively, customers who take service at secondary voltages. IIEC states that no party has disputed this point.

According to IIEC, cost causation principles suggest that customers at higher voltages, such as transmission voltage or primary voltage generally should not be

allocated single-phase or dual-phase primary system costs. (IIEC Ex. 1.0, at 5:99-101) It explains there is support in cost of service literature for this concept. IIEC quotes the most recent “Electric Utility Cost Allocation Manual” of the NARUC as follows:

Cost analysts developing the allocator for distribution of substations or primary demand facilities must ensure that only the loads of those customers who benefit from these facilities are included in the allocator. For example, loads of customers who take service at transmission level should not be reflected in the distribution substation or primary demand allocator. Similarly, when analysts develop the allocator for secondary demand facilities, the loads for customers served by the primary distribution system should not be included. (IIEC, Ex. 1.0, at 5:102-114)

It states that in addition to support in electric publications there is precedent in other jurisdictions for the very kind of segregation IIEC is proposing. It points to two relatively recent decisions by the Public Service Commission of Wisconsin that it states are directly on point. It says, in Docket No. 6690-UR-120, involving Wisconsin Public Service Corporation (“WPSC”), the Wisconsin Commission acknowledged the value of recognizing single-phase and three-phase primary distribution circuit costs when assigning revenue responsibility. (IIEC Ex. 1.0, at 6:117-121) IIEC states that in that docket, the Wisconsin commission directed its Staff to work with the utility, intervenors in the case, and other major Wisconsin investor-owned utilities to explore the issue further. (Id., at 6:121-123) It says as a result of this further exploration, and acknowledgment of the appropriateness of the concept by the utility applicant, the Wisconsin Commission in 2012 approved the utility’s filed cost of service study, which segregated single-phase primary lines and allocated them to secondary customers. In addition, it states that in the current WPSC rate case, Docket No. 6690-UR-122, the utility has acknowledged the merit of such a distinction as a refinement to its ECOSSE. (Id., at 6:127-129) IIEC explains that in that docket, the proposal put forth is to consider 50% of the cost of primary distribution costs as serving secondary customers, pending a more refined analysis.

Citing that support, IIEC proposes that the Commission direct the Company and all interested parties to review the merit of segregating the primary delivery system costs into single-phase and three-phase components and assigning the single-phase costs exclusively to secondary customers. (Id., at 13:267-270) It explains that this review may also include consideration of three-phase costs caused by primary customers that should be assigned exclusively to primary customers, if any, which, it states has been a concern for Staff in other cases. IIEC also recommends the parties discuss the most appropriate method to estimate the single-phase primary costs to be assigned to secondary customers. (Id., at 13:272-273)

IIEC recommends the Commission seek to implement the results of the investigation at the earliest possible opportunity, but no later than the Company’s next rate design proceeding. IIEC notes that the Company takes no position regarding

participation in an investigation or workshop concerning the segregation of the primary delivery system costs into single-phase and three-phase components and assigning the single-phase costs exclusively to secondary customers. (Ameren Ex. 5.0 Rev., at 32:662-663) It states the AIC simply suggests that should such an investigation or workshop be conducted, that any such investigation/workshop be conducted independently from any investigation/workshop applicable to ComEd. (Id., at 32:663-665) IIEC understands AIC to tacitly imply that there is merit to such an investigation, by suggesting that it should be conducted before making any specific change to the ECOSS. (Id., at 33:672-675)

IIEC notes that Ameren witness Mr. Schonhoff believed the Staff was opposed to the IIEC proposal on this particular issue. (Id. at 32:660). However, it states, Mr. Schonhoff is mistaken, noting that Staff did not address this issue in this proceeding.

IIEC concedes that since the close of the record in this case, the Commission has entered an Order in Docket No. 13-0387, where it agreed with ComEd that, for its system such a study would be “highly complex.” Docket No. 13-0387 Order, (Dec. 18, 2013), p. 51. IIEC asserts however, that none of the objections to the workshop process raised in the ComEd case are present in this case. Similarly, it states that the claims of undue complexity present in the ComEd case are lacking in this case. Because of the greatly different factual circumstances in this case, as compared to the ComEd case, and due to the general lack of opposition to investigate the merit of this issue, IIEC believes that the Commission’s decision in the recent ComEd case is not determinative of its decision in the AIC case, and that the Commission should decide the issue in this case based on the record of this case only. IIEC suggests that any objective review of the evidence in this case would overwhelmingly support further investigation of the issue through an investigational workshop process.

In response to AIC's position that the same decision reached in Docket No. 13-0387, to decline to order workshops, should be reached here, IIEC asserts that, although the Commission declined to direct ComEd to participate in such a workshop, this does not mean that such a workshop and/or investigation should not occur, or that Ameren should be relieved from participating in this matter. IIEC claims the ComEd decision simply means that ComEd will not be required to participate. IIEC insists that its two-part recommendation remains intact, as indicated in its Initial Brief and in the testimony of Mr. Stephens in this case.

IIEC maintains that the evidentiary record in the ComEd case is markedly different from the record in the instant docket. It states, for example, that ComEd opposed the investigation and presented testimony that ComEd’s system was so complex, that the analysis contemplated would be too complex to be feasible for ComEd. IIEC states the Commission specifically relied on the evidence in reaching its conclusion. See, Docket No. 13-0387, Order, (December 18, 2013) pp. 13, 18. IIEC contrasts this proceeding, stating that is not the case in the instant docket, as throughout the evidentiary phase, AIC was neutral as to the merit of holding a workshop to investigate this issue further. (See Ameren Ex. 5.0 (Rev.), at 32:662-663; Ameren

Ex. 8.0, at 26:552-553) IIEC notes that AIC did not present any testimony about its system or the complexity of the analysis IIEC was proposing as it relates to the AIC system. It also points to Mr. Stephens' testimony that AIC's records provided for a much neater separation of single-phase and three-phase primary facilities than did ComEd's. (IIEC Ex. 1.0, at 8:171-173) In addition, IIEC asserts, unlike the ComEd case, Staff did not oppose IIEC's workshop recommendation in the instant docket. (See, Staff IB, at 12)

IIEC insists that determining the actual level of complexity of analysis is precisely one of the topics of the workshop/investigation process that it recommends. IIEC concludes that it would be premature to rule out the investigation for the AIC system, based on the testimony about the complexity of the ComEd system, in another case.

IIEC also points out that, at least in the evidentiary phase of this case, no party opposed the concept of seeking more information on this issue, in a collaborative fashion, through a process directed by the Commission. IIEC continues to recommend the workshop process should be approved in this case

iii. Commission Analysis and Conclusion

The Commission notes the complexities of the primary distribution system and the fact that it is constantly changing. It is not clear to the Commission that expending the resources to undertake workshops or further examination of this issue is warranted at this time. The Commission finds that neither a workshop nor a utility-specific examination should be conducted at this time. Consistent with the decision in Docket No. 13-0387, the Commission declines to order a workshop to investigate the allocation of single-phase and three-phase primary facility costs at this time.

b. Allocation of Single-Phase Primary Facility Costs to Secondary Voltage Customers

i. AIC's Position

AIC argues that the Commission should reject IIEC's recommendation to assign 10% to 20% of primary voltage costs to secondary customers because the record does not contain a factual basis to support the recommended allocation percentages. (Ameren Ex. 8.0, at 2:35–37) It states there is no explanation in the record for why IIEC recommends the specific ten-point spectrum, or why a 10% or a 20% allocation is more reasonable than other alternatives.

According to AIC, determining the appropriate amount of costs of the primary distribution system to assign to secondary customers, if any, would involve a complex examination of system assets, which has not been conducted. (Id., at 2:34–35) It raises a concern that deconstructing costs in order to allocate them might not be

practical. (Id., at 27:568–69) AIC warns that the unknown facts purportedly driving the proposal should cause the Commission to exercise caution in approving any immediate adjustment in this proceeding. (Id., at 27:569–71.)

The Company observes that the argument appears to be predicated upon the belief that single-phase asset costs contribute at least 10% of the costs of the primary distribution system and that secondary customers using only those assets should pay at least those costs. (See IIEC Ex. 1.0, at 14:283–95) AIC asserts that even this is based on speculation. It points to Mr. Schonhoff's testimony at the evidentiary hearing that he was not able to estimate or confirm the percentage of secondary customers taking single-phase service. (Tr., at 54:2–55:4)

In addition, AIC asserts that allocating the single phase primary distribution line costs to the secondary customers is not quite as simple or straightforward as IIEC witness Stephens describes. (Ameren Ex. 8.0, at 27:583–85) It explains that AIC does not currently have class demands segregated by single phase and three phase, as would be required for such adjustment. (Id., at 27:574–75) AIC states that, while the IIEC proposal presents interesting ideas, it is still incomplete. The Company warns that it could result in inaccurate allocations of costs amongst the DS-1 and DS-2 classes, even though the proposal would effectively remove costs from the DS-3 and DS-4 classes. (Id., at 27:585–88)

The Company responds to IIEC's citation to Docket No. 10-0467, emphasizing the Commission was not interested *at that time* in segregating costs of primary and secondary facilities and stating the implication is that the Commission may entertain a similar or substantially similar notion in subsequent proceedings. (IIEC IB, at 17-18.) AIC asserts that based on the decision in the ComEd Docket No. 13-0387, in which the Commission rejected a nearly identical 10-20% direct assignment recommendation offered by IIEC, it appears as though the Commission, at least based on the evidence in that docket, isn't interested in this segregation at this time either. AIC concludes that based on the evidence presented in this matter and consistent with the decision reached in Docket No. 13-0387, the Commission should (1) decline to adopt IIEC's recommendation that AIC participate in future workshops designed to review the merits of separating and allocating the costs of single phase and three phase facilities and (2) decline to assign 10% to 20% of primary voltage costs to secondary customers as a result of this case.

ii. IIEC's Position

IIEC explains that although the title of this section suggests that this is an allocation issue related to primary voltage facility costs, it is not an allocation issue in the same sense as the allocation issue discussed in the "Allocator for Primary Distribution Line Costs" section above because it does not involve choosing the correct allocation factor. Rather, it states, this issue is more in the nature of a functionalization issue. IIEC asserts this is because this issue involves whether or not to assign all, or

nearly all, of the single-phase primary facility costs to secondary voltage customers since these facilities function to serve secondary customers.

IIEC repeats that single-phase and dual-phase distribution assets exist, and function to serve, exclusively or nearly exclusively, customers who take service at secondary voltages. (IIEC Ex. 1.0, at 5:96-98) It states that currently, in its cost of service study, AIC effectively lumps together all primary voltage costs, whether single-phase or three-phase and assigns them to the customer classes containing primary and secondary service voltage customers as if they are all equally shared among these two customer types. However, IIEC asserts, cost-causation principles suggest that customers at higher voltages, such as transmission voltage or primary voltage generally should not be allocated single-phase or dual-phase primary system costs, since such costs are not useful in providing service to these customers. (Id., at 5:99-101) IIEC finds that the evidence in the case is clear that these single-phase primary voltage facilities do not serve primary voltage customers, since all, or nearly all, primary voltage customers take three-phase service. IIEC repeats that this point is not in dispute in this case. (Id., at 5, FN 2)

IIEC references its discussion regarding support in cost of service literature for the segregation and assignment of single-phase primary facilities the Workshop on the Future Allocation of Single-Phase and Three-Phase Primary Facility Costs. It also refers to its discussion of precedent in other jurisdictions for this segregation; specifically, in Wisconsin and Michigan. (IIEC Ex. 1.0, at 6:115-131)

IIEC states to its knowledge, the only case at the time of testimony in this case in which the Commission had ruled on this issue, is Docket No. 10-0467, involving ComEd. In that case, IIEC had recommended a specific percentage of primary facility cost adjustment that should be allocated to secondary customers and recommended that the Commission adopt the full amount that IIEC had identified in the case. Although the Commission did not approve IIEC's specific adjustment in that case, it went on to observe that:

Because, at this time, these costs do not appear to be as neatly (and fairly) segregable as the IIEC asserts, the Commission further concludes that, at this time, ComEd's Primary Secondary split analysis did not violate the Rate Design Investigation Order on this issue.

Docket No. 10-0467, Order (May, 24, 2011), p. 176.

IIEC emphasizes that the Commission language delimiting its finding to "at this time." IIEC acknowledges that the Commission was not convinced at the time it entered the Order in Docket No. 10-0467 that the primary costs were neatly and fairly segregable into single-phase and three-phase components. However, IIEC asserts, in this case, the costs are more neatly and fairly segregable than they were in the 2010 ComEd case. IIEC also explains that its proposal is different, and is not a recommendation to assign the full percentage of estimated single-phase costs to secondary customers, pending further review of this issue.

IIEC explains that had Mr. Stephens made a proposal in the current case, comparable to the proposal IIEC made in Docket No. 10-0467, he would have recommended assigning 53.9% of the primary costs to secondary customers, based on the computation provided in his direct testimony in this case. Instead, as discussed above, IIEC recommends that this issue be studied further by the Commission directing AIC and other interested parties to review the merit of segregating the primary delivery system costs into single-phase and three-phase components and assigning the single-phase costs exclusively to secondary customers. Acknowledging an argument made by the Staff in Docket No. 10-0467, IIEC recommends that this review include consideration of three-phase primary costs caused by primary voltage customers that should be assigned exclusively to primary customers, if any such cost exists. IIEC suggests that the parties should also discuss the best method to estimate the single-phase primary costs to be assigned to secondary customers. (IIEC Ex. 1.0, at 13:267-273)

According to IIEC, given the lack of objection in concept to the issue of assigning single-phase costs to secondary customers if no primary customers are using such facilities, it is reasonable to assume that an investigation would likely yield a clear direction that some amount of single-phase costs should be so assigned. Accordingly, IIEC states, it recommends a modest step toward this more refined view of cost of service, by suggesting that 10% to 20% of primary voltage costs should be assigned to secondary customers. IIEC views this as a very conservative step toward the adjustment, considering that the current best estimate of the costs is 53.9%. Accordingly, IIEC's recommendation amounts to moving only about one-third of the way to the likely final outcome. IIEC asserts that failure to make this modest step serves to extend the full amount of the incorrect assignment indefinitely, when the record evidence supports that some amount of reassignment is reasonable. IIEC presents cost of service study results recognizing these conservative steps. (IIEC Ex. 1.0, at 14:283-295; IIEC Ex. 1.1; IIEC Ex. 3.2)

IIEC references AIC's stated reluctance to make the 10% to 20% adjustment at this time. (Ameren Ex. 5.0 Rev., at 33:672) IIEC states that AIC indicated that the proposal to review the merit of separating the primary system into single- and three-phase components should be addressed first and resolved before consideration of if or when any adjustments are made to the ECOS. (Id., at 33:672-675) Thus, IIEC opines, although AIC is reluctant to agree to the second part of IIEC's proposal, AIC appears to find merit to the initial proposal of the Commission review, despite its official position of neutrality on the matter.

IIEC denies AIC's claims of a lack of basis in the record for the 10% to 20% assignment spectrum and a finding that a 10% or a 20% allocation is more reasonable than other alternatives. (AIC IB, at 15) It asserts Mr. Stephens explained his rationale fully in his rebuttal testimony. (IIEC Ex. 3.0C, at 13-14:276-311) IIEC explains that the only evidence of record as to the estimated percentage of the primary system which is single-phase is the 54% of total primary costs which Mr. Stephens developed in his

direct testimony. (IIEC Ex. 1.0, at 11 12:240-247) IIEC asserts that therefore, cost of service principles ordinarily would suggest that as much as 54% of the total primary costs should be assigned to secondary customers. IIEC acknowledges that this is a new issue for the Commission and that the 54% figure ultimately could be more refined. (IIEC Ex. 1.0, at 13:262-265) Accordingly, it lays out three potential alternatives for the Commission:

1. utilizing the best information in the record, assign the best estimate of single-phase primary costs to secondary customers, i.e., 54% of total primary costs;
2. assign 0% of single-phase primary costs to secondary customers and pretend that primary voltage customers do make use of such facilities or;
3. take the modest step that IIEC recommended, i.e., assign a small fraction of those costs to secondary customers, pending further review by the parties.

(IIEC Ex. 3.0C at 13-14:295-301, as corrected Dec. 11, 2013)

IIEC responds to AIC's argument about the accuracy of IIEC's proposed 10% to 20% adjustment, by asserting that AIC fails to acknowledge the inherent inaccuracy of its own zero percent estimate, by not reassigning any of the primary costs. IIEC asserts the record shows that the single phase primary system is used almost exclusively by secondary voltage customers and 54% of the primary system is single phase primary. Under such circumstances IIEC insists its estimate that 10% to 20% of single phase primary costs should be allocated to secondary customers is more accurate than Ameren's estimate of zero percent.

IIEC explains that the 10% to 20% adjustment represents about a third of the full movement that ultimately may be warranted. It states if there is any concern about the accuracy of the adjustment, it is probably that it is not high enough considering what the likely outcome might be, if the 54% is close to the more fully refined figure. IIEC also asserts that AIC's Initial Brief confuses percentage of customers with percentage of costs. (AIC IB, at 15) It says AIC points to the fact that its witness could not estimate the percentage of secondary customers taking single-phase service as if that were some indicator of the portion of primary distribution costs that are single-phase. IIEC states, the two concepts are completely separate and one does not prove or disprove the other.

IIEC disagrees with AIC's reasoning when the Company explains its reluctance to making a specific adjustment in this case as being because IIEC has not provided any estimates of "the offsetting portion" of three-phase primary distribution line costs that exclusively serve customers that take primary voltage. First, IIEC states, there is no evidence in the record of this proceeding that demonstrates that there are such offsetting costs. Its second argument is that all parties would have the opportunity to fully vet the issue and potentially, reach a mutual understanding of whether, and how much of, the primary distribution system should be reallocated. Further, IIEC states that this

matter of whether any three-phase cost exists that should be assigned only to primary voltage customers stems from Ameren's observation of a position taken by Staff in the ComEd case, Docket No. 13-0387. (See Ameren Ex. 5.0 Rev., at 32:659-660) However, Mr. Stephens explained that Staff's objection in the ComEd case appeared to boil down to a statement that "the Commission should exercise caution when considering a request for certain segments of the distribution system to be excluded from the revenue requirement for one class without applying the same approach to all classes." (See IIEC Ex. 3.0C, at 9:182-187, quoting from Staff testimony in Docket No. 13-0387) IIEC agrees. IIEC believes the Commission could best "exercise caution" in this regard by directing the process that IIEC recommends. IIEC witness Stephens points out that Staff's conclusion appeared to be based on an unrealistic combination of hypothetical examples, wherein Staff speculated that there could be a situation where there is not sufficient capacity on an existing secondary line to serve a primary voltage customer and that additional primary voltage facilities might need to be constructed to serve such a primary voltage customer. However, IIEC asserts, Staff did not identify any actual circumstances that meet its hypothetical in the ComEd case, and Staff did not even address the issue in this case. Furthermore, the Company does not identify any actual situations on its system that match up with Staff's hypothetical. IIEC opines that the existence of such hypothetical off-setting costs is best left to further review in the workshop process.

However, IIEC states, even if such off setting three-phase primary costs exist, Staff has shown for ComEd, and Mr. Stephens confirmed for AIC, that any such additional charges may already be paid for directly by new primary voltage customers through various provisions within the AIC tariff. (IIEC Ex. 3.0C, at 9-10:196-233; IIEC Ex. 3.1) In addition, IIEC asserts that its expert on this matter shed considerable doubt on whether any significant amount of three-phase costs should be assigned exclusively to primary voltage customers. The IIEC witness points to the fact that there has been no information provided in response to any data requests or otherwise that would suggest there are any such costs and explains why it would be likely that such costs, if any, would be relatively small compared to the costs of the single-phase primary assets. He explains that the vast majority of three-phase primary facilities are shared by primary and secondary customers. He opines that they should be allocated as such, consistent with the way AIC presently allocates all primary voltage facility costs. He also points to the specific provisions in AIC's tariff that provide for additional costs caused by new customers to be paid specifically by the customer, thus reducing the costs, if any, that would need to be borne by other customers. (See IIEC Ex. 3.0C, at 14-16:312-359; IIEC Ex. 3.1) IIEC notes that AIC does not dispute Mr. Stephens' analysis in this regard.

IIEC emphasizes the existence of such costs associated with three-phase primary facilities should not be determinative of the proper allocation of single-phase primary facilities. IIEC asserts that there is a logical fallacy in holding up the proper allocation of one set of costs based on the possibility of an offsetting allocation of a different set of costs. (Id., at 16-17:360-379) IIEC explains that should there be three-phase costs that should be assigned specifically to one or more customer classes, then

it is correct to do so. However, it states, this fact, if it were fact, should not be a deterrent to the proper allocation of single-phase primary costs. IIEC emphasizes that there is not one iota of evidence that any such costs exist in the first place; and states that hypothetical costs should not be a deterrent to the proper allocation of real costs.

The IIEC BOE references the strong desire to equalize electric distribution tax cost recovery described in Section II.B.2. of the PO. It argues that in order to ensure that all rate classes pay their cost of service, there should be an equally strong desire to do what is necessary to make sure that single-phase primary costs are properly assigned so that the rate classes that make little use of those facilities are not improperly made responsible for their costs

IIEC notes that since the close of the record in this case, the Commission has entered an Order in Docket No. 13-0387. IIEC narrates that ComEd opposed IIEC's proposals related to the segregation of single-phase primary costs suggesting that on the ComEd system, such a determination would be a complicated "path of service" or "allocation by exclusion" study. See Docket No. 13-0387, Order, (Dec. 18, 2013), p. 15. The IIEC reports that Staff also recommended against its 10% to 20% proposal in the ComEd case. (See *Id.*, at 16) IIEC recounts that in its conclusion, the Commission agreed with Staff and ComEd, and elected not to adopt IIEC's proposal to make an interim allocation of 10% to 20% of the single-phase primary system costs to secondary voltage customers. (*Id.*, at 18)

IIEC asserts that it is important to note, the arguments in objection to allocation of 10% to 20% of single phase raised in the ComEd case are not present in this case. Similarly, it argues, the claims of undue complexity present in the ComEd case are also lacking in this case. Because the factual circumstances in this case are different, as compared to the ComEd case, IIEC believes that the Commission's decision in the recent ComEd case is not determinative of its decision in the AIC case, and that the Commission should decide the issue in this case based on the record of this case only. IIEC concludes that the weight of the evidence in this case supports making a modest step toward the refinement in cost of service by assigning 10% to 20% of primary costs to secondary voltage customers, and the remainder being allocated to both primary and secondary customers.

iii. Commission Analysis and Conclusion

The Commission notes that AIC does not currently have class demands segregated by single phase and three phase, as would be required to assign primary facility costs to secondary voltage customers. The Commission does not find that the costs are neatly and fairly segregable. It finds that the proposal to allocate facilities and costs by phase of service would require a complex examination of AIC system assets. The Commission is concerned that deconstructing costs to allocate them may be impracticable, resulting in removal of costs from the DS-3 and DS-4 classes, but possibly inaccurate allocations of costs amongst the DS-1 and DS-2 classes. Based on

the record in this proceeding, the Commission declines to order workshops or to assign a proportion of the single phase primary facility costs to secondary voltage customers.

3. Allocator for Non-Meter AMI General and Intangible Plant

a. AIC's Position

AIC proposes to use a customer-related allocator, instead of a labor-related allocator, for General and Intangible ("G&I") plant investments that AIC intends to implement as part of the Commission-approved Advanced Metering Infrastructure ("AMI") Plan. (Ameren Ex. 2.0, pp. 15-16) The proposed G&I AMI plant asset allocator is FERC Account 370-Meters (CUST370), the same allocator that AIC plans to use for AMI meter investments and the same allocator that AIC currently uses for meter-reading expense. (Id.; Ameren Ex. 8.0, p. 30) The specific non-meter G&I AMI plant investments that would be allocated using the CUST370 allocator include the purchase and installation costs for the AMI communication network and the Information Technology ("IT") assets. (Ameren Ex. 5.0 (Rev.), p. 34) AIC asserts that these assets, the communications network and IT investments, effectively replace manual meter readers and are necessary for the AMI meters to be fully functional. (Ameren Ex. 8.0, p. 29) The Company asserts that both Staff and IIEC support its proposed use of the same allocation factor, FERC Account 370-Meters, for these G&I plant costs. (Staff Ex. 1.0C, pp. 13–17; IIEC Ex. 1.0, p. 4)

In response to the AG's proposal to allocate AIC's G&I AMI plant using a labor-related allocator, like any other typical G&I plant asset, such as a general office building, AIC asserts that the AMI communications network and the related IT assets do not function like typical G&I plant assets. The Company states they function as an extension of the AMI meters. According to AIC, all three components, the meters, the communications network, and the IT plant assets, need to be operational for customers to realize any benefits. AIC points out that the AG's witness, Mr. Scott Rubin, already agrees that the costs of purchasing and installing AMI meters should be allocated in the same manner as traditional metering plant investment. (AG Ex. 1.0, p. 7; Ameren Ex. 5.0 (Rev.), p. 34) AIC opines that it is not appropriate to use a different labor-based allocator for the other integrated components.

AIC states that the connectivity of the planned AMI meter and non-meter investments supports the use of the same customer-based cost allocator for G&I AMI plant assets. AIC relies upon a Commission statement:

Generally, the Commission prefers to allocate costs among the various classes as close to the cost of serving each class as is reasonably possible and/or appropriate. The purpose of doing so is to assign costs to those who cause them.

Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, Illinois Power Company d/b/a

AmerenIP, Proposed general increase in electric delivery service rates, Docket Nos. 07-0585 et al. ("Docket Nos. 07-0585 et al."), Order (Sept. 24, 2008), p. 265.

AIC says that here, the communication network and related IT hardware and software assets support the metering function. (Ameren Ex. 2.0, pp. 15–16) It asserts that they are essential to the functionality of the AMI meters. (Ameren Ex. 8.0, pp. 29–30) This is why AIC considers the communication network and IT related assets to be extensions of the AMI meters, and not analogous to other types of general plant. (Id.) The Company explains that this is why, for each component of the AMI network, the cost causer is the end user of the meter the customer. (Id., at 31) It opines that given the codependency of the meter and non-meter AMI plant investments, it is not appropriate to treat one component (e.g., meters) any differently for cost allocation purposes than the other components. (Id., at 30) The Company states that is why AIC's proposed customer-based allocator, FERC Account 370-Meters (CUST370), is superior. It states that its customer-based allocator allocates future anticipated costs related to the AMI Plan in a manner that resembles the way these costs will be incurred, which it states is a fundamental goal in any cost of service study.

AIC notes that AG witness Rubin agrees that the AMI meter cannot be fully functional without being connected to an AMI communication network; that the AMI communication network generally cannot be fully functional without the supporting IT infrastructure; and that the costs of purchasing and installing meters should be allocated in the same manner as legacy metering plant. (AIC Cross Ex. 1) AIC finds it problematical that despite those concessions, Mr. Rubin proposes to use an allocator that results in a substantially lower allocation of G&I AMI plant costs to the DS-1 Residential class and a significantly larger allocation of these same costs to other classes, including the DS-5 Lighting class. (Ameren Ex. 5.0 (Rev.), p. 34) AIC asserts that the AG's proposal is irrational because it says the percentage of non-meter G&I AMI plant costs allocated to DS-1 should align with the percentage of DS-1 AMI meter costs.

AIC responds to Mr. Rubin's criticism that it did not perform a functionalization analysis for the specific AMI assets at issue (AG Ex. 2.0, p. 12), by asserting that analysis is not necessary, given the relationship amongst the meters, the network, and the IT plant at issue. (Ameren Ex. 8.0, p. 31) AIC reasons that one component of the AMI structure (e.g., meters) cannot perform any of the identified functions without the other two components makes these specific G&I assets not analogous to Mr. Rubin's office building example. (Id.) AIC explains that whether a specific area in an office building can perform its day-to-day functions does not hinge entirely upon the functionality of the other specific areas in the same building. (Id.) AIC contrasts the case of AMI network where, as Mr. Rubin concedes, the functionality of the meters is entirely dependent upon the functionality of the other associated assets. AIC states the planned AMI non-meter investments should be allocated based on principles of cost causation, not an analysis of estimated AMI benefits.

In response to the AG statement that the fairness of AIC's proposed cost allocation should be judged against the AG's analysis of the AMI Plan's estimated benefits and the expected varied functionality of the AMI network, once all the components are operational (AG Ex. 2.0, pp. 11–12), AIC asserts that the focus should be on the cause of the AMI costs that AIC will be incurring in the next several years. AIC notes that the AG analysis considers the estimated benefits that AIC has projected to materialize over the next 20 years. (Ameren Ex. 8.0, p. 31) AIC maintains that if you cannot have a fully functional AMI meter without the communications network and IT assets, that fact alone should end the inquiry; each customer needs a meter, the network, and the IT hardware and software. The Company says there is no need to delve into a theoretical debate about the percentage of projected benefits that each customer class might receive over the next 20 years. It states that Mr. Rubin acknowledges that the actual benefits received by a utility's customers "will be different for each utility, depending on customer characteristics and the specific metering equipment and related infrastructure that is used." (AG Ex. 1.0, p. 6)

AIC argues that even if a review of estimated customer benefits was an appropriate method for assigning costs, Mr. Rubin's analysis is flawed in that it is driven by his subjective designations of a "function" for the projected costs and benefits of the AMI Plan. AIC criticizes that these designations overlook the practical problem that Mr. Rubin's "general" functions, such as demand response, outage management, reduction in unaccounted for energy, and consumption on inactive meters, require all three components of the AMI system to be fully operational for these benefits to be realized. (Ameren Ex. 8.0, p. 32)

The Company disagrees with the AG's assertion that it "fails to recognize the substantial non-meter related effects of AMI." (AG IB, at 4) It asserts that its proposed use of a customer-related allocator actually rejects the AG's assumption that there are certain AMI functions and benefits that are "general" in nature and not related to the metering function. AIC insists that the various other functions identified by the AG, in addition to the specific meter reading functions, all require a fully functional meter connected to the AMI communications network and supported by the IT hardware and software assets. It states there is no basis to the assumption that certain AMI functions and benefits will exist solely because of the non-meter AMI investments and independent of the AMI meter investments.

AIC asserts that Mr. Rubin cannot point to a single state commission that has accepted a similar analysis of projected benefits as a basis for allocating AMI costs. It explains that the only other case where Mr. Rubin has submitted testimony on actual AMI benefits and cost allocations remains pending. (AIC Cross Ex. 1) AIC asserts that in the absence of other authority, Mr. Rubin's "function" benefits analysis is too novel to be adopted.

The Company takes issue with the AG's assertion that AMI benefits are driving AMI installation. (AG IB, at 6) It asserts the driving force behind the installation of AMI is the statutory requirement that AIC submit an AMI Plan that contains "a deployment

schedule and plan that includes deployment of AMI ... to 62% of all customers for a participating utility that is a combination utility.” 220 ILCS 5/16-108.6(c)(3). It explains the purpose of the AMI Cost-Benefit analysis was to demonstrate that the deployment of AMI to 62% of AIC’s electric delivery customers would be “cost beneficial,” in that the expected benefits of AMI, over time, would exceed the expected costs. 220 ILCS 5/16-108.6(a). AIC insists the purpose of the AMI Cost-Benefit analysis was not to calculate and assign estimated installation costs and benefits to particular customer segments for ratemaking purposes.

Referring to the AG claim that AIC’s proposed customer-related allocator fails to effectively match AMI costs to benefits, (AG IB, at 5), AIC asserts the claim assumes that the AG’s analysis (1) is necessary to properly assign AMI capital costs; and (2) reliably and accurately measures the portion of the estimated AMI benefits that would be enjoyed by the DS-1 class. The Company says neither is the case. It asserts a functionalization analysis of the non-meter AMI assets is not necessary, because the communications network and IT hardware and software are not analogous to a general office building. (AIC IB, at 18-19) It explains that even if that type of inquiry were necessary, the AG’s analysis suffers from the flaw that it is driven by the subjective designations of whether a cost or benefit is “general” in nature. (Id. at 19-20) The Company says the AMI Plan approved by the Commission quantified various operational, customer and societal benefits that would be realized over a 20-year period from the deployment of AMI to 62% of AIC’s electric delivery customers. *Ameren Illinois Company d/b/a Ameren Illinois, Verified Petition for Approval of Smart Grid Advanced Metering Infrastructure Deployment Plan*, Docket No.12-0244, Order on Rh’g, (Dec. 5, 2012), pp. 4, 22-23. It asserts the AG’s conclusion that the DS-1 class would receive only roughly 64% of the estimated AMI benefits relies on Mr. Rubin’s identification of certain operational, customer and societal benefits, such as outage management, consumption on inactive meters, demand response, and electric vehicle enhancement, as “general” benefits. (AG Ex. 2.2, p. 2) AIC complains there is nothing in record that explains Mr. Rubin’s standard for determining what is a “general” function. It asserts that Mr. Rubin cannot point to other authority where a state commission accepted a similar breakdown of AMI functions. It emphasizes that Mr. Rubin’s analysis does not change the fact that none of the functions can occur without a fully operational and connected meter, network, and IT assets

AIC criticizes the AG claims regarding AMI investment not occurring in proportion to the number of customers (AG IB, at 5), and that proper allocation of AMI capital costs is dependant on customer characteristics and the equipment used. (Id., at 7) It states these claims incorrectly suggest that AIC will design and build the AMI network and can then assign AMI capital costs, based on the unique characteristics of individual customers. In response to the AG’s assertion that high-use customers “have more at stake” than low-use customers (Id.), the Company notes that the AG is not proposing to subdivide the residential class and directly assign AMI capital costs to residential subclasses based on usage. It also criticizes that the AG has not explained why the non-residential classes would have more of a stake in the identified “general” functions. Pointing to the AG’s assignment of 4% of the “general” system benefits to the DS-5

lighting class (AG Ex. 2.2, p. 4), the Company complains that it does not explain why the DS-5 class will receive 4% of the benefits that will flow from reductions in unaccounted for energy, demand response, consumption on inactive meters, and electric vehicle enhancements. The Company says all the functions that the AG claims are "general," would realize significant benefits. (Id., at 2) Further, the Company states, if the AG believes that the proper allocation of AMI costs depends on customer characteristics, that does not explain its agreement to use a customer-related allocator for AMI meter costs. AIC asserts the bottom line is that these defects demonstrate that the AG's proposed labor-related allocator is not reasonable.

The Company agrees with the AG that a fully functional AMI meter and network will provide additional benefits and functionalities, beyond what AIC's current meter offers, but it asserts this does not mean that different allocators should be used for the meter and non-meter investments. AIC asserts regardless of the number of incremental AMI benefits, two facts are inescapable: (1) the AMI meter investments cannot function without the AMI non-meter investments; and (2) none of the expected benefits and functionalities of AMI will be realized without fully functional and connected meter and non-meter investments.

According to AIC, the substantial weight of the evidence in the record shows that AIC's proposal to use the same customer-related allocator for the meter and non-meter AMI investments will result in a fair and reasonable allocation of AMI capital costs across customer classes. In AIC's view, the Commission should approve this modification to the cost of service study, and reject the AG's proposal.

AIC asserts that the primary beneficiary of AMI, whether the attention is on demand response benefits or manual meter reading savings, is the end user of the AMI meter. It compares the AMI meter to a human arm that cannot fully function without the central nervous system; so it states the AMI meter cannot fully function without the remainder of the communications network and the related IT hardware and software assets. It opines that the cost allocation of the G&I AMI plant and the AMI meters should go hand in hand. AIC requests that the Commission approve AIC's proposed allocator (CUST370) for these assets.

b. Staff's Position

Staff recommends that the Commission adopt AIC's proposal that AMI-related G&I plant investments be allocated using a customer-related allocator instead of the current labor-related allocator; and that these plant investments should be allocated to the delivery service rate classes using the same allocation factor approved for FERC Account 370 - Meters. (Staff Ex. 1.0C, p. 17) Staff reports that AIC proposed a modification to its ECROSS for the allocation of AMI-related G&I plant investments, due to the Company's current deployment of AMI within its service area, in order to more accurately spread the allocation of associated costs among customer classes. (Id., 14) Staff agrees that this modification captures the effects of the AMI Plan's costs and benefits; namely, that the AMI Plan will require substantial investment in meters and

meter-related communication network and software, while providing the benefit of decreased meter reading expenses. (Ameren Ex. 2.0, at 15:310-318)

Staff states that given that the objective for cost allocation should be to assign costs based on cost causation principles, it agrees with the Company's proposal for the allocation of AMI-related G&I Plant. (Staff Ex. 1.0C, p. 16) In Staff's view, the Company has sufficiently demonstrated that the proposed approach is justified from a cost standpoint. (Id.) Furthermore, Staff explains, the AMI Plan investments will be made over an extended period, beginning in 2014. Staff notes that under AIC's MAP-P tariff and formula rate process, AIC can only propose modifications to the cost allocation and rate design in separate rate re-design proceedings. (Staff Ex. 1.0C, p. 17) Staff reasons that since AIC cannot propose an alternative method in the 2013 update filing, in which AMI Plan investments are expected to be included, it agrees that it is important that this modification to the ECOSS model be authorized in this proceeding. (Id.)

c. IIEC's Position

IIEC supports AIC's proposal to allocate G&I Plant investments related to the AMI Plan using a customer-related allocator instead of the labor-related allocator which is applied to the remaining G&I Plant within the ECOSS. IIEC agrees that these AMI Plan investments support the metering function and, therefore, the same allocation factor is appropriate and should be used to allocate the incremental G&I Plant investment related to the AMI Plan. (Ameren Ex. 2.0, at 15-16:310-326) IIEC notes that there is no immediate impact on the cost allocations in the current proceeding because the test year used does not currently include AMI Plan investments. (Id., at 16:329-330).

IIEC witness Stephens opines that these investments are heavily related to metering costs, and, accordingly, should be allocated to the delivery service rate classes using the same allocation factor approved for FERC Account 370 – Meters, as proposed by AIC, rather than the more general labor-related allocator applied to other G&I Plant investment. (IIEC Ex. 1.0, at 4:80-86)

IIEC states that AIC effectively dispelled the AG's rationale that AMI-related investment is necessarily proportional to the number of customers and that there are numerous benefits to AMI that are unrelated to the traditional meter reading function, by pointing out that various AMI-related costs are necessary for the AMI meters to be fully functional, a point agreed to by Mr. Rubin. (Ameren Ex. 5.0 Rev., at 35:716-719) IIEC states that AIC's witness demonstrates that Ameren's proposed allocation method is not equal to the "number of customers," and that his testimony supports the use of a customer-based allocator and shows that a customer-based method is superior to the method advocated by Mr. Rubin. (Id., at 36:732-736) It states that AIC considers the AMI communication network and the information technology assets to be an extension of the AMI meters, and not analogous to other types of G&I Plant. Accordingly, the IIEC concludes that it is not appropriate to treat the components separately and differently for cost allocation purposes. (Ameren Ex. 8.0, at 30-31:649-655) IIEC recommends, for

the reasons stated by AIC, Staff and by IIEC, non-meter G&I Plant assets should be allocated on the basis of customers, as proposed by Ameren.

IIEC criticizes the AG argument that use of the customer-related allocator proposed by AIC is inappropriate because it fails to recognize that AMI investment does not necessarily occur in proportion to the number of customers on the AIC system. (AG IB, at 20) IIEC understands the AG to be suggesting that under such a circumstance, use of customer-related allocators for these costs is inappropriate and use of a labor-allocator is appropriate. IIEC argues that first, and very importantly, the AG never explains why the use of a labor-allocator for AMI costs is appropriate under any circumstance. IIEC adds that the AG certainly does not demonstrate that AMI investment occurs in proportion to the labor costs on the AIC system, the standard that it seems to advocate. IIEC then states that the AG's argument is based on a mistaken assumption: that AIC has proposed the use of an allocator that allocates these costs in direct proportion to the number of customers on the AIC system. IIEC asserts the record demonstrates that this is not the case. (See, AIC Ex. 5.0 (Rev.), at 36:730-736 and 38:765-774)

IIEC notes that the AG recognizes the relationship between meters and the subject AMI costs because it admits that the subject AMI costs appear to vary in relation to the cost and size of meters and the cost of installation of same. It finds this to be an admission of one of the basic premises for use of a customer related allocation factor, the costs in question are related to meters.

IIEC believes the AG's argument is based upon a mistaken assumption: that the customer-related, allocator CUST370, does not recognize that AMI investment can be affected by variances in the cost of meters and the cost of meter installation. IIEC states the record shows that the customer-related allocator AIC proposes to use, "CUST 370," does incorporate variances in the cost of meters of different sizes and loads, as well as the differences in the cost of installing such meters with differing characteristics. (See, AIC Ex. 5.0 (Rev.), at 38:769-771) IIEC says the AG failed to explain how its labor allocator reflects the variation in meter and installation costs, which the AG apparently believes is critical to the adoption of an appropriate allocation factor. IIEC asserts that given the fact that the AIC customer-related allocator does reflect the variation in AMI costs due to variation in meter and meter installation costs and the AG's proposed labor apparently does not, the AIC allocator should be adopted.

IIEC argues the allocation of AMI investment costs should be on the basis of cost causation, not on the basis of benefits. IIEC addresses the AG arguments that the benefits of AMI are not limited to its function and fails to match AMI costs to benefits by customer class and, therefore, use of the customer-related allocator proposed by AIC is improper. IIEC asserts the AG fails to explain how or why its proposed labor allocator effectively matches AMI costs to benefits and that the AG admits that its allocator does not, in fact, do so. (See, AG IB, at 5-6, (discussing results of using labor allocator to allocate AMI costs)) IIEC explains that what the AG's allocator does is allocate less of the subject costs to the customer classes that receive the greatest benefit and more

costs to those customer classes who receive the “smallest” benefit. IIEC states the AG’s cost benefit analysis fails to discuss all of the rate classes, explaining that it fails to mention the DS-4 rate class. Therefore, IIEC concludes, it is impossible to establish with any certainty that the AG’s allocator does not unfairly over-allocate costs compared to benefits to some of the AIC rate classes or does not allocate costs to classes who receive no benefit.

IIEC asserts that the AG’s argument that costs should be allocated to customers on the basis of benefits, violates the legal standard that the AG has identified as a controlling standard for this case. It notes the AG has argued elsewhere in its brief that the Commission is compelled to apply cost causation principles (not benefits received principles), to its determinations in this case. (See, AG IB, at 3, citing 220 ILCS 5/1-102(b)(iii)) IIEC argues that the AG violates its own standard, when it argues that costs should be allocated not on the basis of cost causation, but on the basis of benefits received. IIEC asserts the AG ignores the purpose of the investment in question, to allow the advanced meters to fully function. IIEC reasons that the AG has conceded that the cost of buying and installing AMI meters should be allocated in the same way traditional metering plant is allocated (AG Ex. 1.0, at 7:151-155), thus it is difficult to see why AMI investment that is clearly needed in order to allow those same meters to function should be treated any differently than the meters themselves.

d. AG's Position

The AG objects to AIC's proposal for the allocation of AMI investment. The AG proposes allocating non-metering AMI plant costs using the labor allocator that is used for all general plant, until Ameren’s next electric rate design case, when the issue should be revisited in light of actual data on AMI installations. The AG explains that the Company is proposing to allocate the costs of non-meter AMI plant using the customer-related allocation factor, CUST370, which is the same allocator used for the cost of AMI meters. (Ameren Ex. 2.0, at 15:309-16:326) It states, for example, in Rate Zone I, 85.9% of customers are residential (DS-1) and Ameren’s proposed CUST370 allocator would allocate 84.0% of AMI costs to the residential class. (AG Ex. 1.0, at 4:91-93) In response to the Company's argument that AIC's proposed allocation method captures the benefits of AMI investments because AMI investments “support the metering function” including the benefit of decreased meter reading expenses, the AG notes that this argument fails to recognize the substantial non-meter related effects of AMI.

The AG enumerates several reasons why it believes the customer-based CUST370 allocator is inappropriate for non-metering AMI costs. First, the AG asserts that AMI investment does not necessarily occur in proportion to the number of customers, due to variances in costs for meters of different sizes and loads, as well as differences in installation costs depending on the characteristics of customers. (AG Ex. 1.0, at 5:112-115) Second, the AG points out that the benefits of AMI investment are not limited to the traditional metering function. The AG notes that in AIC's AMI Cost/Benefit Analysis filed in Docket No. 12-0244, the Company identified over a dozen different types of benefits from AMI. The AG explains that in addition to reducing meter

reading costs, benefits included reducing unaccounted-for energy, improving outage management, enhancing reliability, improving load reduction programs, saving information technology costs, and enhancing the competitive electricity supply market, among others. The AG notes that in the year 2016, the Cost/Benefit Analysis suggested that AMI will save \$11.8 million, but the savings in manual meter reading that year will be only \$3.6 million. (AG Ex. 1.0, at 7:136-140)

The AG disagrees with AIC's assertion that the CUST370 allocator will allocate costs related to the AMI Plan in a manner that resembles the way these costs will be incurred. (AIC IB, at 17) The AG asserts that the principle of cost causation espoused by the Company requires that the Commission recognize the multiple functions that will be performed by the non-metering AMI plant and that justify its installation. It says, given that the non-metering AMI will also support outage management and response, uncollectible accounts, service disconnection and reconnection, and energy efficiency (AG IB, at 7; AG Ex. 2.0 at 12:241-242), as admitted by Mr. Schonhoff (Tr., at 50:20-51:3), it is unreasonable to say that the non-metering AMI investment cost will be incurred solely to support the AMI meters.

The AG criticizes AIC's proposed allocator, stating that it would fail to effectively match AMI costs to benefits by customer class. It asserts that it demonstrated, based on figures provided in the AMI proceeding, Docket No. 12-0244, that the DS-1 class is expected to receive approximately 64% of the estimated benefits from AMI. (AG Ex. 2.2, at 2) The AG contrasts AIC's proposal, which would have the DS-1 class pay 84% of AMI capital costs, with the AG's proposed labor allocator for non-meter AMI plant, which would result in the DS-1 customer class paying 71% of the estimated AMI capital costs. (Id.) The AG states that even its proposal is not entirely fair to those customers, but that it is fairer than AIC's proposal. The AG asserts that for the DS-2 class, it showed that the class would receive approximately 26% of AMI benefits. (AG Ex. 2.2, at 3) It states that AIC's proposal would only charge DS-2 customers approximately 15% of AMI costs, significantly less than the benefits they would receive. The AG states that it moderates that proposal to have DS-2 customers pay approximately 19% of AMI costs, which is still less than the benefits that class is expected to receive. (Id.) The AG states that it also demonstrated that the DS-5 class would receive approximately 2% of AMI benefits and pay essentially no AMI costs under AIC's plan. (AG Ex. 2.2, at 4; AG Ex. 2.0, at 13:270-271) The AG's proposal to use the labor allocator would allocate approximately 2% of AMI costs to the DS-5 class. (AG Ex. 2.2, at 4)

The AG disagrees with AIC's suggestion that a discussion of the benefits of AMI is "largely misplaced in this docket." (AIC Ex. 5.0, at 39:795) It points out that AIC follows this suggestion with the assertion that "a goal of a cost of service study is to identify costs and allocate those costs to the rate classes as they are incurred." (Id., at 39:796-797) The AG asserts that allocation of costs to rate classes depends on properly allocated costs based on cost causation, and points out that AIC witness Schonhoff agreed with this in his testimony. (AIC Ex. 8.0, at 29:629-631) The AG states that the benefits provided by AMI are driving AMI installation and the costs associated

with those benefits should be accurately allocated in AIC's ECOSS. It asserts that the categories of alleged AMI benefits tell us the functions that the AMI network is supposed to perform for Ameren. (AG Ex. 2.0, at 11:229-230) The AG states that the rate design process should properly match costs with benefits, and complains that the Company did not attempt to functionalize the non-meter AMI infrastructure or match benefits with costs for the various customer classes. (Id., at 12:235-236; 12:243-249)

In response to AIC's argument that because the non-metering AMI plant is necessary for the functioning of the AMI meters, for each component of the AMI network, the cost causer is the end user of the meter, the customer (AIC Ex. 8.0, at 31:672-674), the AG counters that while the non-metering AMI assets may be necessary to support the meter-reading function, they are also necessary to support other functions. (AG Ex. 2.0, at 10:203-205) The AG points to Mr. Schonhoff's testimony under cross-examination. It states that when he was asked to explain his contention that the non-meter AMI plan will not benefit the network as a whole and will instead benefit customers on a per-customer basis, he admitted that he is "not an expert on the AMI," that various AMI functions "appear to benefit customers," and that "[o]ther than that, I don't really have a good response." (Tr., at 52:19 to 53:1) The AG states that while, in testimony, Mr. Schonhoff pointed to the replacement of manual meter reading as an important function of AMI (AIC Ex. 8.0, at 30:633-638), he also admitted during cross-examination that AG witness Rubin correctly identified several other functions to be performed by AMI. The AG lists those as: outage management and response, uncollectible accounts, service disconnection and reconnection, and energy efficiency. (Tr., at 50:15 to 51:6) The AG states that Mr. Schonhoff provided no evidence to suggest that these functions provide benefits that should be allocated as a per-customer cost, regardless of customer characteristic. The AG finds this is an implausible assumption on its face. It explains that, for example, high-use customers have more at stake when they enjoy the benefit of energy efficiency or outage management than do low-use customers.

The AG challenges AIC's statement that "the percentage of non-meter G&I AMI plant costs allocated to DS-1 should align with the percentage of DS-1 AMI meter costs." (AIC IB, at 18) It states, a more accurate rubric that acknowledges the principle of aligning revenue with cost causation would be that the percentage of non-meter G&I AMI plant costs allocated to DS-1 should align with the percentage of benefits flowing to DS-1 from that plant. It asserts that its analysis (AG Exhibit 2.2, pp. 1-2) shows that under the labor allocator, the DS-1 class would pay for 71% of AMI capital costs through the year 2020 while receiving approximately 64% of the benefit. It states that while this is not a perfect alignment of costs and benefits, it is a fairer allocation than Ameren's proposal to assign 84% of AMI capital costs to the DS-1 class.

The AG concedes that the AMI functions Mr. Rubin outlined "require all three components of the AMI system to be fully operational" (AIC IB, at 20), but points out that the Company has not even attempted to show that these functions will be enjoyed equally among customers. It provides the example that the AMI meters also require a Human Resources department to hire the repair technicians who can keep the meters in

working order, but this does not argue in favor of using the CUST370 allocator for the Human Resources office space, as Human Resources performs other functions besides supporting AMI meters.

In its summary, the AG asserts that AIC's argument that all AMI plan costs should be allocated based on a meter allocation is based on the faulty premises (1) that the fact that meters are involved justifies a meter allocator and (2) that there are not sufficient non-meter benefits to justify a more general allocator. For these reasons, the AG states, the CUST370 allocation for non-meter AMI plant proposed by AIC in its ECOSS is not an accurate or fair allocation for customers. The AG asserts that a proper allocation of cost will depend on the characteristics of customers and the specific equipment used, it is not possible to develop an accurate cost allocation methodology until the costs have been incurred. It points out that as Mr. Schonhoff admitted during cross-examination, the Company has not yet begun installing non-meter AMI infrastructure. (Tr. at 51:7-13) The AG proposes using the labor allocator in AIC's ECOSS for non-meter AMI installations in annual formula rate updates from now until AIC's next rate design case. It explains this allocation can be re-evaluated in Ameren's next rate design proceeding three years hence in light of actual data on AMI installations that may occur between now and then. (AG Ex. 1.0 at 8:159-161)

e. Commission Analysis and Conclusion

The parties are in disagreement as to whether a customer related allocator (CUST370) or a labor-related allocator (LABOR) is appropriate for G&I plant investments that AIC intends to implement as part of the Commission-approved AMI Plan. AIC proposes to use CUST370, the same allocator that it plans to use for AMI meter investments and currently uses for traditional, non-AMI, meter investments booked to FERC Account 370. The AG recommends that the labor allocator, that is used for all general plant, should be used until AIC's next electric rate design case, when the issue should be revisited in light of actual data on AMI installations. The IIEC and Staff are in favor of the use of the customer related allocator.

The specific non-meter G&I AMI plant investments in question include the purchase and installation costs for the AMI communication network and the IT assets. AIC asserts that the communications network and IT investments effectively replace manual meter readers and are necessary for the AMI meters to be fully functional. The AG points to the Company's Cost Benefit Analysis, which indicates that meter reading is only a small portion of the savings anticipated from the AMI program. The AG asserts that the other benefits produced by these investments will include reducing unaccounted-for energy, improving outage management, enhancing reliability, improving load reduction programs, saving information technology costs, and enhancing the competitive electricity supply market, among others. The AG produced an analysis that indicates that AIC's proposed allocator would fail to effectively match AMI costs to benefits by customer class.

The Commission is not convinced at this time that it is appropriate to change allocators for these types of assets. The AIC argument that the meters would not be functional without the communication and IT assets is not compelling. Many components of the distribution system are inter-reliant; that alone cannot determine the allocation to be used. AIC's and IIEC's criticism that the AG's use of projected benefits is inconsistent with the general goal of assigning costs to cost causers also fails. Unlike costs for lines and poles, which are necessary to provide service, the purpose of the AMI plan is to provide other long-term benefits. Under that circumstance it is not appropriate to ignore these other benefits when allocating costs.

The Commission finds that the allocation of the non-meter G&I AMI plant investments should not be differentiated from other similar non-meter investment at this time. The labor allocator should continue to be used for those costs. This allocation should be re-evaluated in AIC's next rate design proceeding in light of actual data on AMI installations that may occur between now and then.

III. REVENUE ALLOCATION

A. Revenue Allocation Methodology - Rate Zone Allocators

AIC proposes several changes to the factors used to allocate costs to each of AIC's three rate zones for purposes of establishing a revenue requirement for each rate zone in annual proceedings to update its electric formula rate. (See Ameren Ex. 3.0) The Company includes modifications to rate base allocation factors for General and Intangible Plant, Cash Working Capital, Materials and Supplies, Customer Advances, Customer Deposits and Other Post-Employment Benefit Liability. (Id., at 4–7) AIC also proposes to modify expense allocation factors for Customer Accounts Expense, Customer Services and Information Expense, Administrative and General Expense, Amortization of Regulatory Assets and Other Taxes. (Id., at 7–12) Staff requested additional information explaining the need for these proposed allocation modifications and an analysis of the effects of these proposed modifications. (Staff Ex. 3.0C, pp. 2, 4) In rebuttal, AIC prepared two exhibits demonstrating the impact of the proposed changes and explained the rationale for each of the proposed changes. (Ameren Exs. 6.0; 6.1, 6.2) Staff recommends that the proposed modifications to the rate zone allocation factor, as identified in AIC's direct case, should be adopted by the Commission because they more accurately reflect current operations. (Staff Ex. 6.0, p. 2) No other party addressed these allocators.

B. Revenue Allocation Methodology - Rate Moderation

1. Treatment of Electric Distribution Tax

a. AIC's Position

AIC explains that the Electric Distribution Tax ("EDT") is a term used to describe the tax assessed on utilities under the Public Utilities Revenue Tax Act ("PURA").

(Ameren Ex. 1.0 (Rev.), p. 18) It asserts the tax is assessed on utilities based on kilowatt-hours ("kWh") distributed to customers in a year, based on a schedule of differing tax rates for seven kWh usage blocks. (Id.) The Company says that in Docket Nos. 09-0306, et al., the last proceeding in which the Commission approved a rate design for electric delivery rates, the Commission approved AIC's proposal to allocate EDT based on usage (kWh), rather than distribution plant in service. Docket Nos. 09-0306, et al., Order, (Apr. 29, 2010), p. 243. It states the change in the EDT allocation factor resulted in responsibility for this tax expense shifting from smaller to larger customers. The Company says the shifting of revenue responsibility for EDT led the Commission to adopt a rate mitigation approach that included EDT: no customer class or subclass would receive an increase greater than 150% of the system average increase. (Id., at 295)

The Company indicates the rate mitigation methodology approved in Docket Nos. 09-0306, et al. remains in effect today, and has been applied in AIC's first three formula rate cases, Docket Nos. 12-0001, 12-0293 and 13-0001. AIC states as a result, the rates for the DS-4 class currently are providing electric revenue levels below their stated cost of service. (Ameren Ex. 1.0 (Rev.), p. 17) The Company explains this revenue gap exists primarily because there has not been meaningful movement of the DS-4 class towards paying the average cost-based EDT \$/kWh price. (Id., at 18, 21) It states the current shortfall in electric revenues for the DS-4 class, based on the disparity in EDT prices, is \$13 million (based on AIC's proposed revenue requirement in Docket No. 13-0301). (Id., at 23) According to the Company, whereas the DS-4 class provides 10%, or \$4.2 million, of EDT revenue, the kWh sales from DS-4 represent 41.7% of total sales, or \$17.5 million. (Id., at 22–23) It states this disparity exists for each DS-4 subclass; DS-4 customers served from a Primary, High Voltage, and +100 kV Supply Voltages represent 7.0%, 17.4%, and 17.3% of total sales, yet contribute only 2.8%, 5.7% and 1.5% of EDT revenue. (Id., at 23) In addition, it says, EDT prices and revenues for each DS-4 subclass still differ across rate zones. (Id., at 19, 22) In Docket No. 11-0279, prior to electing to participate in the infrastructure investment and modernization program (Section 16-108.5 of the Act), AIC states, it proposed modifications to the revenue allocation and rate mitigation approach to quicken the transition to a uniform EDT \$/kWh price across all customer classes and subclasses; However, the Company explains, that proceeding was withdrawn before the Commission could approve AIC's proposals.

The Company asserts that no party to this proceeding challenges the continued allocation of EDT by usage (kWh sales). It also says no party challenges AIC's proposal that each customer class and subclass should pay the same average EDT price, eventually. AIC explains that the contested issue amongst the parties is whether to continue to include EDT in any Commission-approved rate mitigation plan, and how quickly the customer classes should move to paying the same average EDT rate.

b. Staff's Position

Staff recommends that the Commission accept IIEC's modified constrained class revenue allocation proposal to eliminate the first tier of AIC's proposed three-tiered methodology, namely the 0.05 ¢/kWh constraint, while leaving the other two-tiers intact. (Staff Ex. 4.0, pp. 4-8) Alternatively, Staff suggests that AIC's initial three tier ¢/kWh value could be modified to a lower value; it suggests 0.025 ¢/kWh as proposed by AIC in surrebuttal testimony, in order to avoid high rate impact for certain customers. (Ameren Ex. 7.0, p. 35)

Staff explains the PURA levies a tax on electric utilities based on the total amount of energy delivered in a year at different rates for up to seven different kWh sales blocks. It states this EDT also reflects credits or refunds from previous years that result from a statutory cap on the total tax collected from all electric utilities. (Staff Ex. 1.0C, p. 18)

Staff states that according to AIC, using the revenue requirement proposed in Docket No. 13-0301, the effect of its revenue allocation proposal on the amount of EDT subsidy provided to DS-4 is to reduce the subsidy amount from \$13.3 million to \$3.8 million. (Ameren Ex. 1.0C, at 26:532-535) Staff initially supported AIC's plan to move the DS-4 class closer to cost, finding it reasonable given the slow movement towards cost-based rates for the DS-4 class since Docket Nos. 09-0306, et al. (Staff Ex. 1.0C, p. 22)

However, Staff witness Rukosuev reviewed additional information that caused him to re-evaluate his recommendation. After reviewing IIEC witness Stephens' testimony, Mr. Rukosuev embraced Mr. Stephens' proposal to eliminate the first tier of AIC's proposed three-tiered methodology, namely the 0.05 ¢/kWh constraint, while leaving the other two-tiers intact. Staff finds two arguments advanced by the IIEC to be persuasive. Staff agrees that under AIC's initial three tier constrained class revenue allocation, the percentage impacts that would be experienced by the DS-4 subclasses (from 29% to 306%) would be too great. It states the impacts on the High Voltage and 100 kV and Above sub-class customers are much greater than on the lower voltage sub-class customers. Staff also agrees that it is inappropriate to examine the impact of AIC's proposed revenue constraint methodology in the context of a customer's total bill. Staff believes the regulated delivery service rates that AIC proposes must be considered on their own, and should not be combined with costs of other commodities or services when determining whether rate impacts are reasonable. (Id., 6-7)

With respect to the first point advanced by IIEC in opposition to AIC's initial three-tier proposal, Staff opines that a 300% increase (or more) in delivery service charges for DS-4 subclasses is simply too much, and a more moderate movement towards cost of service is needed. Additionally, Staff states that Mr. Stephens is correct in pointing out that AIC presents bill impacts that combine delivery service, cost of power supply, and transmission service. Staff says by doing so, AIC's original bill impact analysis shows a smaller impact than it would if the cost of power supply or any other energy or

commodity supply or transmission costs in such an analysis were excluded. Staff states these costs are not relevant to electric delivery service charges. Staff states that AIC does not provide the electricity distribution supply for the vast majority of DS-4 customers, as well as many DS-3 customers. (Id.)

While it says that bill impacts are not the only concern in allocating the revenue requirement, Staff is concerned about bill impacts for AIC ratepayers stemming from AIC's constrained class revenue allocation proposal, especially the large energy consuming customer classes. Because costs are important as well, Staff believes that the best way to balance these two concerns is through a constrained class revenue allocation. Staff maintains that any effort to address bill impacts in the revenue allocation process must be consistent and fair to all rate classes. Staff believes IIEC's modified proposal in this case is reasonable. If the Commission is not inclined to accept IIEC's proposal, then, in the alternative, instead of eliminating the first tier, as proposed by AIC in surrebuttal testimony (Ameren Ex. 7.0, p. 35), Staff proposes that AIC's initial three tier ϕ /kWh value could be modified to a lower value, 0.025 ϕ /kWh, in order to avoid high rate impact for certain customers. Staff says that although neither constrained class revenue allocation is perfect, both are better than AIC's initial proposal which leads to very high rate impacts on DS-4 subclasses.

Staff clarifies that it is not opposed to AIC's constrained revenue allocation proposal. Staff notes, however, the apparent inconsistency between AIC's support for the rate limiters for the benefit of grain drying customers, and the apparent lack of concern for other large customers. It says that while the Rate Limiter Credits for grain dryers will be reduced each of the next three rate years and be eliminated completely by the next rate redesign proceeding, which it describes as a gradual approach that helps the grain dryers, this contrasts with the enormous increases in delivery service rates for some of AIC's largest customers, the DS-4 subclasses, who do not happen to be grain dryers. Staff considers IIEC's proposal as a justified modification, not a complete barrier to AIC's goal of moving the DS-4 class closer to cost.

c. IIEC's Position

IIEC agrees that the need for rate moderation in this case stems from, and is an extension of, events that occurred in Docket Nos. 09-0306, et al., the last completed Ameren rate case. It notes that in its Order in that docket, the Commission stated that the rate impact on all of AIC's rate classes is of great importance to it. IIEC states the Commission also noted the widely held ratemaking policy that rates should be designed to reflect cost causation, maintain gradualism, and avoid rate shock. (Docket Nos. 09-0306, et al., Order, (April 29, 2010), p. 295)

IIEC recounts that the Commission ultimately concluded in that docket that the most appropriate revenue allocation included a moderation of rates that ensured that no rate class or subclass would receive an increase more than 150% of the system average increase in the three Ameren territories. (Id.). IIEC states that for the three operating companies, AmerenCILCO, AmerenCIPS, and AmerenIP, in that case, the

requested percent increases were 14.0%, 16.2% and 13.0%, respectively. (Id., at 6) IIEC explains, applying its rate moderation criteria, a worst case scenario for any customer class or subclass would have been a 21%, a 24.3% or a 19.5% for the three service companies, respectively calculated as 1.5 times the requested percentage change. IIEC reasons, hence that the worst case scenario deemed tolerable by the Commission would be something of around a 20% increase. IIEC notes that inasmuch as Ameren did not get its full requested increase in any of the operating companies, the percentage changes that occurred in Docket Nos. 09-0306, et al., were lower.

Although IIEC does not believe that Ameren's treatment of the EDT in its ECOSS is correct, IIEC has chosen not to challenge the allocation in this case. IIEC asserts that the sudden reallocation of this tax in the cost study in Docket Nos. 09-0306, et al., is what led to rate moderation concerns, as the sudden change in rates to full cost of service, or equal EDT charges, would introduce extraordinarily large increases for some customer classes or subclasses, as acknowledged by the Commission in Docket Nos. 09-0306, et al. Accordingly, IIEC considers the treatment of the EDT to be inextricably tied to the rate mitigation alternatives and, thus, addresses them together below.

d. AG's Position

The AG asserts that AIC and it are in agreement that the unjustified subsidy given to DS-4 customers in relation to the EDT must end. While Ameren proposes to prolong the phase-out of this subsidy over three years or more, the AG believes that there is no good reason to continue it longer than the 15 years it has already persisted. The AG references AIC witness Jones' testimony that the revenue recovered from DS-4 customers for the Company's EDT charge is below the EDT cost the Company incurs for these customers. (AIC Ex. 1.0., at 17:356) The AG explains that the DS-4 class provides 10%, or \$4.2 million, of total EDT revenue to the Company, while DS-4 customers purchase 41.7% of total kWh sales. (AIC Ex. 1.0, at 22:454-455) The AG reasons that the DS-4 customers thus should, based on their electricity purchases, contribute 41.7%, or \$17.5 million, of EDT revenue to the Company. (Id., at 23:456-457)

The AG asserts that the difference between the DS-4 class's 10% revenue contribution and its use of 41.7% of all kWh results in customers in the DS-1, DS-2, DS-3, and DS-5 classes providing substantial subsidies to DS-4 customers, amounting to approximately \$13 million annually. (AG Ex. 1.0, at 9:178-179; AIC Ex. 1.0, at 23:464-470) The AG asserts further that residential and other small customers have been subsidizing large DS-4 customers since the EDT was enacted in 1997. (AG Ex. 1.0, at 8:169-170) The AG concludes that it is past time for this subsidy to end.

The AG states that, in 2010, the Commission allowed continuation of the subsidy to the DS-4 class because the Commission's order in Docket Nos. 09-0306, et al. placed certain rate mitigation constraints upon the increase to any one class. It explains that this resulted in disparities among customer classes within each rate zone. (Ameren Exhibit 1.0, at 19: 406) The AG emphasizes the Commission statement regarding the

importance of properly assigning EDT costs to the causers. Docket Nos. 09-0306, et al., Order, (April 29, 2010), p. 243. It asserts that properly assigning the EDT costs to cost causers is not difficult. It states AIC knows with certainty precisely how much of the EDT cost is the responsibility of each customer. It asserts that no estimates or calculations are needed as with other cost allocation problems. (AG Ex. 1.0, at 9:195-10:203)

The AG provides Table 1 which reflects the per-kWh EDT charges levied on DS-1 customers and DS-4 +100kV customers under three scenarios: (i) using the revenue requirement from Docket No. 13-0301 and the current Ameren rate design, (ii) using Ameren's proposed new rate design, and (iii) using the AG's proposed new rate design.

Table 1.

	EDT Charge (per kWh) DS-1 Class			EDT Charge (per kWh) DS-4 +100kV Class		
	Rate Zone I	Rate Zone II	Rate Zone III	Rate Zone I	Rate Zone II	Rate Zone III
Docket No. 13-0301	\$0.0017933	\$0.0017883	\$0.0017158	\$0.0001004	\$0.0001108	\$0.0000837
AIC proposed	\$0.0014181	\$0.0013129	\$0.0013874	\$0.0006294	\$0.0011013	\$0.0006642
AG proposed	\$0.0012061	\$0.0012061	\$0.0012061	\$0.0012061	\$0.0012061	\$0.0012061

(AG IB, at 10)

The AG asserts that under the Company's current rate design, DS-1 customers pay approximately seventeen times more per kWh for the EDT charge than DS-4 +100kV customers do (comparing, e.g., \$0.0017933 and \$0.0001004); under the Company's proposed redesign, the residential customer would still pay approximately one or two times more than DS-4 customers, depending on rate zone, in January 2015 rates. The AG proposes charging every customer class, regardless of rate zone, the same per-kWh EDT charge, equal to the Company's average EDT paid to the state Department of Revenue per kilowatt-hour.

The AG disagrees with IIEC's arguments regarding several hundred percent increases in some rate zones. (IIEC IB, at 31) The AG references AIC's assertion that the nominal EDT charges currently paid by DS-4 customers are so small that "even a relatively small ¢/kWh movement could result in levels that exceed the current percentage thresholds." (AIC IB, at 25-26) The AG references Table 1 and asserts that its proposed increase in per-kWh EDT charges for DS-4 customers would amount to an increase of approximately \$0.0009, or 9% of 1 cent. The AG asserts that this amount is a large increase in the existing DS-4 EDT charge, but is not a crippling amount relative to a customer's total bill. It explains that if a large customer uses 1 million kilowatt-hours, the effect of the AG's proposal is only to increase the bill by \$900.

The AG says the Commission has already expressed its intent to “treat the PURA tax as a pass-through tax,” as part of the Company’s 2009 rate increase and rate design case. The Company tried to align revenue recovery with cost causation in its 2011 rate increase case, but withdrew that case, delaying the phase-out of the EDT subsidy until this proceeding. The AG suggests that had the Commission implemented the Company’s proposal in Docket No. 11-0279, the EDT subsidy would be hearing its last rites today. The AG believes delaying the phase-out until January 2017 or later is not justified, in light of the Commission’s stated intent in 2009 to end the unfair subsidy. In the AG’s view, the Commission should now make good on that intention and cause all of Ameren’s customers to pay for their contribution to the Company’s EDT obligations.

The AG refers to the AIC witness statement that there is no reason for different customer classes to pay different EDT charges; all customer classes and subclasses should pay the same average per-kWh EDT price. (AIC Ex. 1.0, at 22:441-443) It states the Company wants to end the EDT subsidy given to DS-4 customers. However, the AG notes, the Company’s proposal would not definitively end the subsidy immediately. It states the Company’s proposal, which would include the narrowing of inter-class EDT subsidies in its overall rate mitigation framework, merely “could” result in elimination of the EDT subsidy to DS-4 customers within the next three or fewer annual formula rate update proceedings. (AIC Ex. 1.0, at 23:475-24:479)

The AG further notes that Mr. Jones agreed during cross-examination that, the gap between the EDT charge currently paid to the Company by a Rate Zone I DS-4 customer for a marginal kilowatt-hour delivered (\$0.0001004 per kWh) and the EDT cost that the Company owes to the Illinois Department of Revenue for the same marginal kWh (\$0.00131 per kWh) results in a loss to the Company of approximately \$12,000 for a hypothetical ten million marginal kWh in a year. (Tr., at 89:2-90:15) It states that under the Company’s proposed new EDT charge for Rate Zone I DS-4 customers, which would multiply the current charge by approximately six times in 2015, Mr. Jones admitted that the Company would receive approximately \$6,000 of EDT revenue instead of the current \$1,000 (Tr., at 90:16-91:6) for the hypothetical marginal ten million kWh. The AG calculates that this change would mean that the Company would recover approximately \$7,000, instead of \$12,000, less than cost for the marginal ten million kWh. It points to Mr. Jones’ agreement during cross-examination that DS-4 customers are presently being subsidized by all other customers for the Company’s EDT-related loss (Tr., at 91:12-19); that, should the Company’s proposed phase-out of the subsidy be adopted, this subsidy would not be ended until, at the earliest, the second annual formula rate update following adoption of the new rate design; and that he “[did] not believe” it would continue beyond the third year. (Tr. at 91:20-92:2) The AG notes that Mr. Jones did not, however, guarantee that the subsidy would end in the third year -- 2018.

The AG challenges AIC’s tacit assumption that the lack of a rate mitigation alternative that does not include the impact of EDT in the AG position means that the AG does not support any rate mitigation. The AG states it generally supports rate

moderation, although it does not take any position in this proceeding on the competing rate moderation proposals. It explains that it proposes omitting the EDT issue from any rate mitigation constraint because DS-4 customers have had 15 years to prepare themselves for paying the full amount of the EDT tax. (AG Ex. 2.0, at 1:18-19) Additionally, the AG points out, that had the EDT subsidy been phased out as proposed in Docket No. 11-0279, the subsidy would have been ended by February 2014. The AG states that while DS-4 customers have been enjoying a substantial subsidy for more than 12 years, they have also been aware for nearly three years, since the initiation of Docket No. 11-0279 on February 18, 2011, that Ameren had proposed phasing out the EDT subsidy.

The AG urges the Commission not to tarry in ending the EDT subsidy. It recommends that in this proceeding, the Commission should direct that all customer classes across all rate zones pay the same average per-kWh EDT charge, as shown in Table 1 above. The AG asserts that now is an opportune time to end the subsidy because the base component of distribution rates is declining. Its witness Mr. Rubin calculates, under Ameren's proposed rates in this case, the DS-4 class's share of rate reduction is approximately \$3.5 million, excluding EDT charge adjustments, meaning that ending the \$13 million EDT subsidy to DS-4 customers would increase that class' rates by less than \$10 million, or less than 20% of distribution rates. (AG Ex. 1.0 at 10:208-214) The AG states this is a significantly smaller percentage of their total electric distribution and supply costs. The AG concludes that DS-4 customers have been enjoying an unwarranted subsidy in relation to the EDT for over 15 years, and the time is long past to end it.

e. Commercial Group's Position

The Commercial Group is generally supportive of moving class rates closer to cost. In prior cases, the Commercial Group has supported the IIEC effort to recognize that the EDT is imposed on utilities and not ratepayers and its cost should not be allocated to ratepayer classes solely via a kWh charge. However, it states that as IIEC witness Stephens points out, the Commission to date has not accepted this argument. (IIEC Ex. 1.0, 24:481-485) Accordingly, the Commercial Group addresses only the issue of whether (and how) any rate shock from moving the EDT to a uniform kWh charge can be avoided while still making significant progress toward the goal of rate uniformity.

2. Rate Mitigation Alternatives

a. AIC's Position

AIC acknowledges the Commission's stated preference to design cost-based delivery rates that collect revenues from a customer class that are aligned to the class's cost of service. See, e.g., Docket Nos. 09-0306, et al., Order, (Apr. 29, 2010), pp. 228, 232, 237, 243. It notes that the Commission has found that a rate design that recovers less than the cost of service from one customer class creates the need for one or more

of the other customer classes to make up the revenue shortfall, in other words: creates a subsidy, citing *Cent. Ill. Light Co., et al.*, Docket Nos. 06-0070 et al., Order, (Nov. 11, 2006), p. 175. It also notes the Commission's direction that continued movement toward cost-based rates and the elimination of class subsidies should be a priority in AIC's next rate filing. Docket Nos. 09-0306, et al., Order, (Apr. 29, 2010), p. 260.

AIC asserts, however, that the preference for cost-based delivery rates does not mean that rate mitigation is never appropriate. It states that there are instances when gradualism in designing a phase-in of a rate increase for a particular class is warranted to avoid rate shock. For an example, it points to Docket No. 07-0165, where it explains the Commission designed rates for BGS-1 and BGS-2 to "provide rate relief to those customers who have faced the largest increases, particularly electric space-heating customers, while ensuring that other customers groups are not unduly impacted by these rate mitigation measures." *Illinois Commerce Commission On Its Own Motion - vs- Central Illinois Light Company d/b/a AmerenCILCO; Central Illinois Power Company d/b/a AmerenCIPS; Illinois Power Company d/b/a AmerenIP Investigation pursuant to Section 9-250 of Electric Rate Design*, Docket No. 07-0165, Order, (Oct. 11, 2007), p. 27. The Company states in that docket, the Commission found that a modest movement of rates away from costs was justified and necessary to provide relief to customers who had faced the largest increases while avoiding undue impact on other customers in the residential and small non-residential classes. (Id., at 28) It states the Commission found that the rate limiter would provide transitional relief to ratepayers facing the largest increases, without unduly impacting other customer groups. (Id., at 39) AIC asserts that the Commission found that the rate limiter proposal did not reallocate revenue responsibility between DS-3 and DS-4, allowed rates to track costs on an interclass basis, and avoided shifting revenues between two customer classes that are supplied by different auction products and have different switching environments. It acknowledges that the Commission emphasized that the modifications to intra-class rate design it adopted were in response to unusual circumstances and supported by the record in that docket and that the Commission did not intend to create presumptions in future dockets or to signal an intention to disregard cost of service when setting rates. (Id.)

AIC notes that in Docket Nos. 09-0306, et al., the Commission expressed concern about immediately assessing DS-4 customers the full average EDT rate, and instead chose to limit the increase to the class, and supply voltage subclass, to no more than 1.5 times the overall average system increase, including the effect of EDT. (Ameren Ex. 1.0 (Rev.), p. 24) It states that concern also was expressed in the Proposed Order in Docket No. 11-0279. Docket No. 11-0279, Proposed Order (Nov. 15, 2011), pp. 185–186. AIC states that as a consequence, in this proceeding, it is not proposing that all customer classes pay the same average EDT rate, immediately. Instead, AIC proposes to limit movement towards the average cost subject to the overall revenue allocation constraint. (Ameren Ex. 1.0 (Rev.), pp. 23–24) To take a proactive approach to eliminating the existing EDT subsidies, AIC proposes movement to a uniform EDT rate at a much quicker pace than applying a simple constraint multiple (e.g., 1.5 times the system average increase). (Id., at 24) It asserts that the percentage

level of delivery service increase required for DS-4 customers, especially those served from the +100 kV Supply Voltage category, to achieve equalized EDT pricing is greater than what would be allowed under a 1.5 times average, or even a 10% minimum increase. (Id., at 23) It explains that looking at just the AIC average of DS-4 +100 kV customers, with 1.5 times the system average increases, it would take 13 iterations (i.e., formula rate cases) of 10% increases to achieve uniform EDT values. (Id., at 24)

With that backdrop, AIC initially proposed a three-tiered approach for rate mitigation ("three tiered approach") in which the impact mitigation constraint would be changed to be the greater of:

1. 0.05 ¢/kWh;
2. 10%; or
3. a constraint multiple of the system average increase based on a sliding scale starting at 1.5 times system increase for overall increases less than 10%, and reduced by 0.0125 for each percentage point of average system increase greater than 10%, but not less than a factor of 1.0.

(Ameren Ex. 1.0 (Rev.), p. 14) Under its proposal, if the constraint factor reaches 1.0, an across-the-board percentage change to all rate classes (with the exception of any ¢/kWh movement allowed under the first constraint) would be employed. (Id.) AIC asserts that this sliding scale ensures that, as the system average increase exceeds 10%, the class specific increases deviate less and less from the system increase and there are not unduly higher increases to specific classes. (Id., at 15–16) In addition, it proposes the applicable revenue allocation procedure would be applied to each DS-3 and DS-4 supply voltage subclass independently, for example, if a 10% increase is determined for DS-4 under the present method, each supply voltage subclass would be allocated a 10% increase. (Id., at 14)

The Company proposes the three tiered approach to correct the following inadequacies in the existing revenue allocation methodology:

1. Some rate classes pay such a nominal amount of Delivery Service and Distribution Tax charges that even a relatively small ¢/kWh movement could result in levels that exceed the current percentage thresholds—thwarting movement towards cost-based rates—even though greater movement would result in relatively immaterial total bill impacts;
2. In the event of an overall system rate decrease, all rate classes still receive a decrease, even though modest rate increases to some classes would permit movement towards cost-based rates with tolerable total bill impacts; and
3. In the event of material Rate Zone average increases, the constraint multiple of 1.5 times system average may result in an increase to a class that is too great, resulting in undue bill impacts.

(Ameren Ex. 1.0 (Rev.), p. 12) According to AIC, the 0.05 ¢/kWh limitation, in particular, is necessary to allow for elimination of the EDT subsidies within the next three or fewer formula rate update proceedings. (Id., at 24) It explains although the 0.05 ¢/kWh limitation would result in percentage increases to delivery rates in excess of 20% for certain DS-4 subclasses, the total bill impact, as a point of comparison and perspective, would still be relatively minor. (Ameren Ex. 1.0 (Rev.), p. 13; Ameren Ex. 4.0 (Rev.), p. 22; Ameren Ex. 7.0, p. 12)

In response to the AG's proposal to eliminate the EDT subsidies at the end of this proceeding, effective in the January 2015 billing period, AIC notes that the AG does not identify, or provide record support for, a rate mitigation alternative that does not include the impact of EDT. The Company understands from this that the AG does not support any rate mitigation. AIC contrasts this with the IIEC initial proposal, which was to eliminate entirely the 0.05 ¢/kWh limitation, thereby allowing the EDT subsidy to exist for an average of 13 years: 19 years in Rate Zone 1, 7 years in Rate Zone II, and 17 years in Rate Zone III. (Ameren Ex. 4.0 (Rev.), pp. 23–24) The Company notes that IIEC also proposed an alternative "middle ground" approach, i.e., increasing the 10% criterion to 20% and the 1.5 times system average increase criterion to 1.75. (IIEC Ex. 3.0C, p. 20) The Company cautions that even with IIEC's proposed 20% annual increase, it would take Rate Zone I 10 iterations, Rate Zone II 4 iterations and Rate Zone III 9 iterations to achieve a uniform EDT Cost Recovery charge, assuming no other costs changed over the duration of those iterations for DS-4 +100 kV supply customers. (Ameren Ex. 7.0, p. 14) The Company asserts that the percentage method falls short of closing the EDT subsidy gap by a meaningful amount over the next few years. It opines that DS-4+100kV can shoulder a larger percentage increase than would be allowed under a 10%/1.5 times system average increase or the alternate 20%/1.75 times system average. Company witness Jones indicates that if the 0.05¢/kWh produces too great of an increase to certain DS-4 customers, that criteria could be modified to reduce the potential impact. He suggests the value could be reduced by half to 0.025¢/kWh. At that rate, AIC asserts the EDT subsidy in Rate Zones I and III may be eliminated within the next five iterations. (Id.)

AIC defends its proposal stating the sole criticism of its inclusion of a 0.05 ¢/kWh criterion is the percentage electric delivery rate increases that certain DS-4 classes would receive. It agrees that had the Commission applied AIC's three-tiered criteria to AIC's proposed revenue requirement in Docket No. 13-0301, two DS-4 +100 kV subclasses would have received delivery rate increases more than 100%. (Ameren Ex. 4.0 (Rev.), p. 16) In response, AIC emphasizes two points. First, it states, the increase in rates is driven principally by the correcting for the under-recovery of EDT expense from the DS-4 class. Next, it explains the percentage increases for those two DS-4 subclasses are a function of how little of their share of the EDT costs these DS-4 customers currently pay. (Id., at 14–18; Ameren Ex. 7.0, p. 29) It goes on to state that prior to Docket Nos. 09-0306, et al., the EDT amount paid by DS-4 +100 kV supply customers was close to zero. (Ameren Ex. 7.0, p. 34) In Docket Nos. 09-0306, et al., the Company states, the Commission permitted a small EDT change to be

implemented. (Id.) AIC calculates the average ¢/kWh under rates proposed in Docket No. 13-0301 for the DS-4 +100 kV subclass are 0.021, 0.119, and 0.028 respectively for Rate Zones I, II, and III, whereas DS-4 Primary customers realize average ¢/kWh of 0.816, 0.750, and 1.247 respectively. (Ameren Ex. 4.0 (Rev.), p. 17; Ameren Ex. 7.0, p. 29) It asserts that subsequent changes to these nominal amounts to arrive at the uniform EDT rate for these DS-4 customers will result in large percentage changes to delivery rates, if the Commission wants to eliminate the EDT subsidy at a more meaningful pace. The Company also notes that IIEC does not explain why it would be fair and reasonable to perpetuate subsidies for certain DS-4 subclasses at a longer pace than other DS-4 customers, which it describes as a noticeable shortcoming of using only percentage rate change limitations, even under IIEC's modified proposal. (Ameren Ex. 4.0 (Rev.), pp. 17, 19; Ameren Ex. 7.0, pp. 29–30)

AIC recounts that, in Docket No. 11-0279, it recommended that the Commission include EDT expense within the rate moderation methodology, but not apply the revenue allocation constraints on a subclass level, and phase-out the EDT subsidy for all DS-4 customers at the end of a three-year period. Docket No. 11-0279, Proposed Order (Nov. 15, 2011), pp. 180–81, 192–93. It states that proposal, like its proposal in this proceeding, was intended to make more meaningful progress in eliminating the existing subsidy and leveling of EDT prices for all customers. (Ameren Ex. 4.0 (Rev.), p. 22) The Company notes the Proposed Order ultimately agreed with its proposals. Docket No. 11-0279, Proposed Order (Nov. 15, 2011) at 185–86, 198. The Company states had that proceeding not been withdrawn, the third and final iteration to uniform EDT charges would have been set to take effect in February 2014. (Ameren Ex. 4.0 (Rev.), p. 21) Here, AIC proposes a rate mitigation approach that would allow for uniform EDT charges by the January 2016 or January 2017 billing period. Given the duration that the EDT subsidy has existed and the amount of movement to cost-based rates that still needs to occur, AIC asserts that its initial proposal provides the proper balance between the movement to full cost recovery and mitigation of bill impacts; progresses away from inter-class subsidies; and properly considers principles of gradualism and avoidance of rate shock against other rate design considerations.

AIC states the parties have presented five alternatives for rate mitigation that eliminate the existing DS-4 subsidy over different periods of time. It describes the approaches and concludes that whether the Commission ultimately chooses an approach that requires 1, 3, 5, 10, or 19 iterations to phase-out the existing DS-4 subsidy, the end goal is that all customers finally will pay the same EDT rate. The Company states the issue is not which proposal produces the most accurate allocation of EDT across the customer classes as they all assume that usage (kWh sales) will be the cost basis for the allocation. It states all of the proposals will lead to cost-based rates for the DS-4 class, eventually. The Company characterizes the issue as being which proposal produces the most reasonable and fair approach to phase-in the uniform EDT rate. AIC believes that its three-tiered approach, with either a 0.05 ¢/kWh or a 0.025 ¢/kWh limitation, is reasonable and necessary—both to make meaningful progress in moving the DS-4 class to the uniform EDT rate and to avoid the potential of

other classes experiencing greater percentage increases, if AIC's system average increase were ever to exceed 10%. (AIC IB, at 25-27; Ameren Ex. 7.0, pp. 13-14, 32)

The Company states the main criticism of IIEC's modified approach is that it will take 10 iterations for all DS-4 subclasses to reach the same, uniform EDT rate. It identifies another problem with IIEC's two-tiered approach. AIC explains that without a ¢/kWh limitation, the percentage rate change limitations, whether 10% or 20%, will control the movement towards cost-based rates. It states this would eliminate the subsidy for the Primary and High Voltage DS-4 subclasses much more quickly than the subsidy for the +100 kV subclass. (Ameren Ex. 4.0 (Rev.), pp. 16-17) The Company adds that it would eliminate the subsidy for the +100 kV subclass in Rate Zone II much more quickly than the subsidy for +100 kV subclasses in Rate Zones I and III. (Id.) AIC states that when one considers the EDT dollars contributed by the various DS-4 subclasses, the unfairness of IIEC's proposals becomes even clearer. The Company questions why a High Voltage industrial customer with a similar usage to a +100 kV industrial customer in the same rate zone should contribute more EDT revenue. The Company states that neither IIEC nor Staff proposes a solution to this shortcoming; nor do they address the potential effect of adopting the 20% and 1.75 times criteria on future rate increases for other customer classes. (Ameren Ex. 7.0, pp. 13-14, 32)

AIC counters IIEC's charge that its proposed DS-4 increases "defy logic." (IIEC IB, at 25) It asserts, the reasoning underlying AIC's rate mitigation proposals is well-documented and sound; the DS-4 subsidy will exist for many more years unless the Commission approves a rate moderation approach that allows for much more meaningful movement towards cost-based rates than the approach previously approved. AIC discounts IIEC's suggestion that the Company no longer considers rate moderation a valid consideration and "turns the notion of moderation on its head" with its proposals. (Id., at 30, 31) If that were true, AIC asserts, it would have advocated the AG's position that the DS-4 subsidy should be eliminated in full for the January 2015 billing period.

AIC explains that the concept that it rejects is a rate moderation plan, which takes a decade or two to fully eliminate an existing subsidy, which perpetuates that subsidy for certain DS-4 subclasses longer than other DS-4 customers, and which would permit other customer classes to experience higher percentage increases, depending on the average system increase. The Company also counters Staff claims that its initial approach has an "apparent inconsistency" with its approach to eliminating the rate limiter credits for grain drying customers. (Staff IB, at 17) AIC explains that under its rate design proposals, both subsidies would be eliminated by the January 2018 billing period. The Company asserts that the Proposed Order in Docket No. 11-0279 embraced a three-step phase-in to a uniform EDT rate, and the Commission should embrace a three-step phase-in here as well. For these reasons, AIC states, the Commission should reject both of the rate mitigation proposals advanced by IIEC and adopt a revenue allocation constraint that contains AIC's proposed 0.05 or 0.025 ¢/kWh limitation

b. IIEC's Position

IIEC says that because there has been no completed rate case since Docket Nos. 09-0306, et al., current rates are close to the same as those resulting from Docket Nos. 09-0306, et al, modified only for the formula rate updates that have occurred since that time. In this case, it states, AIC proposes rate increases that for some classes exceed well over 200%. According to IIEC, if one does not consider the inclusion of transformation charges, the impact of Ameren proposed increases on the DS-4 subclasses range to over 300%. IIEC explains that if one considers the impact of transformation charges, the increases are not as exorbitant but still in the 200% range for two of the three rate zones. (Ameren Ex. 4.0 (Rev.), at 16:358-359) Regardless of which way one chooses to consider the issue, in IIEC's view, the percentage increases proposed by AIC are well in excess of those deemed acceptable by the Commission in Docket Nos. 09-0306, et al. IIEC adds that the percentage increases defy logic, and are in need of moderation.

IIEC states that the increases it cites are based on Ameren's proposed rate moderation criteria in this case. It finds it unfortunate, that the increases reflect Ameren's view of moderated rates. IIEC recommends that AIC's rate moderation not be implemented as stated, but should be modified to produce rates that do a better job of maintaining gradualism and avoiding rate shock, consistent with the Commission's expressed desire in Docket Nos. 09-0306, et al. and proper rate design.

IIEC asserts that the first criterion that the Company proposes to add, the 0.05 ¢/kWh threshold, in AIC's proposal significantly weakens the rate moderation method approved by the Commission in Docket Nos. 09-0306, et al. Its application, IIEC states, leads to the extraordinary percentage increases proposed by AIC. IIEC disagrees with the manner in which AIC calculates the percentage by which rates would increase under the Company's proposal. It states that AIC justifies the increases as being reasonable by considering electricity commodity costs in addition to delivery service charges, and concluding that if one considered all electricity-related charges such a proposed increase might be reasonable. IIEC witness Stephens asserts electricity supply charges are not relevant to the determination of delivery service costs. He explains the cost of electricity has no bearing on what the delivery service rates should be. Rather, he insists, the regulated distribution delivery service rates should be based on the prudent and used and useful investments in providing distribution delivery service and a recovery of reasonable delivery service-related expenses of AIC. (IIEC Ex. 1.0, at 20:392-396) Mr. Stephens goes on to explain that the electricity commodity costs paid to other entities (since AIC is not the electricity supplier to the vast majority of large customers) are no more relevant to the reasonableness of AIC's delivery service rates than would be the cost of natural gas, the cost of gasoline, the cost of food, the cost of labor or any other cost faced by Ameren's customers, as part of their cost of living or doing business. (Id., at 20:396-400)

IIEC agrees with AIC's remaining proposed impact mitigation constraints, i.e., the greater of:

1. 10%; or
2. a constraint multiple of the system average increase based on a sliding scale starting at 1.5 times system increase for overall increases less than 10%, and reduced by 0.0125 for each percentage point of average system increase greater than 10%, but not less than a factor of 1.0. (IIEC Ex. 1.0, at 22:432-439)

IIEC considers the 10% constraint as a reasonable concept, because it takes into account the possibility that delivery service increases may be very small or even negative. It explains that without this criterion, if a delivery service increase was 1%, for example, the 1.5 times system average increase constraint alone would suggest that an increase in delivery service charges of greater than 1.6% would not be moderate. IIEC finds this an unreasonable result. It explains that use of these two AIC criteria should ensure that any rate class or subclass, paying revenue sufficiently below costs as determined in an approved cost of service study, will receive a minimum 10% increase in total delivery service charges, irrespective of whether other classes receive a delivery service rate increase or decrease. (Id., at 22-23:444-456) IIEC provides a calculation of the proposed revenue allocation that would result from use of only the two remaining rate moderation criteria. It finds the results produced under this method are far more moderate than the increases proposed by AIC, yet still provide movement toward cost of service. (Id. at 23:462-468; IIEC Ex. 1.1)

In an effort to reach a middle ground between its initial position and AIC's proposal, IIEC witness Stephens offers that, although it is not reasonable to utilize a 0.05 ¢/kWh increase criterion, it may be reasonable to increase the percentage increase criterion. He indicates that it would be reasonable for the Commission to increase the first criterion to 20%, and the second criterion to 1.75 times the system average increase, if it deemed that more movement toward cost of service is necessary. IIEC explains that the result would be that, even in periods when small overall system average increases are granted, customers who are paying significantly below cost of service would pay delivery service increases of 20% or more. IIEC finds a 20% increase in delivery service rates to be large, but states that under the circumstances of such a wide disparity between cost of service and rates, it reflects a reasonable balance between the competing goals of reflecting cost causation, maintaining gradualism, and avoiding rate shock, if the Commission emphasizes greater movement toward cost of service. (IIEC Ex. 3.0C at 20-21:439-465). Because AIC will update its rates every year, IIEC asserts that some customer classes could face annual increases of 20% or more. IIEC states this is an extraordinarily high amount of increase and will make significant progress toward cost of service over time. IIEC finds that anything higher than this amount should reasonably be considered more than customers should be expected to handle. (Tr., at 162-163)

IIEC states that AIC has provided no compelling evidence as to why rate moderation is no longer a valid consideration for the Commission. It asserts that the Commission determined that under a worst case scenario in Docket Nos. 09-0306, et

al., that the increase for each of the Ameren companies should be no more than around 20%. It states this is very similar to its proposal in this case, which should be adopted. IIEC emphasizes that under no circumstances should the Commission adopt a rate “moderation” approach that could yield increases of over 200% annually, as AIC proposes. It states this effectively turns the notion of moderation on its head and should be rejected.

IIEC criticizes AIC's reliance on the Proposed Order in Docket No. 11-0279. (AIC IB, at 24-28) IIEC emphasizes that a Proposed Order, in itself, carries no evidentiary weight, as it does not represent the Commission's decision. It states it is merely a suggestion to the Commission made by the ALJs which the Commission is free to adopt or reject as it sees fit. IIEC states the Commission took no substantive action on this issue in Docket No. 11-0279, since the case was withdrawn by Ameren prior to decision.

IIEC asserts that the only valid Commission order in an Ameren electric delivery service rate case on this issue is the Commission's decision in Docket Nos. 09-0306, et al., which found that the proper rate moderation proposal is that no class or subclass should receive an increase of greater than 150% of the system average increase. As IIEC explained in its Initial Brief, this amounted to a maximum increase of around 20%. (IIEC Br. at 24-25). IIEC concludes that AIC itself has proposed a form of rate moderation that deviates substantially from the actual Commission-approved method. It asserts that to the extent the Commission wishes to rely on prior orders, the only prior order to rely on is the Order in Docket Nos. 09-0306, et al., not a Proposed Order that was never adopted by the Commission. IIEC also notes that it was Ameren which unilaterally chose to withdraw its rate case so it could gain the substantial ratemaking benefits provided to it under the formula rate law. It asserts the Company's actions do not constitute a valid basis for abandoning the principles of rate shock and rate moderation to impose increases in delivery service rates of over 200% per year for multiple years

IIEC also states that even if AIC's citations to a Proposed Order that was never entered, in a case that was never decided, were valid, they actually are an indictment of AIC's rate moderation position in this case. It states, the Proposed Order in Docket 11-0279 did address rate moderation at pages 180-186, and ultimately concluded as follows:

Specifically, the Commission finds that the revenue allocation approach should constrain movement to full class cost of service for any one customer class to 150% the overall average rate increase allocated to any Rate Zone, or 10%, whichever is greater. Proposed Order, Docket No. 11-0279, at 186.

IIEC asserts this is essentially the same as its proposal in this case, not AIC's. IIEC maintains the AIC's 0.05 cents per kWh criterion effectively eviscerates the protections

included in the rate moderation approach the Commission adopted in Docket Nos. 09-0306, et al. and might have adopted in Docket No. 11-0279.

IIEC responds to AIC's suggestion that for DS-4 +100 kV customers it would take 13 iterations of 10% increases to achieve uniform EDT values. (AIC IB, at 25) IIEC states it is not unprecedented for movement to cost of service to take many iterations. It provides the example that for the Railroad class in the ComEd cases, the Commission approved movement toward cost of service over 11 iterations. (Tr., at 180-181) IIEC concludes there is ample precedent for more than the two or three iterations Ameren proposes here.

IIEC notes that the grain drying customers still have not moved fully to cost of service, having been subject to a rate limiter since Docket No. 07-0165 and are now being proposed to be moved into the DS-6 class, with phase out of subsidies occurring over multiple additional years. (See, GFA IB, at 2-3) IIEC states that according to the GFA's brief, if the Rate Limiter is totally eliminated in this case, a large number of grain elevators would receive rate increases of 50% to over 100%. It states these increases are relatively small compared to the increases proposed by Ameren and others for some DS-4 subclasses; yet AIC has agreed to the continued phase in of the increase for these customers. (GFA IB, at 3, 12)

IIEC refers to AIC's characterization of its modifications to the Commission's rate moderation criteria as intended to correct for the following "inadequacy" in those criteria, among others:

In the event of an overall system rate decrease, all rate classes still receive a decrease, even though modest rate increases to some classes would permit movement towards cost-based rates with tolerable total bill impacts.

(AIC IB, at 26)

First, IIEC objects to AIC's suggestion that its rate moderation proposal results in "modest rate increases." IIEC finds this suggestion amusing, considering that the Company is proposing annual increases that, by either its measure or IIEC's measure, exceed 200% for some rate subclasses. IIEC adds that these increases would occur annually. IIEC asserts this is hardly what any reasonable party could consider "modest." IIEC states that AIC witness Jones admits that Ameren would not propose increases of this magnitude for other rate classes even if such increases were necessary to bring those classes to cost of service. (Tr., at 106)

IIEC also objects to AIC's characterization of its increases under the guise of "tolerable total bill impacts." It asserts the consideration of total bill impacts has been refuted by IIEC witness Stephens. (See IIEC Ex. 1.0, at 20 22:381-431) IIEC points to Staff's agreement with Mr. Stephens. IIEC recounts that the Commission itself failed to accept Ameren's rate moderation approach in Docket Nos. 09-0306, et al., which was based in part on the notion of considering commodity costs in determination of the

proper delivery service rate impacts. (See IIEC Ex. 3.0C, at 31:685-708) IIEC concludes there is no support for considering commodity costs or “total bill” in the determination of moderate delivery service charges.

IIEC disagrees with AIC's statement that the sole criticism of its 0.05 cents per kWh criterion is the percentage electric delivery rate increases that certain DS-4 classes would receive. (AIC IB, at 27) IIEC states that the AIC the percentage increases to DS-4 customers are outrageous and to the best of its knowledge, unprecedented. IIEC asserts that another major criticism is the fact that addition of this new criterion is a substantial departure from both the Commission's decision in Docket Nos. 09-0306, et al., as well as even AIC's proposal in Docket No. 11-0279. IIEC explains that from a superficial view, 0.05¢/kWh does not seem like a large number. However, for customers that use a very large amount of energy, such as DS-4 customers, this translates to a major cost. For example, IIEC points to Mr. Stephens' demonstration of the impact of AIC's rate moderation criterion including the 0.05¢/kWh element to a large customer. He indicates, for a hypothetical 81 MW DS-4 customer, the rate increases range from approximately \$281,000 per year to \$526,000 per year, depending on the voltage level and rate zone. (IIEC Ex. 1.0, at 19: Table 4) IIEC asserts the evidence of record in this case is that some IIEC members would see cost increases even higher than those shown for the hypothetical customer illustrated by Mr. Stephens. (Id., at 19:379 380)

IIEC understands AIC's complaint to be that not enough progress has been made toward cost of service since the time of the Commission's decision in Docket Nos. 09-0306, et al. It states, assuming, *arguendo*, this is true, the fact that current rates may not be at cost of service (as measured by AIC) does not mean that rate moderation considerations can be or should be abandoned. IIEC insists that the rate design principles of gradualism and avoidance of rate shock dictate that increases must be moderated. It states that IIEC's proposal, which would result in certain rate classes receiving a minimum of 10% increases each year until cost of service is reached, represents steady movement toward cost of service. IIEC is adamant that under no circumstance, should rate increases exceeding over 200% each year be considered moderate.

IIEC addresses the alternative proposal submitted by AIC in surrebuttal testimony. As an initial matter, IIEC says Ameren has introduced this modified proposal in surrebuttal testimony, when no witnesses had a chance to evaluate it and address it in testimony. In this surrebuttal testimony, Mr. Jones only mentions the 0.025¢/kWh as a potential alternative to its 0.05¢/kWh criterion. The IIEC asserts that Staff recommends the Commission accept IIEC's proposal, but offers that if the Commission is not inclined to accept its recommendation then it recommends that AIC's 0.05¢/kWh value be modified to a lower value, mentioning 0.025¢/kWh.” (Staff IB, at 14) IIEC notes that the Commercial Group supports this alternative as well in its initial brief. (CG IB, at 6) IIEC objects to this proposal saying that Ameren makes only brief passing references to the modified criterion (See, Ameren Ex. 7.0, at 2:50-53, 14:328 and 35:781-783) and does not provide the resulting rates that would occur at this level or the

resulting rate impacts. (See generally, AIC Ex. 7.0) IIEC believes it would be difficult, if not impossible, for the Commission to judge the appropriateness of such a proposal given the shortness of evidence. However, on cross-examination, IIEC says it was represented that such a proposal would still yield increases of as much as 116% per year to some rate subclasses. (CG Cross Ex. 1) IIEC asserts the problem with the alternative is that, while it is better than Ameren's initial proposal, it still would lead to very large increases for certain rate subclasses. In IIEC's view, such levels are not moderate and should not be approved.

IIEC says the rate moderation for the grain drying customers began as a result of Docket No. 07-0165 and, according to Staff's Initial Brief, will not be completed until three years after the rates in this case take effect, or approximately 2018. IIEC notes this moderation approach will have been in place for over 10 years. It asserts this is additional support for IIEC's modified rate moderation proposal which, even Ameren admits, would result in reaching cost of service in 10 iterations or less, depending on the rate zone. (See AIC IB, at 26-27)

IIEC is adamant that even worse than AIC's proposal would be the AG's proposal to implement equalized EDT charges immediately. It asserts this position would effectively abandon the notion of rate moderation, which the Commission was so careful to establish in Docket Nos. 09-0306, et al. IIEC says that immediate movement to equalized EDT charges would likely result in increases of several hundred percent in some of the rate zones and, cannot be reasonably adopted. IIEC states that to its knowledge the Commission has not approved an increase of the magnitude proposed by the AG.

IIEC asserts that the AG, without any consideration of the rate impacts, that it says the Commission is legally required to consider (see, AG IB, at 2-3), recommends a flash cut approach to move rates to cost of service by imposing potential increases of several hundred percent on affected customers. IIEC disagrees with the AG.

IIEC says the AG opines that the EDT subsidy has existed for over 15 years. (AG IB, at 8) According to IIEC, this simply is not true. IIEC says the Commission first set delivery service rates (for Ameren and its predecessor companies) in 1999 and all the way up to the 2009 rate case they were cost based, in that the Commission made no finding of subsidy. IIEC asserts it was only through the change in the allocation of the EDT that occurred in Docket Nos. 09-0306, et al. that created cost recovery problem. IIEC claims there is simply no basis to claim that a "subsidy" has existed "over 15 years."

IIEC says the AG focuses on an analysis of claimed subsidy based on "marginal" kWh brackets in the tax charge. IIEC believes this view of looking at the marginal tax rate as the sole indicator of EDT responsibility is misguided. IIEC asserts it was demonstrated during the hearing that one cannot even know a customer's tax responsibility based only on the marginal tax rate, given that a large number of factors are in play. (Tr., at 96-98) IIEC asserts the AG's "analysis" has no meaning.

IIEC objects to what it calls the AG's total disregard for the rate design principles of maintaining gradualism and avoiding rate shock. IIEC says the AG's sole focus seems to be on reaching equalized EDT charges as quickly as possible, in fact, through a flash cut adjustment to equalize charges as a result of this case. IIEC claims the potential movement toward equalized EDT charges is disruptive to the bill impacts to customers and is the underlying concern for rate moderation. IIEC complains that Ameren's rate moderation proposal would produce increases of over 200% to some rate subclasses. IIEC says the AG's immoderate proposal would likely end up producing increases of several hundred percent given that Ameren indicated that it would take multiple increases at the 200% or more rate to reach equalized EDT charges. (See AIC Ex. 4.0 (Rev.), at 16:358-359; Tr., 104) IIEC insists the AG's proposal must be rejected because it gives absolutely no consideration to "rate impacts" which the AG argues the commission is legally bound to consider. (See AG IB, at 2-3) IIEC says equalized EDT charges will be achieved under either of IIEC's proposals, as quickly as consideration of reasonable rate impacts will allow.

IIEC recommends that the rate moderation approach supported by IIEC be approved by the Commission as the most reasonable balance between the competing goals of reflecting cost of service, maintaining gradualism, and avoidance of rate shock. It asserts its approach is the most consistent with the Commission's principles and approach adopted in Docket Nos. 09-0306, et al. Specifically, IIEC says, no rate class or subclass should be allocated revenues that would increase revenues by more than the greater of 10%, or 1.5 times the system average increase (with adjustment to the 1.5 times for large increases, as proposed by AIC). Should the Commission determine that greater movement toward cost of service is needed, then IIEC states the criteria should be adjusted to no more than 20%, or 1.75 times the system average increase (again, as adjusted for large increases by AIC).

c. Commercial Group's Position

The Commercial Group indicates it is sympathetic to the concerns expressed by both the AG and IIEC. It states that whereas, a complete move to EDT rate uniformity as proposed by the AG would favor the Commercial Group load that falls in the DS-2 and DS-3 classes, the Commercial Group also understands the concern of IIEC that a sudden and complete jump to rate uniformity might result in rate shock to DS-4 customers. Therefore, in weighing these concerns, the Commercial Group concludes that the modification of AIC's initially proposed 0.05¢/kWh restraint to a 0.025¢/kWh restraint, mentioned in AIC witness Jones' surrebuttal testimony, ("modified three tier approach") is a reasonable means of balancing the interests of ratepayers on different sides of this issue. The Commercial Group provides in CG Cross Ex. 1 AIC's calculation of the impact of the modified three tier approach. It also provides Table 2, which compares the costs and percentage increases under AIC's initial proposal, with the percentage increases under the IIEC proposal and the modified three tier approach, its preferred approach.

Table 2

DS-4 Subclass	¢/kWh increase original proposal (Am Ex.4.0, p.18)			% increase AIC proposal (Am Ex.1.2)			% increase CG Cross Ex. 1 modified three tier approach			% increase IIEC Ex. 3.2		
	Z1	Z2	Z3	Z1	Z2	Z3	Z1	Z2	Z3	Z1	Z2	Z3
Primary	.082	.075	.122	10.0	10.0	9.8	10.0	10.0	10.0	20.0	20.0	9.2
High Voltage	.050	.050	.050	12.4	20.0	13.4	10.0	10.0	10.0	9.4	19.7	20.0
+100 kV	.050	.025	.050	233.7	20.9	181.4	116.8	21.0	90.7	20.0	20.0	20.0

(Commercial Group IB, at 6)

The Commercial Group states the modified three tier approach would cut in half the proposed increase to the DS-4 +100kV subclass in Zones 1 and 3 while ensuring that the EDT rate disparity could still be “eliminated within the next five iterations” (i.e., formula rate cases). The Commercial Group asserts it would also avoid a shortfall in the IIEC proposal whereby the DS-4 Primary subclass is unfairly treated. The Commercial Group observes that under AIC’s original (and primary) proposal, the DS-4 Primary subclass already would receive the largest increase on a cents per kWh basis of the DS-4 class, and up to three times the increase of other DS-4 subclasses. Under IIEC’s proposal, the Commercial Groups states that disparity would increase further as the DS-4 primary subclass would receive the largest percentage increase in two of the three rate zones (as well as the largest cents per kWh increase in all three rate zones). The Commercial Group explains since the percentage increase proposed in IIEC Ex. 3.2 for the Primary DS-4 subclass in Rate Zone 2 is double the percentage increase proposed in AIC’s original proposal (and the percentage increase for the +100 kV subclass would remain nearly the same in both proposals), the Primary DS-4 subclass apparently would receive a cents per kWh increase under the IIEC proposal six times as great as the +100kV subclass. The Commercial Group goes on to assert that to make matters worse, the disparity between the proposed increases between the two subclasses in Rate Zones 1 and 3 appears to be even larger (perhaps 40 times as high). The Commercial Group states that this is not a fair result.

The Commercial Group concludes that the Commission should adopt AIC’s modified three tier approach whereby, until the EDT rate disparity is eliminated, a class or subclass revenue increase or decrease in any given case would be constrained by the greater of 0.025¢/kWh, 10 percent, or a sliding scale multiple of between 1.0 and 1.5 times the system average increase.

C. Commission Analysis and Conclusion

The Commission finds that AIC’s proposed modifications to the rate zone allocation factor is supported by the record and they are hereby approved.

The issue of rate moderation arose in Docket Nos. 09-0306, et al., in the context of the allocation of EDT changing from being based on distribution plant in service to being based on usage (kWh). In that proceeding, the Commission adopted a rate mitigation approach under which no customer class or subclass would receive an increase greater than 150% of the system average increase. That approach has been in place since 2010, but limited progress has been made to end the class cross subsidy from smaller to larger customers. All parties and Staff agree the subsidies exist and should be ended. There are several legitimate, competing concerns involved. As a result there is no agreement of how this should be done or the length of time over which the rate moderation should be in effect.

The Commission appreciates the Company's diligence in identifying the inadequacies in the existing revenue allocation methodology and offering an approach to correct them. AIC initially proposed a three-tiered approach for rate mitigation in which the impact mitigation constraint would be changed to be the greater of:

1. 0.05 ¢/kWh;
2. 10%; or
3. a constraint multiple of the system average increase based on a sliding scale starting at 1.5 times system increase for overall increases less than 10%, and reduced by 0.0125 for each percentage point of average system increase greater than 10%, but not less than a factor of 1.0.

IIEC objects to the 0.05 ¢/kWh threshold, stating it would lead to outrageous percentage increases for DS-4 customers and that the rate moderation plan adopted should maintain gradualism and avoid rate shock, consistent with the Commission's expressed desire in Docket Nos. 09-0306, et al. and proper rate design. The AG objects equally strenuously stating that it results in customers in the DS-1, DS-2, DS-3, and DS-5 classes providing substantial subsidies to DS-4 customers. The AG advocates an immediate end to the subsidy by charging every customer class, regardless of rate zone, the same per-kWh EDT charge, equal to the Company's average EDT per kWh paid to the Illinois Department of Revenue. The AG takes no position on the competing rate mitigation proposals, but advocates excluding the EDT adjustment from any rate mitigation constraint. The Commercial Group states it is sympathetic to the concerns raised by both IIEC and the AG. It focuses on the modified three tier approach which would decrease the Company's first tier, 0.05¢/kWh restraint, to a 0.025¢/kWh restraint. The Commercial Group concludes the modified three tier approach is a reasonable means of balancing the interests of ratepayers on different sides of this issue. Staff joins IIEC in its concern about the high rate impact for certain customers and recommends adoption of IIEC's proposal to eliminate the 0.05 ¢/kWh constraint from AIC's proposal, leaving the other two-tiers intact. Alternatively, Staff favors modifying the 0.05 ¢/kWh to a lower, 0.025 ¢/kWh constraint.

Each of the parties and Staff's concerns have merit. Unfortunately there is no proposal that can address each of the concerns in a way that will satisfy all parties. The

subsidies from the DS-1, DS-2, and DS-3 classes to the DS-4 class must end. The AG's rationale for an immediate end to the subsidies is well-founded as are IIEC's arguments regarding the size of the percentage increases under either the AG's or AIC's proposals. The Commission remains firmly committed to the principles of gradualism and avoidance of rate shock. At the same time, the Commission recognizes that the magnitude of the rate increases for the DS-4 class is a direct result of the magnitude of the subsidies. The Commission finds that the modified three tier approach, replacing the first tier 0.05¢/kWh restraint with a 0.025¢/kWh restraint to be the rate moderation approach which will end the subsidies in the least period of time without causing rate shock. The Commission believes this rate moderation approach best balances the competing interests identified by the parties.

IV. RATE DESIGN

A. Resolved Issues

There are eight issues relating to rate design that are no longer contested. The Commission finds that in each instance, the record supports adopting the uncontested proposal and each is hereby adopted.

1. Methodology for Setting Uniform Charges across Rate Zones

AIC proposes a new methodology which it states is designed to result in uniform distribution delivery charges among rate zones. The Company asserts its proposal promotes the Commission-endorsed goals of rate uniformity across rate zones and cost-based rates. AIC states that, under its proposal, the charges that are presently uniform will remain uniform. It explains that additional uniform pricing among the same classes of customers in differing rate zones will be allowed when individually calculated cost of service results for a class in a rate zone is within 10% of the combined average of one or two additional rate zones. AIC specifies that uniformity will be allowed: (i) in a customer class in two or more rate zones, if each rate zone's individually calculated cost of service (excluding the EDT) and prices are within 10% of the combined average of one or two additional rate zones; or (ii) if charges across rate zones "cross-over" one another, meaning when the pricing ranges overlap one another. (Ameren Ex. 1.0 (Rev.), pp. 8, 27–30) The Company asserts that the application of this methodology would result in uniform pricing for (i) DS-1, Rate Zones I and II, (ii) DS-2, Rate Zones I and III, (iii) DS-3, primary supply voltage for Rate Zones I and III, and (iv) DS-5 Rate Zones II and III after miscellaneous revenues unique to the lighting class are deducted. (Id.) AIC explains that although costs for DS-4 primary supply voltage for Rate Zones I and III are within 10%, average prices for this Rate Zone are not within 10%, and, therefore, independent pricing will continue. (Id.) Additionally, AIC proposes that all prices for the newly formed DS-6 class would be set uniformly even though they fall slightly outside this 10% bandwidth. (Id.) Staff finds this proposed rate design methodology reasonable and recommends that the Commission approve it. (Staff Ex. 2.0, pp. 4, 7) No other party to this proceeding has objected to this rate design proposal.

2. Use of Average Cost Data for DS-3 and DS-4 +100 kV Customers

AIC states that to correct a pricing disparity and a lack of robust data for setting rates for the DS-3 +100 kilovar ("kV") customers, it proposes to set prices for this class based on the average cost data for both the DS-3 and DS-4 +100 kV subclasses. (Ameren Ex. 1.0 (Rev.), pp. 30–32) The Company explains that this calculation would take the sum of the DS-3 and DS-4 +100 kV demand-related revenue requirement net of transformation charge revenue divided by the sum of DS-3 and DS-4 +100 kV billing demands for all rate zones, resulting in the DS-3 +100 kV distribution delivery charge. (Id.) Based on Docket No. 13-0301, AIC calculates that this equation would yield a price of \$0.314/kW for the DS-3 +100 kV customers. (Id.) According to the Company, using the DS-4 subclass as a proxy makes sense because many DS-3 customers have been DS-4 customers in the past. In addition, it asserts that this proposal addresses the lack of data issue because there are several DS-4 +100 kV customers with billing demands exceeding 1,000,000 kW/month. (Id.) Staff finds the Company's proposal to be the "best option" for improving rate continuity. (Staff Ex. 2.0, p. 10) For DS-4 +100 kV Distribution Delivery Charges, AIC proposes a uniform rate across rate zones equal to the weighted average price established in Docket No. 13-0301, resulting in a rate zone weighted average price of \$0.0236/kW. (Ameren Ex. 1.0 (Rev.), p. 32) No party has contested these proposals.

3. DS-5 Fixture and Distribution Delivery Charges

AIC states that the application of the uniformity methodology for the DS-5 fixture charges and distribution delivery charges should result in uniform prices between Rate Zones II and III in the next formula rate update proceeding. (Ameren Ex. 1.0 (Rev.), pp. 33–34) It explains that, currently, the Rate Zone I fixture charges are below those of Rate Zones II and III. (Id.) AIC states that to achieve uniformity, it recommends that any rate increase for Rate Zone I be applied to fixture charges until they are uniform with the fixture charges for Rate Zones II and III. (Id.) The Company asserts that fixture charges, when combined with the distribution delivery charge, fall just outside the 10% range. (Id.) It states, however, that when miscellaneous revenue unique to the lighting class is deducted, as it is for the revenue requirement, the costs are within 10%. (Id.) According to the Company, even though prices between the rate zones are not within 10%, when the revenue requirement changes are applied to Rate Zones II and III, the new prices cross over one another. (Id.) Therefore, because costs are within 10% and the prices "cross over," the Company expects that the fixture and distribution delivery charges for the DS-5 class in Rate Zones II and III to be uniform after the next update proceeding. (Id.) Staff agrees with AIC's proposal for the DS-5 class. (Staff Ex. 2.0, p. 11) No other party has challenged AIC's analysis of its application of the uniformity methodology to the DS-5 Fixture and Distribution Delivery Charges.

4. Electric Uncollectible Recovered in Base Rates

AIC proposes to determine the amount of uncollectible expense recovered in base rates by condensing the “included in rates” value into a single non-residential “Uncollectible Recovered in Base Rates” value for non-residential customers. AIC states that this proposal is a result of a Rider EUA – Electric Uncollectibles Adjustment tariff change, which only requires non-residential average class level data. (Ameren Ex. 1.0 (Rev.), p. 34–35) The Company explains that prior to the tariff change the EUA adjustment applied to rate classes DS-1, DS-2, DS-3, and DS-4 separately. AIC states that its proposal will allocate uncollectible expense among rate zones based on the relative weighting of customers. It asserts that a customer weighted value will produce values that are similar among rate zones for the “Uncollectible Recovered in Base Rates.” It states that it makes sense to move the “Uncollectible Recovered in Base Rates” toward uniformity for residential and non-residential customers, respectively among rate zones. (Id.) Staff recommends that the Commission approve AIC’s proposal. (Staff Ex. 2.0, pp. 17–18)

5. Allocation of Reconciliation Balance to Electric Distribution Tax

A portion of the formula rate reconciliation balance, whether in the form of a credit or charge, is currently allocated to EDT. (Ameren Ex. 1.0 (Rev.), pp. 25–26) AIC expects the balance in future update proceedings to be a charge, which would increase the amount of EDT expense that will be recovered from customers. (Id.) The Company states that there is an existing subsidy to DS-4 customers that should be reduced and eventually eliminated. It asserts that discontinuing the allocation of a portion of the reconciliation charge to EDT expense will help to stabilize the amount of EDT while moving towards a uniform EDT rate across customer classes. (Ameren Ex. 4.0 (Rev.), pp. 4–6; Ameren Ex. 7.0, pp. 4–7) AIC states it initially proposed a rate design that would no longer allocate a portion of the reconciliation balance to EDT because EDT expense has a unique underlying cause, the amount of tax paid to the State for energy usage. AIC points out that this cost would exist independent of AIC’s participation in the investment infrastructure program. (Ameren Ex. 1.0 (Rev.), pp. 25–26; Ameren Ex. 4.0 (Rev.), pp. 4–6) AIC states that although the reconciliation balance would include any true-up amounts related to EDT, it does not expect the EDT amounts to be significant. (Ameren Ex 7.0, p. 5)

Staff recommends that the Commission accept the Company’s proposal to allocate EDT reconciliation amounts, based on the proportion of zonal kWh to total kWh. Staff explains that under this allocation methodology, for example, if the total reconciliation were \$70 million and \$4 million were attributed to the EDT expense, that \$4 million amount would be spread to each rate zone based on the proportion of zonal kWh to total kWh. (Ameren Ex. 7.0, p. 8) Staff explains that this approach was proposed by the Company when Staff objected to the Company’s initial EDT expense allocation proposal. No other party addressed this issue.

6. Other Meter, Transformation, Reactive Demand, and Distribution Delivery Charges

AIC proposes to keep Meter charges uniform across rate zones as they are currently. (Ameren Ex. 2.0, p. 21) The Company explains that Meter charges for each class are set to recover the overall total class meter service revenue requirement determined by its ECOSS. (Id.) AIC asserts that pricing differentiation between meter voltage categories was determined based upon the relative differences between replacement costs. (Id.) It states that Meter Charges for the DS-3 and DS-4 classes included the meter service revenue requirement from the DS-6 class. (Id.) It says the DS-5 Meter Charges were set to equal the DS-2 class. AIC provides the details of the Meter Charge development for each class in Ameren Exhibit 2.8. (Id., at 22)

AIC proposes that the Transformation and Reactive Demand Charges will equal the prices approved in Docket No. 13-0301, except for the Rate Zone II Transformation Charge, discussed below. (Id., at 24) The Company states it developed Distribution Delivery Charges and provided a summary of them in Ameren Exhibit 1.1. (Id.) Pricing adjustments for the DS-5 class, DS-3 +100kV and DS-4 +100kV subclasses are discussed above. AIC asserts that the Distribution Delivery Charges it proposes for the remaining classes, DS-1, DS-2, D-3 (except +100kV) and DS-4 (except +100kV), were developed by adjusting current charges by equal percentage amounts to reach the applicable revenue requirement for each class or subclass. (Id., at 24–25) Staff recommends the Commission adopt AIC's proposal to use the previously approved methodology to set Meter, Transformation, Reactive Demand and Distribution Delivery charges, as discussed in this section. (Staff Ex. 2.0, pp. 3–4) The Company notes that the final rate design for Distribution Delivery Charges will depend on the Commission's findings on Rate Mitigation and the use of SFV design for the DS-1 Customer Charge.

7. Use of SFV Rate Design for DS-2 Customer Charge

AIC proposes to use the straight fixed variable ("SFV") rate design for the DS-1 and DS-2 classes. (Ameren Ex. 2.0, p. 22) For the DS-1 Customer Charge, the use of this methodology remains contested. In regards to DS-2, the Company asserts that the use of the SFV method will recover a fixed percentage of the class revenue requirement from the monthly non-volumetric (kWh) charges. It states that its target is to recover 50% of the DS-2 class revenue requirement through the fixed bill components, the Customer Charge and the Meter Charge, subject to a 2.5% annual cap on the increase. (Id., at 22–23) According to the Company, for the DS-2 class, the current SFV recovery is 27.2%; applying the 2.5% limitation will result in the use of an SFV percentage of 29.7% for setting DS-2 rates for the January 2015 billing period. (Id., at 23) Staff recommends that the Commission approve this proposal for both DS-1 and DS-2, with the understanding that the Commission will be able to revisit the issue in the next Section 16-108.5(e) rate redesign proceeding. (Staff Ex. 2.0, p. 13; Ameren Ex. 4.0 (Rev.), pp. 8–9) As discussed further below, the AG objects to AIC's proposal to use SFV to design the Customer Charge for residential DS-1 rates.

8. Miscellaneous Tariff Changes

AIC states that certain tariff changes will be required to implement its proposals. (Ameren Ex. 1.0 (Rev.), p. 36) It explains that Rate MAP-P will require minor changes to replace references to Docket Nos. 09-0306, et al., with this docket number, and to incorporate the DS-6 class, as generally illustrated on Ameren Ex. 1.4. (Id.) Additionally, the Company states that modifications to its Electric Service Schedule will be required to include the DS-6 class. (Id.) Staff agrees with these proposals. (Staff Ex. 2.0, pp. 18–19) No other party has opposed implementing these tariff changes.

B. Contested Issues

1. Transformation Capacity Charge for Rate Zone II DS-4 +100 kV

a. AIC's Position

AIC proposes to lower the Transformation Capacity Charge for DS-4 +100kV Rate Zone II customers who have taken service as of December 31, 2012 ("Transformation Charge"). (Ameren Ex. 1.0 (Rev.), pp. 32–33) The Company states that although the proposed rate design for this charge for this particular DS-4 subclass in Rate Zone II departs from uniformity across rate zones, it is a justified departure. AIC says a lower Transformation Charge follows cost-based principles, because the available cost data for the specific assets used by these customers justifies a lower charge. (Id.) According to AIC, the transformation customers in Rate Zone II account for over 90% of the service used for AICs DS-4 +100 kV customers, and the transformation plant in Rate Zone II is older and well depreciated, having been installed in the late 1970's and 1980's. (Id.) The Company states that although future changes in the plant investment serving Rate Zone II may warrant a return to a uniform charge, existing Rate Zone II customers currently cause and use a lower transformation cost, therefore, they can be charged a lower price. (Id.) AIC asserts that all other transformation customers in Rate Zones I and III, as well as new transformation customers in Rate Zone II, would continue to pay the uniform Transformation Capacity Charge. (Id.)

AIC responds to Staff's concerns by asserting that strict adherence to price uniformity for a particular charge is an appropriate end goal when the costs of service across the rate zones for that service are not materially different. (Ameren Ex. 4.0 (Rev.), p. 9) It argues that this is an instance where the cost of service for a particular rate zone, based on existing plant investments, supports a departure from uniformity. (Id.) AIC denies that the proposal is unnecessarily complicated. The Company explains that the proposal impacts only three customers at five service points, in a category of service that includes some of the most sophisticated customers. It states administering a lower transformation charge for these existing Rate Zone II customers is unlikely to be complicated or confusing. (Id., at 10) The Company also protests that

there is no evidence in the record to support Staff's suggestion that some undefined amount of future industrial customers would be confused. (Ameren Ex. 7.0, p. 17) IIEC agrees with AIC's proposal. (IIEC Ex. 3.0, p. 35)

The Company states that cost causation principles are not the only reason that its proposal is justified. It says a decrease in the Transformation Charge allows for movement towards a uniform EDT Cost Recovery charge for these same customers. (Ameren Ex. 4.0 (Rev.), p. 9) It explains this is because assessing a uniform Transformation Capacity Charge and a uniform EDT Cost Recovery charge for this subclass would produce revenue in excess of the total cost of service allocated to this subclass. (Id.) AIC protests Staff's proposal to keep the Transformation Charge uniform and decrease the EDT Recovery Charge. The Company states in this instance the objectives of targeting revenue recovery equal to the allocated embedded cost of service, uniform Transformation Charges, and uniform EDT Cost Recovery charges could not all be met. Company witness Jones explains that meeting the objective of establishing cost-based rates requires changing one of the rate design criteria for either the Transformation Charge or the EDT Cost Recovery. He states that the cost basis for EDT expense is a uniform cent/kWh for all customers. In contrast, he states that the cost basis for equipment for providing transformation service within Rate Zone II DS-4 +100kV supply appear to be below the uniform Transformation Capacity Charge. He asserts that in this one instance deviating from the uniform Transformation Capacity Charge is warranted to avoid over collecting revenue from this subclass. (Id.) He states the Company chose to let the underlying cost basis guide it as to whether the EDT or the Transformation Charge should depart from uniformity. He states reducing the EDT rate for this subclass, ignores the cost-based justification for a different Transformation Charge. In addition, the Company asserts that would create different EDT rates for the same subclass across rate zones, without having a basis in the record, and frustrate the goal of uniform EDT cost recovery. (Ameren Ex. 7.0, p. 16) It reasons that reducing the EDT rate for this class would be just as, if not more, confusing to customers. (Id. at 17)

AIC asserts that while there is record evidence supporting a lower Transformation Charge, due to the unique nature of the costs associated with this subclass, the record lacks justification for lowering the EDT recovery from a class whose EDT costs are already being under recovered. It concludes that strict adherence to uniformity in this situation ignores cost-based goals and ultimately frustrates the goal of EDT cost recovery uniformity. The Company recommends adoption of its proposed rate design, stating it furthers both goals.

b. Staff's Position

Staff recommends the Commission reject the Company's proposal to reduce the Transformation Charge. In Staff's view, the Transformation Charge has been uniformly set for all three rate zones and should not be reduced for these specific customers. Staff reasons that the Company's proposal departs from rate uniformity and could create customer confusion.

Staff explains the Company's goal is to move toward greater rate uniformity and the Commission has endorsed this goal. (Staff Ex. 2.0, pp. 4-5) Staff observes the Company's proposal to lower the Transformation Charge would take a rate that is already uniform and make it non-uniform. It protests that this moves away from, rather than closer to, rate uniformity. (Staff Ex. 2.0, p. 10) It also remarks that the Transformation Charge proposal is inconsistent with the Company's own proposal in this proceeding to leave rates uniform once they reach rate uniformity. (Ameren Ex. 1.0, pp. 28-29)

Staff's concern about customer confusion arises because the Company proposes to charge a different rate for providing the same service to customers in the same customer class in the same rate zone. Staff states it is not clear that a customer in Rate Zone II signing up for this service after 2012 would understand why it must pay a higher rate than other customers who are already receiving the very same service in Rate Zone II. (Staff Ex. 2.0, p. 11; Staff Ex. 5.0, pp. 4-5) Staff asserts that this creates potential confusion rather than enhancing public understandability, citing 220 ILCS 5/1-102 (d)(ii).

Staff takes issue with AIC's arguments that either the Transformation Charge must deviate from uniform pricing or the EDT cost recovery charge must deviate from cost-based pricing for this sub-class. Staff asserts that these arguments fail to adequately consider that the Transformation Charge has already been uniformly set across the rate zones and the Company is still working toward the goal of uniformity for EDT. Staff opines that the Company's proposed EDT rate for this sub-class should be reduced so that it does not produce more than its share of the total allocated revenue requirement. As for rate uniformity, Staff states the Company's proposal would reduce the number of rates that are uniform, whereas its proposal maintains uniformity already established and still provides for some movement toward rate uniformity for the EDT. (Staff Ex. 5.0, 4)

Staff recommends that the Transformation Charge should remain uniform and the EDT Cost Recovery Charge proposed by the Company should be reduced so that this sub-class does not produce more than its share of the total allocated revenue requirement. (Staff Ex. 2.0, pp. 13-14; Staff Ex. 5.0, pp. 4-5)

c. IIEC's Position

IIEC concurs that the Company's proposal to lower the Transformation Charge represents a modest departure from uniform charges across rate zones, a goal that Ameren has been pursuing. However, in this case IIEC asserts it is warranted because, as explained by the Company, the Rate Zone II DS-4 +100 kV customer group is different from their counterpart customers in Rate Zones I and III. IIEC states that of the transformation capacity used by Ameren's DS-4 +100 kV customers, over 93% of it is concentrated in Rate Zone II, as those customers make extensive use of transformation service offered by Ameren. IIEC notes AIC's testimony that much of the transformation

equipment installed for these Rate Zone II customers was installed in the late 1970s and early 1980s, resulting in a well depreciated plant balance. Thus, IIEC opines, the cost basis in this Rate Zone is significantly different from the other two Rate Zones. It agrees with AIC that a lower cost basis warrants a lower price. IIEC reasons the resulting proposed Transformation Charge of \$0.15/kW is significantly below the transformation charge for other customers, due to this significant difference in cost basis. It notes AIC's statement that this lower charge may be revisited if changes in transformation equipment investment serving these customers warrant an adjustment.

The IIEC notes AIC witness Jones' testimony that departure from uniform pricing appears to be needed in this one instance for either the Transformation Charge or the EDT cost recovery and that AIC chose to let the underlying cost basis guide them to which one should depart from uniformity. (Ameren Ex. 4.0 at 7:157-160). IIEC asserts that the desire for rate uniformity should not trump cost of service principles. It states the Commission has indicated in other cases that it was not inclined to "force" uniform changes for AIC's rates where "legitimate cost of service differences warrant different treatment." Docket Nos. 09-0306, et al., Order, (April 29, 2010), at 306. IIEC believes the Company's proposal is consistent with those principles but Staff's proposal, while well intentioned and appreciated, is not.

In regards to Staff's concerns that the proposal is unnecessarily complicated and confusing, IIEC points to his testimony that the provision impacts only three customers, at five service points, in a category of service that includes some of the most sophisticated customers. IIEC relies upon his opinion that the lower Transformation Charge for these customers is unlikely to be either complicated or confusing, as they are sophisticated purchasers. IIEC supports AIC's proposal in this regard, for the reasons stated by Ameren. IIEC agrees with the Company that Staff's concern that the proposal "could be confusing and hard to explain" is a non-issue as relates to these customers. (IIEC Ex. 3.0C, at 34-35:769-793)

IIEC also cites to AIC witness Jones' testimony that equal EDT prices and equal Transformation Capacity charges simply are not possible for this particular subclass of customers because there is so little underlying cost associated with these depreciated facilities. It relies on his conclusion that therefore, deviation from uniformity is necessary in one respect or the other and in this case the deviation should be in the Transformation Charge. (Ameren Ex. 7.0, at 16:353-374) As to the concern that future customers could be confused by the different transformation capacity charges across rate zones, IIEC points to the statement that there is no evidence to support the theory that some undefined amount of future industrial customers would be confused by the different rates across rate zones. IIEC also relies upon Mr. Jones' statement that if this concern were valid, Staff's proposal to lower the EDT rate for this particular subclass, would create the same concern. (Id., at 17:375-382)

IIEC concludes by asserting that it is appropriate to design rates on the basis of cost, to the extent possible. (See, e.g. Order, Docket Nos. 09-0306, et al., Order, (April 29, 2010), p. 295) IIEC states in this case, for this particular subclass, the cost basis is

substantially different from the cost basis for the other rate classes. Accordingly, IIEC asserts AIC's proposal is warranted. IIEC explains that DS-4 +100 kV customers are among the largest on the AIC system and any confusion caused, which IIEC believes is unlikely, would be more than offset by the benefit of cost-based rates for Transformation Charges. It states that the IIEC Companies are among the largest and most sophisticated on the AIC system and it represents to the Commission they are fully capable of understanding the subject rate design and the reasons therefore. IIEC recommends that AIC's proposal be adopted.

d. Commission Analysis and Conclusion

The record in this proceeding reflects that transformation plant in Rate Zone II is older and more depreciated, having been installed in the late 1970's and 1980's, than the transformation plant in the other rate zones. Currently the Transformation Charge is uniform across rate zones. But, as a result of the age and depreciation of assets used to provide the service, existing Rate Zone II customers currently cause and use a lower transformation cost than the customers in Rate Zones I and III. The Commission has endorsed the goal of uniformity of rates across AIC rate zones and is appreciative of Staff's diligence in advocating for maintaining uniform rates. However, the Commission finds, based on the cost data presented in this record for the specific assets used by these customers, a lower Transformation Charge is justified. Therefore, consistent with cost-based principles, the Commission adopts AIC's proposal to lower the Transformation Charge for DS-4 +100kV Rate Zone II customers who have taken service as of December 31, 2012.

2. Seasonally Differentiated Rates for the DS-3 and DS-4 Classes

a. Timetable for Elimination of DS-3 and DS-4 Rate Limiter Credits

i. AIC's Position

AIC explains that in the Proposed Order for Docket No. 11-0279, AIC and GFA were directed to conduct workshops designed to study seasonally differentiated rates for the DS-3 and DS-4 classes. (Ameren Ex. 2.0, p. 25) AIC states even though that proceeding ultimately was withdrawn, GFA and AIC met on two separate occasions, and as a result of those discussions, AIC proposed an optional DS-6 tariff designed to provide existing DS-3 and DS-4 customers with a seasonal rate. (Id.) It states DS-3 and DS-4 customers who have received at least one rate limiter bill credit per year in at least 3 of the past 4 years (2009-2012) were analyzed as the new DS-6 class for purposes of this proceeding. (Id., at 26) The Company says GFA proposed modifications to AIC's DS-6 class. (See GFA Ex. 1.0C, pp. 4-11) AIC states that it and GFA resolved their differences and agreed on the terms of the new DS-6 class as embodied in Ameren Exhibit 5.5.

AIC states that it initially proposed that the existing rate limiter provisions for DS-3 and DS-4 customers would be eliminated upon the effective date of the DS-6 tariff. (Ameren Ex. 2.0, p. 26) The Company explains that GFA expressed concern about the potential impact of rate increases ranging from 50% to over 100% if the rate limiter was eliminated entirely, and instead suggested the rate limiter be set at a level that would limit the rate of increase to equal the percentage increases of other customer groups. (GFA Ex. 1.0C, p. 3) AIC states the parties agreed to a phase out of the rate limiter over a 3-year period, beginning with rates effective for the January 2015 billing period, with the rate limiter being completely eliminated in January 2018, upon the implementation of the next rate redesign proceeding into an annual Rate MAP-P update proceeding. (Ameren Ex. 5.0 (Rev.), p. 21) The Company asserts that the compromise ensures that customers will have more time to consider and transition to the DS-6 rate, and provides customers a price signal each year to consider movement to the DS-6 rate. (Id.) AIC anticipates that, beginning with the January 2018 billing period, rate limiter credits will be completely phased-out (Tr., p. 58) and it indicates it does not object to the Commission's final order making that clear.

ii. Staff's Position

Staff recommends the Commission approve the timetable for the elimination of DS-3 and DS-4 rate limiter credits agreed to between Ameren and the GFA. (Staff Ex. 5.0, p. 3)

iii. GFA's Position

GFA says that it objected to AIC's proposal to eliminate the rate limiter and install a new DS-6 tariff for seasonal rates. It explains that the result of the proposal would have been a large number of grain elevators receiving rate increases of 50% to over 100%, and even up to 158%. (GFA Ex. 1.0C, at 3:43-51) GFA states that it made its own proposal and after discussions, AIC and GFA reached a compromise. According to GFA, the compromise involves both (1) the phase out of the rate limiter and (2) modifications to AIC's proposed DS-6 tariff.

GFA states that AIC submitted the compromise in its rebuttal testimony (AIC Ex. 5.5) and that no party submitted testimony objecting to the compromise. However, GFA explains, the Commercial Group has indicated that it intends to object to one component of the compromise, the rate limiter phase out. GFA states that should the Commission reject any part of the compromise, because the compromise involved more than just the rate limiter, GFA and AIC will be left to their initial proposals. Solely for that reason, GFA it fully describes the issues in its brief.

GFA emphasizes that despite these issues being labeled as "contested issues," GFA remains committed to the compromise, as submitted, and urges the Commission to adopt the compromise, in its entirety.

GFA describes the rate limiter as being implemented when in Docket No. 07-0165, AIC proposed new rates, which would have resulted in rate increases of over 100% for some customers. It asserts the rate limiter was implemented in that docket to avoid rate shock. GFA explains both the DS-3 and DS-4 rate classes contain rate limiter provisions that ensure the monthly charges for the sum of Distribution Delivery and Transformation Capacity Charges are limited to no more than a set ¢/kWh value if 20% or less of the customer's annual usage occurs in the summer months of June through September. (GFA Ex. 1.0C, at 2:30-38) It states that the Commission began the phase out of the rate limiter in AIC's Docket Nos. 09-0306, et al. At that time, it says, the rate limiter was reduced, but it was not entirely eliminated, largely because of rate increases as high as 42%. (Id.)

GFA asserts that if the rate limiter is totally eliminated in this case, a large number of grain elevators would receive rate increases of 50% to over 100%, with at least one grain elevator receiving an increase of 158%. (GFA Ex. 1.0C, at 3:43-51) GFA reasons that grain elevator rates increase so disproportionately because grain elevators are currently placed in the DS-3 and DS-4 rate classes, which class as a whole contributes significantly to the AIC system peak, and therefore these classes are allocated distribution system costs to which grain elevators do not proportionately cause. (Id.)

It states that total elimination of the rate limiter at this time could cause rate increases of over 100%, the type of rate shock the rate limiter was instituted to avoid. While GFA recommends continuation of phasing out the Rate Limiter, GFA also recommends that the rate limiter be set at a level that would limit increased rates to grain elevators to about the same percentage rate increases that are applied to other customer groups. The GFA notes that in its brief, the Commercial Group indicates that it will not oppose the AIC/GFA compromise, so long as the Commission makes clear that the rate limiters will be eliminated, as proposed, by January 1, 2018

iv. Commercial Group's Position

The Commercial Group asserts that the Commission has made clear that it is committed to eliminating rate limiters at the earliest opportunity. In the Commercial Group's view, this is reflected in Commission's determination in Docket No. 07-0165 that the rate limiters were being adopted as a measure for "transitional relief" that "should be in place only as long as necessary" because the cost of this subsidy would fall on "an intra-class basis to other customers in the respective classes." Docket No. 07-0165, Order, (October 11, 2007), p.39; see also, Tr., at 172. The Commercial Group also relies upon the statement that the Commission "has indicated that it is committed to eliminating the rate limiters at the earliest opportunity," and the approval of a 20 percent reduction in the rate limiter subsidy burden that was being borne by other DS-3 and DS-4 ratepayers. Docket No. 11-0279, Proposed Order, (November 15, 2011), p. 188. The Commercial Group explains that the Proposed Order later became moot when Ameren elected to have its rates set by formula under the new formula rate statutory process. Thus, it states, no reduction in the subsidy went into effect and the "short-term" rate

relief for grain customers has now continued for a number of years. The Commercial Group asserts it is time to eliminate the credit. The Commercial Group finds it appropriate that initially AIC proposed to do just that: eliminate immediately the rate limiters. (Ameren Ex. 2.0, at 26:529-53)

The Commercial Group acknowledges that following the filing of AIC's direct testimony, AIC and the GFA reached an agreement to make certain changes to the terms of the proposed DS-6 tariff and to eliminate the rate limiters by January 2018, more than a decade after the rate limiters were created as a temporary, transitional measure. (Ameren Ex. 5.0, at 21:441-442) The Commercial Group agrees with AIC's position in its direct testimony, that the time has come to eliminate completely the rate limiter subsidies/credits. However, should the Commission make clear in its final order that the rate limiters will be completely eliminated by January 1, 2018, the Commercial Group will not oppose the AIC/GFA resolution of this issue. But if the Commission does not adopt the proposed AIC/GFA resolution, the Commercial Group urges the complete elimination of the rate limiters, as originally proposed by AIC, an approach also supported by AIC witness Schonhoff. (Tr., at 58:18-24)

b. Proposed DS-6 Temperature Sensitive Delivery Service

i. AIC's Position

AIC explains that in the Proposed Order for Docket No. 11-0279, AIC and GFA were directed to conduct workshops designed to study seasonally differentiated rates for the DS-3 and DS-4 classes. (Ameren Ex. 2.0), p. 25) It states that even though that proceeding ultimately was withdrawn, GFA and AIC met on two separate occasions, and as a result of those discussions, AIC proposed an optional DS-6 tariff designed to provide existing DS-3 and DS-4 customers with a seasonal rate. AIC states, the proposed DS-6 tariff ("Compromise DS-6 Tariff" or "Tariff") (Ameren Ex. 5.5) was agreed to among the Company, GFA, and Staff. The Company states it shares a similar structure to the DS-3 tariff, and includes a customer charge, meter charge, transformation charge, distribution delivery charge, and excess demand charge. (Ameren Ex. 2.0, p. 27) It explains the customer, meter, and transformation charges will be assessed at the applicable DS-3 and DS-4 charges. (Id.) AIC states it agrees with GFA and Staff that the terms of Ameren Exhibit 5.5 should establish the excess demand charge. It states that initially, GFA suggested that the DS-6 rate be limited to the first 100 DS-3 customers and the first 50 DS-4 customers. (GFA Ex. 1.0C, p. 8) But the Company explains that as part of the compromise reached between AIC and GFA, that limitation ultimately was dropped. (Ameren Ex. 5.5)

AIC states that customers may elect to take service under the Compromise DS-6 Tariff by notifying AIC before May 1 with service beginning the following June billing period. (Ameren Ex. 2.0, p. 26) It says each DS-6 customer selecting this rate will be assigned a delivery allowance, i.e., an allotment of demand the individual customer can impose on the system during on-peak hours between May 15 and September 14 of each calendar year when the average temperature is above a certain temperature

threshold. (Ameren Ex. 5.0 (Rev.), p. 24) AIC explains that it initially proposed tier 1 and tier 2 temperatures of 70 and 78 degrees Fahrenheit, respectively, applied for any period during on-peak hours, whereas GFA proposed temperatures of 80 and 85 degrees Fahrenheit. (Id., at 22) Ultimately, it states, the parties agreed that the delivery allowance should be determined with temperature thresholds of 78 degrees Fahrenheit for tier 1 and 83 degrees Fahrenheit for tier 2. (Id.) AIC asserts that these terms establish reasonable thresholds for the time period where AIC's system is most likely peaking that should provide AIC with reliability benefits, while allowing GFA members to operate grain elevator operations during warmer days than previously allowed. (Id.)

AIC further explains that in the event that DS-6 customers exceed their delivery allowance, they will be charged an excess demand charge. It states that the amount of that excess delivery charge was initially disputed, with AIC proposing a charge of 4 and 12 times the base distribution delivery charge and GFA proposing a charge of 2 to 4 times the base distribution delivery charge. (Id., at 23) AIC indicates that the parties resolved their differences by agreeing to a fixed excess demand charge of \$13.23/kW (equivalent to 4 times) and \$19.84/kW (equivalent to 6 times), rather than a multiplier of the base distribution delivery charge. (Id.) The Company opines that an agreed-upon fixed charge is appropriate because, if the Commission were to adopt the CP allocation method for primary distribution lines, the base distribution delivery charge may be driven down to below \$1/kW, resulting in insufficient excess demand charges. (Id., at 24) It reasons that low excess demand charges would not provide appropriate price signals and could drive unintended participants to the rate that otherwise would remain on DS-3 and DS-4. (Id.)

AIC states that the Compromise DS-6 Tariff fulfills the Commission directive of offering a seasonal rate to DS-3 and DS-4 customers, is a result of extensive negotiations, and is supported by AIC, GFA and Staff. It asserts that this compromise between GFA and AIC appropriately balances each parties interests and may result in a lower cost of service for all customers. It reasons that by providing appropriate incentives for customers to use less electricity during system peak hours, AIC realizes reliability benefits and potentially may incur less utility investment costs, resulting in lower customer rates for all customer classes.

ii. Staff's Position

Staff recommends the Commission approve Ameren's proposal to establish DS-6 Temperature Sensitive Delivery Service rates with the modifications agreed to between Ameren and the GFA. (Staff Ex. 5.0, pp. 2-3)

iii. GFA's Position

The GFA affirms that it is pleased that AIC proposed a temperature sensitive rate for DS-3 and DS-4 customers. It states, the parties reached a compromise that will 1) phase out the rate limiter; 2) will prevent (or at least mitigate) the rate shock associated

with immediate termination of the rate limiter; and 3) provide a seasonal DS-6 rate, which is more likely to be used, thereby providing system-wide benefits.

The GFA is committed to the Compromise DS-6 Tariff and urges the Commission to adopt it, in its entirety. However, should the Commission reject any part of the Compromise DS-6 Tariff, GFA and AIC are left to their respective initial proposals. GFA provides its analysis of AIC's originally proposed DS-6 Tariff for the Commission's consideration in the event the Commission does not adopt the Compromise DS-6 Tariff.

The GFA cautions that a new, optional, seasonal tariff is not beneficial unless customers opt to use it. It states that as initially proposed by AIC, grain elevators are not likely to elect to take service under the new DS-6 rate, because the potential penalties are too severe compared to the potential benefits. The GFA points out that at proposed temperatures under the DS-6 rate, grain elevators could have to curtail at times when the system is not at or near peak, even in the months of March through November. (GFA Ex. 1.0C, at 4:72-82) Further, it states, grain elevators could see rate increases of 300%, or more, under the AIC proposed DS-6 rate. (Id.)

The GFA asserts that grain elevators with the ability to curtail electric usage during system summer peak loading periods of high temperatures will likely elect to take service under an appropriate rate, but only if it is designed to achieve a good balance between incentives and penalties. (GFA Ex. 1.0C, at 5:88-93) The GFA suggests that with some clarifications or modifications to AIC's proposal, it is more likely that grain elevators would elect the DS-6 rate, and provide system-wide benefits under a temperature sensitive demand side management rate.

First, the GFA asserts, a seasonal rate must have an appropriate balance between incentives and penalties. The GFA opines that a seasonal rate that encourages customers to curtail usage during the system peak provides system wide benefits. It explains that customers who curtail usage at times of utility distribution system peak loading help to reduce longer term utility investment costs and can lower cost of service and rates to all customers. (GFA Ex. 1.0C, at 4-5:83-87) It provides the example of AIC's GDS-5 natural gas rate, which it says, provides incentives for customers to curtail natural gas usage when the average daily temperature is below 25 degrees Fahrenheit. The GFA explains that both electric and natural gas temperature sensitive rates are designed to achieve system benefits via demand side management. (GFA Ex. 1.0C, at 5:94-100) The GFA states that it is common practice for utilities to offer load management rate incentives to customers who elect to curtail or interrupt electric usage during periods of high temperatures. (GFA Ex. 1.0C, at 5-6:104-114)

The GFA states that an effective interruptible or curtailment electric rate achieves a balance between system wide benefits and net benefits or incentives to individual customers who voluntarily curtail usage during peak system loading conditions, which for AIC and other summer peaking Midwestern utilities occurs during high temperature periods. The GFA explains, for a customer to voluntarily elect to take service under an interruptible or curtailment rate, the expected number of hours of curtailment by the

customer needs to be reasonable, while being a sufficiently large number of hours annually to achieve system load relief during peak demand periods. It clarifies that a calculation of net benefits and costs to the customer for voluntarily curtailing usage at near system peak demand loading must consider the expected number of hours of curtailment per year, the financial credits for curtailment, and the system benefits achieved. (GFA Ex. 1.0C, at 7:128-138)

GFA states its testimony in this docket provides data showing that, as originally proposed, DS-6 curtailment would be necessary even when the system is not near coincidental peak. It points to GFA Exhibit 1.1, which, it states, is a summary of AIC's response to data request AG 1.10. GFA asserts that GFA Exhibit 1.1 shows the number of days in each month from 2001 through 2012 when daily average temperatures exceeded the AIC proposed Tier 1 and Tier 2 average daily temperatures at Belleville, Decatur, Marion and Peoria. It states that for this twelve year period, customers in the Belleville area would be subject to curtailment and Excess Demand Charges from March through November at the initially proposed DS-6 Tier 1 and Tier 2 average daily temperatures. Similarly, it says, customers in the Decatur, Marion and Peoria areas would be subject to curtailment and Excess Demand Charges from March through October, March through November, and March through October, respectively. It calculates that on average for these four regions of the state, customers taking service under the initially proposed DS-6 rate would be subject to curtailment an average of 106 days per year for On-peak hours each day. GFA does not anticipate any customer will elect the DS-6 rate under such a large number of curtailment hours annually. It states this is particularly so when Excess Demand Charges could be imposed for any single 15 minute failure to curtail, which can result in a 250% cost increase at proposed penalty demand charges equal to 4.0 and 12.0 times normal demand charges. (GFA Ex. 1.0C, at 7-8:139-155)

In the initially proposed DS-6 rate, GFA says, the Tier 1 and Tier 2 Excess Demand Charges of 4.0 and 12.0 times normal demand charges could occur even in off peak months of March and November. It asserts that by inserting a Tier 2 demand charge in only one month of AIC's spreadsheets prepared in response to data request GFA 1.03, the GFA determined that failure to interrupt for a single 15 minute period can create DS-6 increases of 250% or more. (GFA Ex. 1.0C, at 8:156-164)

The GFA asserts that its proposal will provide the proper incentives to seasonal customers. The GFA states its initial proposal included the following clarifications or modifications to the proposed DS-6 rate (GFA Ex. 1.0C, at 9:174-185):

- (1) Set Tier 1 and Tier 2 Excess Demand Charges for failure to curtail at 2.0 and 4.0 times the respective normal Distribution Delivery Charges;
- (2) Make Tier 1 and Tier 2 Excess Demand Charges applicable to "June 16 through September 5, during On-Peak hours of the current calendar month for interval metered customers" instead of "On-Peak hours of any day during the current Billing Period"; and

- (3) Make Penalty Excess Demand Charges for Tier 1 and Tier 2 be applicable for customer failure to curtail only during the June 16 through September 5 period when average daily temperatures are forecasted to be equal to or greater than 80 degrees Fahrenheit and 85 degrees Fahrenheit, respectively.

The GFA asserts that DS-6 Tier 1 and Tier 2 excess demand charges should be set at 2.0 and 4.0 times the respective normal Distribution Delivery Charges. It explains that as AIC initially proposed, the DS-6 Excess Demand Charges for failure to interrupt to the Assurance Power level are so excessive that customers who can curtail usage at times of system peaks will probably not elect to take service under the DS-6 temperature sensitive rate. It describes that under the initially proposed DS-6 rate, one 15 minute failure to curtail, even in March, April, October or November, could result in an annual cost increase of over 250%. The GFA states, as initially proposed by AIC, failure to curtail for even 15 minutes, even if not at or near system peak, can trigger Excess Demand Charges for Tier 1 and Tier 2 equal to 4.0 and 12.0 times the normal Distribution Delivery Charges, respectively. At least until AIC's next rate design case, GFA's initial proposal recommended Tier 1 and Tier 2 Excess Demand Charges be set at 2.0 and 4.0 times the respective normal Distribution Delivery Charges, which are still significantly punitive for customer failure to curtail during specified high-temperature on-peak hours. (GFA Ex. 1.0C, at 10:195-208)

The GFA asserts that Tier 1 and Tier 2 Excess Demand Charges should be applicable to "calendar months" rather than a "Billing Period." It explains that Tier 1 and Tier 2 Excess Demand Charges should be applicable to "calendar months" because DS-3 and DS-4 customers have 15 minute interval recording meters. Thus, it reasons, there is no need to use a Billing Period as there is for DS-1 and DS-2 customers with meters that are read approximately monthly on a billing cycle basis. The GFA asserts for example, that it is very possible that a "Billing Period" for September can include hours and days from August or October. It states that imposing Excess Demand Charges for a 15 minute period in August or October for a September Billing Period can result in unintended curtailments and annual cost increases as much as 250% to DS-6 customers. (GFA Ex. 1.0C, at 9-10:186-194)

The GFA asserts that the average daily temperature component of AIC's originally proposed DS-6 rate should be modified. It states it submitted evidence that demonstrates a more balanced Tier 1 and Tier 2 average daily temperature. It explains that GFA Exhibit 1.2 shows the number of days from 2001 through 2012 when the AIC system coincident loads were equal to or exceeded 98%, and 95% of system annual coincident peak. The GFA calculates that on average for this 12 year period, AIC's combined system load exceeded 98% and 95% of annual system coincident peak on 2.5 and 6.1 days annually, respectively. For the same period, it states that the maximum number of days in any year that AIC's combined system load exceeded 98% and 95% was 4 and 10 days annually, respectively. (GFA Ex. 1.0C, at 10-11:209-216) The GFA asserts that this demonstrates that the appropriate average daily temperatures at which Tier 1 and Tier 2 Excess demand Charges should apply are

those temperatures at which system loads exceed 98% and 95% of annual system peak load and a reasonable expectation for curtailment is up to 10 days annually. (GFA Ex. 1.0C, at 11:217-221)

The GFA says its evidence also shows average daily temperatures for the AIC system when loads exceeded 98% and 95% of annual system peak load. The GFA explains that GFA Exhibit 1.3 is from AIC's response to data request GFA1.10 and it shows a summary of the average daily temperatures for the period 2001 through 2012 for each AIC rate zone and the AIC system total when loads exceeded 98% and 95% of annual system peak load. It asserts that during this twelve year period, the AIC load did not exceed 98% of annual coincidental peak in any rate zone prior to June 22nd nor later than August 26th, and the AIC load did not exceed 95% of annual coincidental peak in any rate zone prior to June 22nd nor later than September 1st. (GFA Ex. 1.0C, at 11:222-230)

The GFA states that AIC initially proposed Tier 1 and Tier 2 penalties at average daily temperatures of 70 degrees Fahrenheit and 77 degrees. According to the GFA, AIC reasoned that the initial threshold, an average daily temperature of 70 degrees, is consistent with temperatures at which AIC typically experiences increased electric demand due to air conditioning loads and therefore 70 degrees is appropriate for Tier 1 Demand. It explains that AIC then performed a statistical analysis using eleven years of historical system peak data, 2001 - 2011 and corresponding temperature data. The GFA states the statistic used for Tier 2 from the analysis was the 3rd standard deviations "below" the mean, or 77 degrees. (GFA Ex. 1.0C, at 11-12:231-238)

The GFA asserts that it is more appropriate to use the third standard deviation "above" the mean as an indicator of a reasonable temperature to use for Tier 2. The GFA expects that electrical facilities are designed with a capacity to carry load at the highest expected temperature or, at the third standard "above" the mean. It clarifies, the third standard deviation below the mean temperature, or average temperature, is not significant because the capacity of utility distribution facilities must carry maximum loading and not average loading or "below" average loading. (GFA Ex. 1.0C, at 12:239-247)

The GFA asserts that AIC's work papers provide a more appropriate temperature for Tier 2. According to it, GFA Exhibit 1.4, which is from Mr. Schonhoff's work papers, shows that the mean average daily temperature was 85 degrees at coincident peaks for 2001 through 2011. It states Mr. Schonhoff's work papers also show the third deviation "above" mean to be 92 degrees. The GFA states the third standard deviation "below" the mean or average, 77 degrees, is not relevant when designing and building capacity of distribution facilities to carry the highest expected high temperature loading. It asserts what is relevant is the third standard deviation "above" the average or mean, or 92 degrees. It explicates that implies approximately 99.7% of the observations occurred when the average daily temperature is "below" 92 degrees. According to the GFA, because the concern is curtailing load at the high-end of the range when distribution

system loading is near full capacity, the 92 degree average daily temperature is relevant and 77 degree average daily temperature is not relevant. (GFA Ex. 1.0C, at 12-13:248-259)

The GFA asserts that Mr. Schonhoff's 85 degrees mean average temperature and its derivative of 92 degrees as the third standard deviation above the mean is consistent with GFA Exhibit 1.3. It explains that GFA Exhibit 1.3 shows the average daily temperatures on 100% peak days for the four weather stations to range from 82.5 degrees to 85.5 degrees and was 84.5 degrees on June 23, 2009, the first day of any years from 2001 through 2012 that the coincidental system peak occurred. (GFA Ex. 1.0C, at 13:260-266)

However, the GFA does not recommend Tier 2 be set at 92 degrees. Instead, GFA recommends a more conservative Tier 2 average daily temperature of 85 degrees, at least for an experimental rate period. (GFA Ex. 1.0C, at 13:267-271)

The GFA opines that the premise behind AIC's proposed Tier 1 penalty average daily temperatures of 70 degrees Fahrenheit is not appropriate. First, it explains, there are days in March, April, October and November that are above 70 degrees average temperature when the system is not near peak. The GFA agrees with Mr. Schonhoff that air conditioning is a major driver of increased electrical demand. However, the GFA does not agree with his underlying starting premise that 70 degrees is the temperature at which AIC typically experiences increased electrical demand causing an AIC annual system peak. (GFA Ex. 1.0C, at 13:272-279)

The GFA agrees that some people set their air conditioning thermostats at 70 degrees, but, it states, the data in GFA's sponsored exhibits clearly show that AIC system peaks do not occur when average daily temperature is anywhere close to 70 degrees. It agrees that an air conditioner thermostat that is set at 70 degrees may kick-on when the "high temperature" of the day reaches 70 degrees. (GFA Ex. 1.0C, at 13-14:279-285) However, it points out that air conditioner thermostats cycle on and off, such that an air conditioner will be "on" much less time when the average daily temperature is 70 degrees than on a day with an average temperature of 85 or 90 degrees. (GFA Ex. 1.0C, at 14:288-291)

The GFA points out that the AIC system annual peak has not increased each year during the 2001-2011 period. (See GFA Ex. 1.4) Thus, it reasons, electric distribution facilities should be designed with capacity to carry the maximum potential load that is expected to occur during any year over the multi-year period the facilities are intended to be in service.

GFA states that presuming distribution facilities are designed with capacity to meet expected coincident peak loading for multiple future years, for 2001 through 2011, the maximum load in any rate zone occurred on July 21, 2011 when the average daily temperature was 89 degrees Fahrenheit at the Marion weather station. (GFA Ex. 1.4) It asserts that during this eleven year period, the previous four high annual coincidental

peaks and corresponding highest average daily temperatures of the four AIC-designated weather stations occurred August 7, 2007 at 88.0 degrees, July 31, 2006 at 87.5 degrees, July 25, 2005 at 88.5 degrees, and August 3, 2010 at 89.5 degrees. According to the GFA, this historic data shows that relief to distribution facility capacity becomes necessary at about to 88 to 89 degrees average daily temperature. Thus, it reasons, it is appropriate to initiate penalties for failure to curtail beginning at a conservative Tier 1 average daily forecasted temperature of 80 degrees Fahrenheit and at a more punitive Tier 2 average daily forecasted temperature of 85 degrees Fahrenheit. The GFA asserts that a failure to curtail at Tier 1 and Tier 2 with penalty equivalents of 2.0 and 4.0 normal demand charges are progressively severe and are more than sufficient to encourage curtailment when system load is at or above 95% and 98%, respectively. (GFA Ex. 1.0C, at 15:302-319)

The GFA discusses the compromise between it and AIC. It says that after AIC had the opportunity to review GFA's concerns and proposal, AIC and GFA entered into discussions. It states that the result was the Compromise DS-6 Tariff described in AIC's Exhibit 5.5, and adopted by GFA in GFA Exhibit 2.0. The Compromise DS-6 Tariff includes the following:

- a) The rate limiter will be reduced each of the next three rate years, and will not be available beginning with the January 2018 billing period. This portion of the compromise meets the Commission's stated goal of eventually eliminating rate limiter, while also avoiding the serious rate shock that would occur if the rate limiter was eliminated now.
- b) The new DS-6 Tariff will be modified as follows:
 - i) Tier 1 and Tier 2 Temperature Thresholds will be average daily temperatures of 78 and 83 degrees Fahrenheit.
 - ii) Tier 1 and Tier 2 Excess Demand Charges will be set at \$13.23/kW (equivalent of 4 times) and \$19.84/kW (equivalent of 6 times).
 - iii) DS-6 Tariff language will be modified to make Tier 1 and Tier 2 Excess Demand Charges identified above only be applied on days from May 15 through September 14 of each year.

The GFA asserts that it and AIC are hopeful that this component of the Compromise DS-6 Tariff will fairly reward those who manage their seasonal use and not unfairly penalize those users who make errors in their energy management. Moreover, GFA states, if the new tariff is implemented and used by seasonal customers, it will result in system wide benefits, including reducing system peaks.

The GFA states it is committed to this compromise, and urges the Commission to adopt the Compromise DS-6 Tariff, in its entirety. However, should the Commission reject any part of the Compromise DS-6 Tariff, GFA and AIC are left to their respective initial proposals. If that is the case, then GFA respectfully submits that GFA's proposal should be adopted.

c. Commission Analysis and Conclusion

AIC proposes an optional DS-6 Tariff to provide seasonally differentiated rates for existing DS-3 and DS-4 classes, who can reduce their electricity usage in a meaningful way to provide distribution benefits to the Company. The DS-6 Tariff provides that each customer will be assigned a delivery allowance for on-peak hours between May 15 and September 14 of each calendar year when the average temperature is above the set temperature threshold. In the event that DS-6 customers exceed their delivery allowance, they will be charged a fixed excess demand charge. The proposed DS-6 tariff was negotiated and agreed to among the Company, GFA, and Staff.

In addition, AIC and GFA have agreed to a phase out of the rate limiter for the DS-3 and DS-4 rate classes over a 3-year period, beginning with rates effective for the January 2015 billing period and completely eliminating the rate limiter in January 2018. The record shows that if the rate limiter were totally eliminated in this case, a large number of grain elevators would receive rate increases of 50% to over 100% and up to 158%.

The Commission finds that the record in this proceeding supports adoption of the DS-6 Tariff. The DS-6 Tariff sets reasonable thresholds for implementing assigned delivery allowances. It appears to the Commission that DS-6 customers should provide AIC with reliability benefits, without unduly limiting the customers use of the system. The AIC/GFA proposal to eliminate the rate limiter by January, 2018 is reasonable. Based on this record, the Commission adopts the AIC/GFA plan to phase out the rate limiter for the DS-3 and DS-4 rate classes over a three year period and the DS-6 Tariff negotiated by the parties.

3. Use of SFV Rate Design for DS-1 Customer Charge

a. AIC's Position

AIC states that the DS-1 class Customer Charge was developed with a Straight Fixed Variable ("SFV") rate design. (Ameren Ex. 2.0, p. 22) The use of SFV design means that AIC proposes to recover a fixed percentage of the DS-1 revenue requirement from the monthly non-volumetric (kWh) charges. (Id.) It explains that the target percentage of revenues to recover through fixed charges is 50%, subject to a 2.5% (or 250 basis points) capped increase each year. (Id.) The Company states that given that the current SFV recovery for the DS-1 class is 44.8%, the SFV percentage that would be used to set rates for the January 2015 billing period would be 47.3%. (Id., at 23) It asserts that the 50% target is the same percentage that was approved for Commonwealth Edison's residential rate design in Docket No. 10-0467. (Id.) According to the Company, the use of an SFV percentage target is also consistent with the design of AIC's gas residential rates to collect 80% of the revenue requirement through the Customer Charge. (Tr., at 70; Ameren Ex. 4.0 (Rev.), p. 26) It recounts that in prior

rate proceedings, such as Docket Nos. 09-0306, et al., AIC proposed a fixed dollar amount for the Customer Charge, rather than a percentage target (Tr., 70), but explains that a percentage target can be applied more easily for subsequent rate proceedings. (Tr., at 70, 72–73)

AIC objects to the AG proposal to unwind the SFV rate design by reducing the revenue to be collected from the Customer and Meter Charge to equal only those costs deemed “customer-related” in the cost of service study. (Id., at 32–33) According to the Company, instead of recovering close to 50% of delivery service revenue through fixed charges, the AG's design would instead only recover about 28% of delivery service revenue through fixed charges. (Id., at 33) It states the remainder of the DS-1 delivery revenues (72%) would be recovered through variable delivery service charges. (Id.)

AIC asserts that the abandonment of SFV design and adoption of the AG's rate design for DS-1 customers would have several, stark consequences. First, it states, it would dramatically change the price signals sent to residential customers and alter how AIC currently recovers revenue from the DS-1 class. The Company explains that whereas currently AIC is recovering nearly 45% of DS-1 delivery revenue through fixed charges, under the AG's proposal, AIC would recover only 28% of DS-1 delivery revenue through fixed charges. The Company argues this change would lead to a lower Customer Charge on customers' bills, but higher and more volatile delivery service charges, varying more dramatically by usage level and usage month than AIC's rate design. It also says the change would create different or mixed price signals for AIC's gas and combination residential customers, whose rates incorporate SFV design. Second, AIC asserts that the use of the AG's rate design would decrease rate stability and increase revenue volatility, resulting in greater earnings swings. (Ameren Ex. 4.0 (Rev.), p. 29) It explains that under the AG's rate design, a hot summer and/or cold winter will tend to increase AIC revenue, while a cool summer and/or warm winter will tend to decrease revenue. (Id.) Finally, the Company warns that the adoption of the AG's rate design would negatively impact customers who heat their homes using electricity, the very electric space-heat customers who caused the Commission to encourage AIC to use SFV design in the first place to address bill impacts. (Id., at 26, 33; Ameren Ex. 7.0, pp. 19, 25–26) According to AIC, the record shows that the Commission's rejection of the continued use of SFV design will cause larger space-heat customers, indicative of single family homes, to experience an incremental increase of 10% or greater (on top of any other base rate increase required). (Ameren Ex. 7.0, p. 26; Ameren Ex. 7.1)

The AIC states that the premise for the AG's rate design, which it states the Commission repeatedly has rejected for AIC's residential electric and gas delivery rates, is that fixed charges should only recover costs identified in AIC's ECOSS as “customer-related.” The Company asserts that premise and the resulting rate design do not accurately reflect the actual costs incurred by AIC to service a residential customer. According to the Company, there are “demand-related” delivery costs that are fixed, sunk costs that AIC incurs to service the DS-1 class, regardless of the usage by individual residential customers. (Ameren Ex. 4.0 (Rev.), pp. 26–28) It explains, the

delivery system is designed to stand ready to serve the maximum expected demands of customers, whether used or not. (Id., at 32) It asserts that once installed, actual usage by the individual residential customer will not change these fixed costs. AIC notes that, currently, its electric business is exhibiting the same characteristics as its gas business: flat to declining sales from one year to the next. (Ameren Ex. 7.0, p. 22) According to the Company, retaining an SFV rate design in DS-1 rates also recognizes that AIC will continue to incur annually demand-related, fixed costs to provide electric delivery service for residential customers, even in a period of static demand.

AIC discusses as an example a residential subdivision of 50 customers. It explains, the capital cost of utility poles to serve those customers does not change, as usage changes through the day or from season to season; the same number of utility poles will be in place throughout the year and the customer's usage will not change the investment in the distribution system that AIC has already made. (Id., at 26–28) Similarly, it states, the fluctuations in a customer's usage over a year have little to no impact on the operational and maintenance costs that AIC incurs to provide safe, adequate and reliable service. (Id., at 27) It concludes that as a result, a change in usage for a residential customer is unlikely to result in a meaningful change in costs incurred to serve that customer, especially for the time period that the rates will be in effect. (Id., at 28) The Company asserts that effective pricing should provide AIC with an opportunity to recover these fixed costs, while providing customers with an accurate price signal of the costs that AIC incurs to provide the next kWh of service. (Id.) The Company states that under the AG's rate design, a customer with no use (or low use) in a particular month would not pay for (or would pay little for) the line transformers, primary lines, secondary lines, poles, substations, and other facilities that are constructed and maintained for that customer. AIC maintains that the use of SFV design recognizes that these fixed costs should be recovered through fixed charges, regardless of usage. The Company acknowledges that a low-use customer places lower demands on the delivery system. But, it asserts, that does not mean that the costs incurred to serve that low-use customer vary in direct proportion to use. The Company criticizes the AG's analysis, stating that besides assuming the cost of service the residential class can be split into 20 different rate sub-classes, it relies on the faulty assumption that all non-customer, demand-related costs exhibit a direct correlation to customer load. (Ameren Ex. 4.0 (Rev.), p. 31; Ameren Ex. 7.0, pp. 24–25)

The Company asserts that the AG's arguments, that the use of SFV design (1) does not give AIC the proper incentive to improve efficiency and (2) is unnecessary for revenue stability given the annual update and reconciliation proceedings for formula rates, are red herrings. (Ameren Ex. 4.0 (Rev.), pp. 28–29) The Company insists that the absence of SFV rate design will not diminish a utility's incentive to operate efficiently, stating that incentive exists, independent of how revenues are recovered from the residential class. (Id., at 29; Ameren Ex. 7.0, p. 23) It is adamant that the recovery of additional revenue through the customer charge (for historical costs) does not lessen the incentive to control future costs. (Id.) It argues that, if anything, the annual prudence and reasonableness review in the formula rate structure dictates AIC's future spending decisions. AIC explains that corporate budgets for operation and

maintenance expense, capital spending, and sales are made the year prior, assume “normal” weather, and would expect the same amount of revenue, regardless of rate design. (Id.) It also denies that the formula rate mechanism guarantees revenue stability. According to the Company, the AG’s rate design would result in greater than expected sales (and thus revenue) in some years (e.g., due to abnormally severe weather), even though corporate planners will not know if the weather will be more severe (or less severe) than average. (Id.) AIC asserts that the retention of SFV design also mitigates against potential delivery service revenue erosion from AIC’s promotion of energy efficiency programs. (Ameren Ex. 7.0, p. 23)

AIC states it disagrees with the AG’s premise that the unwinding of SFV rate design would mark a “return to cost-based rates for residential customers.” (AG IB, at 1) It repeats there are “demand-related” delivery costs that are fixed, sunk costs that AIC incurs to service the DS-1 class, regardless of the actual usage by individual residential customers. (Ameren Ex. 4.0 (Rev.), pp. 26-28) It asserts that neither the capital cost of utility poles to serve a residential subdivision nor the O&M expense that is budgeted and spent change, as usage changes throughout the day or from season to season for the customers in a particular subdivision. It explains that it has planned and installed a certain amount of poles and the same number of poles will be in place there throughout the year. (Id.) The Company argues the use of SFV design provides customers with an accurate price signal of the costs AIC incurs to deliver the next kWh of service. It emphasizes the SFV provides AIC with the opportunity to recover a portion of these fixed, demand-related costs through the fixed Customer Charge, irrespective of usage. AIC explains its SFV proposal ultimately caps the monthly fixed charge recovery at 50% of the DS-1 delivery revenue, with the remainder recovered through a variable per kWh charge.

The Company denies the use of SFV design ignores principles of cost-causation, as the AG claims. (AG IB, at 2) It also denies that the SFV creates “cross-subsidies” between low-use and high-use residential customers. (Id.) AIC responds to the AG example of the “vacation home” (AG IB, at 24), stating the distribution system serving the vacation home would be designed based on the same maximum peak expectation as the distribution system serving other homes in the immediate area. It explains that this design assumes that the vacation home would be fully active for short periods of time and would cause the same peak as any other residence. Similarly for the AG example of the “garage or shed” (Id.), it states that the garage may have a low kWh usage over a year, but could be equipped with electric space heaters or an arc welder. In those situations, AIC concludes, low kWh does not equate to low demand.

AIC asserts that the AG’s conjecture that these types of service locations make a “small-to-zero contribution” to AIC’s estimation of expected peak demand for an area of its service territory (Id.) assumes that AIC narrowly tailors the design, construction and maintenance of its distribution network based on the specific historical usage patterns of individual customers. The Company says the fact that AIC has a customer at all will dictate whether a utility pole is installed at a service location, explaining the standard

pole installed would serve a typical (or even large) residential customer. It further states the fact that the pole depreciates annually has nothing to do with usage, either demand or kWh.

The Company states the AG's analysis of distribution cost responsibility in its exhibits ignores maximum demand design criteria, which it claims is the real measure of how AIC budgets and incurs costs to service residential customers. According to the Company, the Commission cannot determine design criteria by looking at one year's usage history for 20 different residential scenarios. It asserts that the AG has not demonstrated that AIC's costs of design increase linearly for its 20 different residential scenarios, as suggested by its analysis. The Company also observes that the AG has not presented an analysis of the bill impact that would be felt by residential customers if its design is implemented for rates effective for the January 2015 billing period. AIC states the AG's analysis is a hypothetical comparison of two rate design approaches, with and without SFV. AIC states the fact that the AG's theoretical low use residential customers have seen price increases since the unbundling of delivery rates is a function, in part, of the Commission's decision to use SFV design to better reflect the actual costs incurred to serve all DS-1 customers.

In response to the AG's arguments regarding customers with diverse usage paying the same customer charge, the Company agrees the two hypothetical residential customers would pay the same Customer Charge. It argues the AG's hypothetical and the AG's cost responsibility analysis are flawed, stating the cost of serving a residential customer in AIC's service territory is much more homogeneous than the AG admits. AIC calls the AG's statement that the use of SFV design is causing "a steadily-dwindling percentage of the electric delivery service bill subject to customer usage control" (AG IB, at 14.) an embellishment. The Company explains that the increase in its fixed charges is slight, and that even after that increase, AIC will still recover slightly more than 50% of DS-1 delivery revenue through a variable charge. AIC asserts that consumer usage for the DS-1 class will still control 100% of the commodity cost.

The Company states the unwinding of SFV rate design would unnecessarily undermine rate continuity for AIC. It states it now recovers nearly 45% of DS-1 delivery revenue from the DS-1 class through fixed charges. It asserts that if the Commission adopted the AG's proposal it would drastically reduce the customer charge, whereas its proposal is for a modest 2.5% increase in fixed charges. (Id.) AIC states that in Docket No. 13-0192, the Commission rejected the AG's concerns that smaller-use, non-heating customers were unfairly treated by the continued use of SFV design to recover 80% of gas delivery residential revenues through fixed charges. *Ameren Illinois Company d/b/a Ameren Illinois Proposed general increase in gas rates*, Docket No. 13-0192, Order, (Dec. 18, 2013), pp. 194-195. It says the Commission found that the proposed gas residential rate design, which would have recovered a much higher percentage of costs through the per-therm distribution charge, would have created too large an increase for the GDS-1 heating customers. Id. The Company emphasizes that the adoption of the AG's proposed electric residential rate design in this proceeding would reject the underlying bases of the gas residential rate design just approved by the Commission for

AIC: that the use of SFV and intra-class rate stability are important rate design principles. The Company asserts there is no logical reason to adopt SFV design for the GDS-1 class, but reject the concept for the DS-1 class.

The Company asserts that the adoption of the AG's rate design would negatively impact residential customers who heat their homes using electricity. It points out that these are the very electric space-heat customers who caused the Commission to encourage AIC to use SFV design in the first place to address bill impacts after the end of the rate freeze and the unbundling of delivery rates. (AIC IB, at 41.) The Company argues that unwinding SFV design and increasing the price pressure on electric space-heat residents should not be done on a whim. It states that the record shows that the rejection of the continued use of SFV design will cause larger space-heat customers, indicative of single family homes, to experience an incremental increase of 10% or greater (on top of any other base rate increase required). (Id.) The Company points to the AG's claims that use of SFV unfairly burdening consumers most in need (AG IB, at 2), and states the record is not clear of the identity of the residential customers about whom the AG is concerned, but it asserts, they are not the electric space-heat customers.

The Company asserts that the AG's premise that there are "revenue guarantees" inherent in the formula rate structure (AG IB at 2; see also Id., at 20, 27) is false. (Ameren Ex. 4.0 (Rev.), p. 29) The Company explains that under the formula rate structure, costs approved in prior proceedings are reconciled against actual costs incurred. (Id.) It clarifies that actual revenues are not reconciled against rate case revenues. (Id.) AIC contends that the AG's rate design will destabilize revenues, explaining that the higher percentage of costs recovered through the variable charge results in larger swings in revenues based on changes in usage and weather conditions. (AIC IB, at 41, 43) It says decreased rate stability and increased revenue volatility leads to greater earnings swings. (Id., at 41) According to AIC, the fact that costs are reconciled under the formula rate structure should not influence or have any bearing on determining the proper rate design, or be the basis for unwinding SFV design.

The Company says the AG discounts the unrecovered economic loss that comes from the promotion of energy efficiency programs. (AIC IB, at 43) AIC states the Energy Independence and Security Act of 2007, 16 USCS 2621(d)(17), encouraged state regulatory agencies to implement electric rate design modifications to remove regulatory disincentives to energy efficiency. According to AIC, the incorporation of SFV design was one such regulatory action taken to reduce the revenue erosion that can occur from increased use of energy efficiency programs. It states the formula rate structure does not eliminate the potential for that revenue erosion, explaining test years are still historical. For instance, it states, the update proceeding that will establish the revenue requirement for rates effective in January 2015 will be based on 2013 delivery costs, plus 2014 projected plant additions, not the costs AIC incurs in 2015 to deliver energy. It states prices will be developed based on 2013 weather normalized test year sales. The Company specifies that the revenues collected from residential customers will be based, in part, on usage during 2015. It adds that under the AG's rate design,

rates will be based in larger part on usage. AIC asserts that usage changes in the two-year gap are not reflected in pricing, or reconciled. It concludes there remains a lag on energy efficiency impacts on AIC's revenue.

In its BOE, Ameren changes the focus of its argument to the bill impacts for its electric space-heating customers which it states will occur if the AG's rate design is adopted. The Company relies upon Ameren Exhibit 7.1 which provides a revenue neutral comparison of annual bills under the Company's and AG's rate designs showing the differences after a hypothetical 25% system average delivery services increase. The Company asserts that any customer that uses more than 10,000 kWh per year will have higher annual bills under the AG's rate design. The Company references Ameren Exhibit 7.1 and recites the annual rate increases to general use and space-heating customers, depending upon usage levels, that would result from adoption of the AG's rate design. It asserts the spread for space-heating customers is from 7.6% for usage greater than 18,000 kWh annually, to 21.6% for usage greater than 60,000 kWh annually.

The Company BOE recites the history surrounding the rate increases for AIC's electric space-heating customers which resulted after the end of the rate freeze in January, 2007. It states that the rate increases and the vocal concerns of AIC's electric-space heating customers contributed to the passage of the Illinois Power Agency Act in the summer of 2007, and the initiation of the AIC rate design investigation by the Commission in Docket No. 07-0165. The Company recounts that in subsequent electric rate cases, the Commission has continued to emphasize the importance of incorporating rate designs that would "restrain rate shock" for residential space-heating customers.

In its BOE, Ameren states that the concern about electric space-heating rates is unique to AIC's service territory. The Company argues that there is no evidence in the record that suggests the removal of SFV design will lead to decreased energy consumption or decreased electricity usage, stating no study was provided to the Commission to project the impact of lowering the Customer Charge on residential consumption. AIC also takes issue with the conclusion that the AG's residential rate design is consistent with the findings in Docket No. 13-0387, Commonwealth Edison Company's ("ComEd's") rate design proceeding. It protests, stating the utilities are different, the residential customer profiles are different, and the evidentiary record is different. It complains that ComEd had previously been ordered to provide evidence regarding cost of service for low use residential customers. Further, the Company states that even if it were appropriate to revisit the continued use of SFV rate design for its residential customers, the principles of gradualism do not support the full removal of SFV design for rates effective in January 2015. It suggests there are less drastic options, such as maintaining the existing level of cost recovery through fixed charges (44.8%), until the next electric rate redesign proceeding.

The Company contends the weight of the record supports the continued use of SFV in the design of residential electric delivery rates. It states that the opinions and

assumptions that underlie the AG's proposed rate design have been rejected previously. It asserts they are no less convincing this time, stating that the demand-related costs of serving residents remain constant, regardless of usage. According to AIC, the impacts of unwinding the SFV design are significant and undesired: radically different price signals (and mixed signals for AIC's combination customers), greater customer bill swings from month to month, greater utility earnings swings and revenue instability (from month to month and season to season), and incremental increases for the electric space-heat customer segment. The Company asserts that neither these adverse impacts nor the AG's evidence supports the discontinuation of SFV in the design of DS-1 rates. AIC states that the Commission should reject the AG's DS-1 rate design.

b. Staff's Position

Staff and the Company agree regarding Ameren's proposed increases in the percentage of SFV fixed cost recovery for DS-1 in this proceeding only. (Staff Ex. 2.0, 12-13)

Staff takes exception to the adoption of the AG's rate design in the PO. In its BOE, Staff warns that the magnitude of the increase in the volumetric charges and decrease to the customer charge for the electric space heat residential customers may be greater than expected. It points to the revenue neutral comparison provided in Ameren Exhibit 7.1, attached to the AIC BOE. Staff cautions that residential bills will be even higher when this new rate design goes into effect in January of 2015 if Ameren's next formula rate update case results in a rate increase that also takes effect in January 2015. It anticipates that AIC's next formula rate update case filed in April of 2014 will likely reflect a significant rate increase because it will begin to reflect investment related to smart grid deployment. Staff argues that the rate design from this case will go into effect with the January 2015 monthly billing cycle. Staff says January and February are high use months for space heat customers and the resulting dollar impact would be high.

Staff's BOE sets forth three options regarding adoption of the AG's rate design. First, Staff states the simplest option is to adopt AIC's rate design, consistent with the Staff recommendation. According to Staff, this docket is distinguishable from the ComEd case, in that there is evidence of large bill impacts that will disproportionately affect high use space heat residential customers. Staff's second option is to adopt the AG's rate design, but allow rehearing to consider additional evidence regarding potential bill impacts and rate shock associated with the residential rate design adopted in the attached order. It explains that this would enable the Commission to take additional evidence on rehearing to determine whether the change to residential rate design should be implemented all at once or in incremental steps based on the potential bill impacts. Staff asserts the Commission would have time to consider such evidence before the rates go into effect for the first billing cycle of January, 2015. Staff's third proposed option is for the Commission to initiate a new rate design investigation. It states this would enable the Commission to explore options that were not raised in the

current case. Staff states however, that while this could result in additional options, it would arguably reopen all issues for re-litigation and, unless it is done on an expedited basis, it would not be completed before the new rate design from this case goes into effect in January of 2015.

c. AG's Position

The AG objects to AIC's proposal to extend its existing modified SFV rate design for residential customer classes. It states that the Company currently collects 44.8% of distribution-related costs through flat customer and meter charges, regardless of the amount of electricity a customer uses. The AG asserts that low usage residential customers do not place the same peak demand on the electric distribution system and their rates should not pretend that they do. (AG Ex. 1.0, at 24:504-505) The AG explains that in order to eliminate the disparity between revenues and cost causation within the residential class, it proposes a straightforward re-alignment of the customer and volumetric charge. The AG states that its proposal reflects residential customers' contribution to demand costs while collecting the same overall level of revenues from the class and eliminating the cross-subsidy of high usage customers by low usage customers that currently exists.

The AG proposes a rate redesign through which the Company would recover approximately 28% of its revenue requirement through fixed billing components. According to the AG, this corresponds to the 28% of electric delivery service costs which are customer-related and thus fixed. It states this is demonstrated on the Company's ECOSS and explicated by AG witness Scott Rubin in AG Exhibit 1.13. (AG Ex. 1.0 at 25:514-516) The AG's proposal does not change the proposed \$4.14 meter charge, but reduces the Company's proposed customer charge from \$11.46 down to \$5.17. It states that its rate design results in the fixed-component revenue recovered from residential customers matching the customer cost. (Id., at 25:521-524) The AG also proposes a modification of the volumetric charge in each rate zone to (i) recover the remaining residential revenue requirement for that rate zone; (ii) maintain the same relationship as presently exists among summer and non-summer rates; and (iii) maintain the same relationship as presently exists among the non-summer first 800 kWh block and the non-summer over-800 kWh block. (Id., at 25:525-530) The AG's proposed rate design significantly increases the volumetric charges and significantly decreases the customer charge for the DS-1 customer class.

The AG observes that until a few years ago utility rates were set based on the cost of providing service to customers. It avers that this is consistent with fundamental ratemaking principles. (AG Ex. 1.0, at 14:278-280) It explains that demand-related costs were assigned to customers without demand meters in proportion to their measured electricity usage. (Id., at 15:298-300) It contrasts SFV rates, which it states are based on the notion that most of a utility's distribution costs are "fixed" costs regardless of whether they are allocated as demand or customer related, and states that those fixed costs should be collected from customers through fixed charges. The AG criticizes SFV rates for residential customers as treating demand-related costs as if

they were exactly the same for each customer, regardless of the amount of electricity used by the customer (and regardless of actual demand, which usually cannot be measured). (AG Ex. 1.0, at 14:296-15:298)

The AG states the Commission recently revisited its prior acceptance of SFV rate designs, in light of the enactment in 2011 of Sections 16-108 and 16-108.5 of the Act. It states on December 18, 2013 in its order in Docket No. 13-0387, ComEd's rate design case under Section 16-108.5(e) of the Act, that the Commission began phasing out SFV rate design for ComEd, moving to align residential customer pricing with the fact that an electric delivery service company's costs are both customer and demand-related, and that rates should include a usage component that reasonably reflects demand-related costs. The AG suggests that Order should be used as a model in this docket.

It asserts that the SFV rate structure was adopted over the last several years, based on the claim that the utility could not recover its fixed costs without maximizing the fixed monthly customer charge. The AG states that policy, unfortunately, means that a customer living in a studio apartment without air conditioning pays the same customer charge as a customer residing in the highest energy-using penthouse condominium. It asserts SFV results in a steadily-dwindling percentage of the electric delivery service bill being subject to customer usage control. (AG Ex. 1.0, at 15:306-308) According to the AG, the record evidence shows SFV pricing has left Ameren's lowest users of electricity shouldering the highest percentage of the increases in customer rates over the last several years, with the Company's highest users, in some instances, experiencing rate decreases. (AG Exhibit 1.01)

It finds the modified SFV rate structure promoted by Ameren to be particularly inequitable given the evidence that Ameren's own ECOSS shows that a significant portion – 71.9% – of the Company's distribution costs is, in fact, variable relative to the demand placed on the system by its customers, while only 28.1% of the Company's distribution costs are customer-related and therefore fixed. The AG asserts that AIC's customer data was carefully analyzed by AG witness Rubin. It states the analysis reveals the significant cross-subsidies of high-usage residential customers by low-usage residential customers that exist in the Company's current modified SFV rate design. The AG concludes that moving from a traditional rate design to SFV rate design has shifted demand costs from higher-use customers to lower-use customers. (AG Ex. 1.0, at 16:324-325) It explains that under a traditional rate design, essentially all non-customer-related distribution costs would be allocated on a per-kWh basis. Whereas, under a pure SFV rate design, nearly all distribution costs would be allocated on a per-customer basis. The AG concludes that customers who use relatively small amounts of electricity will and have seen very large rate increases under an SFV type of rate design, while customers who use relatively large amounts of electricity will and have seen their bills increase very little or even decline. (Id., at 325-331)

The AG asserts that these cross-subsidies are not only inherently inequitable, given that higher-usage customers place greater demand on the Ameren distribution system, but also diminish all customers' ability to affect their electricity expenses and

their incentive to decrease their energy usage. It finds that a rate design policy that minimizes customers' ability to reduce their bill by controlling their energy usage contradicts the clear public policy of the State of Illinois, which seeks to reduce energy usage and promote energy efficiency.

The AG says that for the DS-1 and DS-2 customer classes, the Company is proposing to increase the SFV percentage for DS-1 customers from the current 44.8% to 50% in 2.5 percentage point increments annually (Ameren Ex. 7.0, at 19:428-429), so that 50% will be achieved in the third iteration of annual new rates starting in January 2015, i.e., in January 2017 (Tr. at 48:17-49). The AG insists that rate design should be based on actual data from the ECOSS, coupled with a recognition of long-standing regulatory policies, such as fairness and gradualism. (AG Ex. 2.0, at 2:35-39) The AG points to the response of Company witness Schonhoff, when asked why the Company chose to propose that it recover 50% of revenue from DS-1 and DS-2 customers through fixed-bill components, stating he could only refer, in direct testimony and under cross-examination, to the Commission's order in Docket No. 10-0467 (May 24, 2011), in which it approved a SFV rate design for ComEd that entailed recovering 50% of revenue through fixed billing components. When asked to provide other reasons for the 50% figure, the AG says Mr. Schonhoff stated that "the only variable cost is the Electric Distribution Tax" and that "the Company's . . . current percentages of straight fixed variable were relatively close to that number." (Tr., at 45:17-20) The AG states that Company witness Jones, when asked the same question, cited the Commission's decision in the same Docket No. 10-0467 case. (Tr., at 69:23-24) It notes Mr. Jones' testimony that the percentage of Ameren's electric distribution costs that is fixed is not identical to the percentage of ComEd's electric distribution costs that is fixed. (Tr., at 70:19-20) The AG also notes Mr. Jones' testimony that the Company did not consider any other figures than 50%. (Tr., at 73:12-18)

The AG reiterates that approximately 72% of costs are demand-related and calculates that the recovery of 50% of all costs by fixed billing components suggests that approximately 22 percentage points of the 72% demand-related costs are recovered in the fixed charges. It notes AIC witness Jones's surrebuttal testimony that the Company's proposal would recover at least a portion of demand-related costs from all customers. (Ameren Ex. 7.0, at 21:468-470) The AG states that the witness did not attempt to explain why such portion should amount to approximately $22/72 = 30.6\%$. (AG IB, at 17) The AG asserts that AIC witnesses did not offer any evidence tying its 50% SFV proposal to the ECOSS or actual costs.

AG witness Rubin performed an analysis of the rate impacts of the Company's move toward SFV rates since 2007. The AG describes his analysis as starting with a data set containing 2012 usage for all DS-1, or residential, customers. (AG Ex. 1.0, at 17:351-252) It states he then excluded customers that did not have a full 12 months of data, or contained months with negative usage. (Id., at 18:362-363) It states solely for purposes of his analysis, Mr. Rubin grouped the 802,622 remaining customers into twenty groups (ventile groups), ranked according to their annual usage: i.e., the 5% of customers with the lowest usage, then the 5% of customers falling into the sixth through

tenth percentile of usage, the 5% of customers falling into the eleventh through fifteenth percentile of usage, and so forth, up to the 5% of customers with the highest usage (ninety-sixth through hundredth percentile). (Id., at 18:376-380) The AG describes that for each of these ventile groups, Mr. Rubin calculated that ventile group's total annual consumption and that ventile group's total consumption during the month of August, which he determined to be generally the peak month. (Id., at 19:388-390) It states he then calculated the total annual bill under 2007 rates and under 2013 rates for each customer in the data set. (Id., at 19:391-397) Finally, it states, for each ventile group, Mr. Rubin calculated the total revenues collected annually from that group and compared this to the embedded cost of service for the group using the ECOS, considering that customer-related costs make up 28.1% of the total class embedded cost. (AG Ex. 1.0, at 20:405-407; 21:437-446) The AG asserts that Mr. Rubin's analysis shows, among other things:

- The lowest-usage ventile group is responsible for 1.9% of distribution costs in the DS-1 customer class but pays 2.6% of revenues in the class, up from 2.0% in 2007. This group, the members of which each use under 3,117 kWh annually, has seen an average annual rate increase of approximately 50.3%.
- The highest-usage ventile group is responsible for 10.1% of distribution costs in the DS-1 customer class but pays just 8.7% of revenues in the class, down from 10.6% in 2007. This group, the members of which each use in excess of 24,190 kWh annually, has seen an average annual rate decrease of 4.5%.

(AG Exs. 1.01 through 1.12; AG IB, Ex. A)

The AG observes that the average customer in the highest-use ventile group uses more electricity in two days than an average customer in the lowest-use ventile group uses in one month. (AG Ex. 1.0, at 24:499-504) Its witness, Mr. Rubin, opines that there is absolutely no way that these customers place the same peak demand on the electric distribution system and concludes that their rates should not pretend that they do. (Id., at 24:504-505)

The AG states it is important to charge customers on a volumetric basis for demand-related costs and thus the Commission should adopt its proposed rate design for the DS-1 customer class. It challenges the Company premise that the Commission categorically supports SFV pricing. The AG explains that as a result of Sections 16-108 and 16-108.5 of the Act, AIC now recovers its rates under the formula rate structure, which includes a reconciliation of historical costs, rates and revenues. (See Docket Nos. 12-0001, 12-0193, 13-0301) The AG states that as a result, AIC no longer bears the revenue uncertainty associated with traditional ratemaking, wherein the Company bore the risk of revenue recovery exceeding or falling short of the authorized revenue requirement. It further explains that, following the evidentiary hearing in this proceeding, the Commission addressed the SFV paradigm in its Order in Docket No.

13-0387, ComEd's electric service rate design case. The AG quotes the Commission statement that the AG's proposal for residential classes was "based on the assumption that demand costs are proportionate to usage and more equitably allocate the cost of service than the present SFV" and "gets to a more equitable allocation of costs by a simpler design which reduces customer charges within two residential subclasses and upwardly adjusts the per kilowatt usage charge to reflect what it asserts are more accurate calculations of fixed and variable costs." Docket No. 13-0387, Order, (Dec. 18, 2013), at 74.

The AG recites that in the ComEd case, the Commission adopted the AG's rate design proposal for residential classes in full, noting that the AG's proposal to "decrease the fixed customer charge and increase the variable charge" for single-family customers "is straightforward and consistent with traditional rate design principles" and "rebalances fixed and variable costs and more closely aligns customer's bills with the cost of service, especially for many low use customers." (Id., at 75) The AG believes the Commission should take a similar approach in this proceeding and adopt a rate design that appropriately matches revenues recovered with the costs generated by various customers.

The AG states that a key dispute between it and the Company is whether the Company's demand-related costs should properly be classified as variable, as it argues, or as fixed, as the Company asserts. The AG explains that in the field of economics, whether a cost is fixed or variable depends on the time period that is evaluated. It explains, the shorter the time period, the more costs will be fixed. (AG Ex. 1.0, at 12:243-245) The AG provides a hypothetical as an example. Its example assumes a utility pole has a useful life of 33 years, so that on average 3% of poles are replaced each year. It states if fixed costs are evaluated for the next year, 97% of a utility's investment in poles will be fixed, but 3% (the poles that will be replaced next year) will be variable. It explains that if the analysis is extended to five years, then 85% of the investment would be fixed and 15% would be variable. (Id., at 12:245-250) The AG describes the Company's reasoning as being that because the fluctuation of a residential customer's usage in a one year time period between rate cases will not cause a fluctuation in utility pole costs" (Ameren Ex. 4.0, at 27:583-585), and because the Company budgets expenditures one year in advance (Ameren Ex. 7.0, at 23:510), essentially all distribution costs are "fixed," except for the volumetric EDT obligation. The AG argues this view is not reasonable. It asserts that many of the Company's expenses can be quickly adjusted in response to changing circumstances, and the Company should constantly be attempting to improve its operating efficiency and negotiate better terms with suppliers, notwithstanding its previously-established budget. (AG Ex. 1.0, at 13:262-264) The AG states that day-to-day management of utility expenses and investments assumes the ability to control costs in response to changing conditions and underlies the regulatory bargain.

The AG notes that the Company's proposed SFV rate design for DS-1 customers is not supported by actual data in the Company's ECOSS. It points to AIC witness Jones' testimony that the Company's proposed 50% SFV percentage was not motivated

by the Company's ECOSS. (Tr., at 73:8-11) The AG also notes Mr. Jones' testimony that some of the costs grouped in the ECOSS as demand-related (and not customer-related) should be viewed as fixed because "[a]ll of the costs recognized in the revenue requirement have already been incurred (or will have been incurred by the end of the year)." (Ameren Ex. 7.0, at 20:448-449; 24:535-536) The AG criticizes the Company's argument that the distribution system is designed to serve the expected peak of the customer at the time facilities are installed and that a customer's usage does not change the costs of facilities. (Id., at 20-21:462-463) The AG asserts this argument does not allow for the reality that a customer's peak demand in a given year is positively correlated with its peak demand in other years and thus with that customer's expected peak demand, and that the Company will make marginal plant installation or retirement decisions on this basis.

The AG submits that even if the Company's arguments that the fluctuation of a residential customer's usage in one year would have little to no impact of the Company's operation and maintenance costs (Ameren Ex. 4.0, at 27:583-595; 28:603-605), it is not clear that one year is the appropriate time span for evaluating which costs are variable. The AG explains: if the Company, hypothetically, strictly waited two years from the last plant upgrade before upgrading any portion of its distribution plant, but made plant upgrade decisions based solely on changes in demand or kWh usage, then it would be possible to say that one-year customer usage fluctuations are not, taken alone, driving plant upgrades, but even under this hypothetical, it would be absurd to say that customers are not driving plant upgrades with their volumetric usage.

The AG relies on a passage from Professor James Bonbright's 1961 textbook, *Principles of Public Utility Rates*, stating that "the more significant marginal or incremental costs are those of a relatively long-run variety – of a variety which treats even capital costs or 'capacity costs' as variable costs." (AG Ex. 2.0, at 3:56-61) The AG states as an example of Professor Bonbright's point, that transformers and reclosers might last 10 years or more and utility poles might last 30-40 years; all such facilities are sized, built, and replaced based on customer demand. (Id., at 4:62-65) The AG notes that Company witness Jones quoted from a subsequent section of the textbook addressing short-run marginal costs, stating they should not be ignored, but they should be used with caution. It states that during cross-examination, he admitted that, the ratemaking policy proffered by Mr. Rubin from the Bonbright textbook does not advocate setting rates based on short-run marginal cost. (Ameren Ex. 7.0, at 21:484-485; Tr., at 75:7-10) Moreover, the AG asserts that Mr. Jones agreed that the Company could incur marginal or incremental costs of a long-run variety. (Tr., at 75:17-23; 76:11-17) It further states that Mr. Jones stated that "all costs are a long-term or incremental cost potentially" (Tr., at 76:24-77:1) and agreed that under this definition, utility poles, transformers, and substations could be considered a long-run marginal cost. (Tr., at 77:2-78:2) The AG opines that it is these costs, to the extent they are demand-related, that the Commission should treat as variable for purposes of designing rates.

The AG asserts that Mr. Jones' concession that, if a class of customers showed a significant increase in demand of 20% over a five-year period, it is possible that an

additional plant would have to be installed (Tr., at 79:15-22), contradicts his earlier assertion that utility poles are recorded as a fixed asset and once installed their cost does not vary with customer usage. (Ameren Ex. 4.0, at 26:568-570) The AG contends that while Mr. Jones focused on the demand-related costs purportedly allocable to a hypothetical “zero-use” customer (Ameren Ex. 7.0, at 543-552; Ex. 4.0, at 29:631-30:649), he failed to refute the notion that zero use in one year is likely correlated with zero or low use in another year (which is plausible given his examples of “vacation homes” or “a garage or shed”) and thus would make a small-to-zero contribution to Company planners’ estimation of expected peak demand.

The AG explains that its analysis does not assume that non-customer-related costs allocated to a zero-use residential customer are zero, but does assume that such non-customer-related costs for a zero-use customer are lower than for a positive-use customer. (AG Ex. 2.0, at 5:101-102) AG witness Rubin observes that the Company’s explanation of its ECOSS recognized the fundamental principle of cost causation in that the equipment, i.e. line transformers, is sized to meet the individual peak demands of individual customers rather than the collective, coincident peak, demands of all customers. (AG Ex. 2.0, at 6:108-121)

tThe Company asserts that the system costs it incurs to readily provide electricity regardless of use, are fixed and that the system is designed to serve the maximum expected customer demand. (Ameren Ex. 4.0, at 29:636-637; 30:649; Tr., at 81:18-19) Given these assertions, the AG voices surprise at the AIC witness’ testimony that he was unaware how the Company’s planners determine expected demand of customers. (Tr. at 82:18-19) It offers that it is straightforward to infer that, at a high level of generality, the Company’s planners look at actual past demand of individual customers, aggregated to the system level. The AG posits that a customer with regularly high demand thus contributes more to drive system costs than a customer with regularly low demand. (AG Ex. 2.0, at 3:47-49; 5:101-103) It concludes that over a few years, the putative low-use customer will make a smaller contribution to the Company’s estimate of system-wide demand and thus to new plant installation.

The AG proffers Mr. Rubin’s rebuttal analysis to show the effect of its proposal on space heating customers in response to the Company’s assertion that its proposed rate design would negatively impact electric space heating customers, a group that tends to be high-use within the residential class. (Ameren Ex. 4.0, at 33:714-716) It explains the analysis focused on customers with a winter peak month consumption at least twice that of the summer peak month consumption; 54,549 customers met this criterion. The AG says the analysis found that, while 23% of these customers saw their annual bills decline when SFV rate design was introduced in 2007, 14% of these customers had annual bill increases of over 40%. (AG Ex. 2.0, at 8:159-9:177; AG Ex. 2.1) The AG asserts that the Company’s attempt to refute this analysis shows only that a minority of space-heat customers would experience a rate increase when transitioning from the Company’s proposed rate redesign to the AG’s proposed rate redesign. (Ameren Ex. 7.0, at 26:579-584; Ameren Ex. 7.1) The AG states it appears from Ameren Exhibit 7.1 that space-heating customers who use less than 18,000 kWh annually, which, it states,

comprises the majority of space-heating customers, will pay less under its proposal than under the Company's proposal.

The AG asserts that in addition to the inequitable cost-shifting from high users to low users that is triggered by SFV rates, this marked increase in fixed monthly charges means residential customers have less ability to affect their bill for utility service and less incentive to engage in energy efficiency. It says that fact contravenes the clear direction from the Illinois General Assembly for utilities to engage customers in ratepayer-funded energy efficiency programs and thereby reduce the demand for electricity. Specifically, it quotes Section 8-103 of the Act:

It is the policy of the State that electric utilities are required to use cost-effective energy efficiency and demand-response measures to reduce delivery load. Requiring investment in cost-effective energy efficiency and demand-response measures will reduce direct and indirect costs to consumers by decreasing environmental impacts and by avoiding or delaying the need for new generation, transmission, and distribution infrastructure.

The AG asserts that SFV rates reduce a customer's incentive and ability to reduce his or her electric usage. It concludes that this is another reason why the Commission should re-visit its past endorsement of SFV rates and adopt the AG's proposed residential rate design. The AG understands the Company's statement that a modified SFV rate design mitigates the potential downside impact of promoting energy efficiency program (Ameren Ex. 7.0, at 23:528-530), to mean a SFV design positively influences the Company's desire to help customers operate efficiently. In response, the AG notes that the Company has a statutory mandate to help customers use energy efficiently, regardless of its "desire" or lack thereof.

The AG discusses the Company's incentives to reduce costs and improve efficiency stating that if its costs are recovered automatically through the customer charge, and then reconciled annually, then AIC has no incentive to reduce costs and improve efficiency. (AG Ex. 2.0, at 5:86-90) It states that in the extreme, if the Company could always recover all of its revenue requirement through fixed per-customer billing components, then it would always be assured of recovering its authorized revenue requirement each year (assuming it correctly forecasted the number of customers); to the extent that its revenue requirement is recovered through volumetric charges, its cost recovery may be variable due to weather. The AG challenges the Company's assertion that its incentives to operate efficiently are the same under both pricing scenarios. (Ameren Ex. 4.0, at 28:617) The AG questions whether the Company would have incentives to make its purchasing more efficient or economical or to seek to reduce its vehicle fuel and maintenance costs. The AG states

these are truly variable costs because they may be changed very quickly. It asserts that the definition used by AIC incorrectly treats these costs as fixed costs. (AG Ex. 1.0, at 13:268-275)

The AG asserts, regardless of how the Commission views fixed cost recovery issues, AIC's participation in the annual formula rate process under Section 16-108 of the Act now ensures that the Company's rates are annually updated to recover the Company's actual costs and forecasted plant expenditures. It states this shift in the regulatory paradigm eviscerates any utility argument that unless monthly customer charges are maximized (thereby minimizing the effect customer usage has on revenue recovery), it will not recover its costs. The AG notes the Commission statement in the ComEd rate design case, Docket No. 13-0387, that it is "likely that ComEd's financial risks have been reduced due to EIMA." Order, December 18, 2013, at 75. The AG concludes, the record evidence and these changes in electric utility revenue recovery support a restructuring of Ameren's rates to reduce the fixed monthly customer charge and increase the variable per-kilowatt-hour charges in order to end the inequitable cross-subsidization of high-usage customers by low-usage customers, who ironically place the least demand on the Ameren distribution system yet have seen the largest percentage increases in rates since the movement toward the modified SFV structure. The AG asserts that such a restructuring, will provide further incentives for residential ratepayers to participate in the energy efficiency programs for which they already pay, and serve the General Assembly's policy goals of reducing electric usage.

In response to AIC's reference to the stark consequences to its proposal, the AG agrees that it would dramatically change the price signals for residential customers. It states by reducing fixed charges and putting more of a typical household's bill within its control, the AG's plan would correctly reflect the share of distribution costs that ratepayers influence through their demand. In response to AIC's volatility argument, it states any such volatility would correspond to the customer's ability to control his or her bill and to choose how to use electricity. It provides an example, of the customer's ability to affect his or her bill by opening a window in the summer rather than running the air conditioner, wearing a sweatshirt in the winter, or turning off the television in an empty room, as the case may be. By contrast, the AG asserts, other than hiring an attorney and intervening in Commission ratemaking proceedings, the typical customer has no ability to affect the customer charge or meter charge. In addition, it argues that Company does not point to any statutory or other rule requiring the Commission to preserve steady, reliable profits for electric utility companies at the expense of just, reasonable, and cost-based pricing.

In response to the Company's discussion of fixed costs incurred to service the DS-1 class, regardless of individual usage, and fixed costs that support distribution (AIC IB, at 41-42), the AG states it does not dispute that the Company may incur some fixed costs regardless of usage. But, it asserts these costs have been properly classified in the ECOSS as customer-related. It states that any costs that do not vary with usage are, by definition, not demand-related. The AG states that Mr. Jones admitted during cross-examination that utility poles, transformers, and substations could be considered

long-run marginal costs that change with additional load. (Tr., at 77:2-78:2; AG IB, at 23) The AG asserts that if a particular customer's usage is low, then, aggregated with the usage of all other customers, that data will determine how the Company maintains or upgrades its plant over time. It states that though the Company questions "the faulty assumption that all non-customer, demand-related costs exhibit a direct correlation to customer load" (AIC IB, at 43), it relies for this position on the testimony of Mr. Jones, who admitted during cross-examination that the system is designed to serve expected demand but that he is unaware of how Company planners determine expected demand. (Tr., at 82:18-19) The AG says that consistent with the premise that the system is designed to serve expected load, the Company's cost-of-service study correctly treats non-customer costs as demand-related. It asserts the Company's ECOSS shows only 28% of costs to be customer-related (AG Ex. 1.13), and thus only 28% of revenue should be recovered through fixed billing components.

The AG asserts that to the extent AIC's electric business is exhibiting flat to declining sales (AIC IB, at 42), the Company would, over a period of a few years, begin to scale back its plans for maintaining or upgrading its installed distribution plant. (AG Ex. 1.0, at 12:243-250) It reasons, in this way, even the costs that AIC incurs in any given year to service DS-1 customers "regardless of usage" will, over a sufficient time, vary with demand. It points to Company witness Jones' testimony under cross-examination, "all costs are a long-term or incremental cost potentially." (Tr., at 76:24-77:1) The AG says while the Company would like to rely on annual updating of formula rates, using 12 months as the time period for evaluating which costs are incremental ("a change in usage for a residential customer is unlikely to result in a meaningful change in costs incurred to serve that customer, especially for the time period that the rates will be in effect," (AIC IB, at 42), the AG finds this would lead to the absurd result that the variability of demand-based costs would never be recognized in rates.

The AG asserts that AIC's view of its marginal, volumetric costs (AIC IB, at 42) is restricted to the EDT levied by the Illinois Department of Revenue and nothing else, according to answers given by Company witness Jones in cross-examination. (Tr., at 71:23-72:16) The AG opines that charging customers for EDT but not charging a reasonable usage charge does not send an accurate price signal or reflect the conclusion of the cost of service study that the bulk of the Company's distribution costs ultimately depend on customer usage

The AG charges that AIC's argument that revenue variability will harm the utility must be considered in light of the passage of Section 16-108.5 of the Act. It states Section 16-108.5 of the Act authorizes annual rate reviews and, significantly, ensures that the prior year's actual costs are reconciled each year. The AG asserts Section 16-108.5(c)(5) of the Act gives the Company an opportunity to recover costs that were not included in the prior year's authorized revenue requirement and guarantees revenues to produce profits no lower than 50 basis points under the utility's authorized return. The AG states that unlike the situation under traditional regulation, where the utility bore the risk of either over- or under-recovery of its authorized revenue requirement between rate cases, the reconciliation and earnings collar provisions included in the annual

formula rate process will result in the Company receiving its authorized return each year. It states further, to the extent that a greater share of volumetric pricing on DS-1 customers' bills might make revenues more variable from year to year, due to variability in weather and other factors, this can be expected to work in the Company's favor half the time. (AIC IB, at. 43)

The AG responds to the Company warning that rejection of the continued use of SFV will cause larger space-heat customers to experience an incremental increase of 10% or greater. (Id., at 41) It states the 10% increase in rates under the AG's proposal compared to the Company's proposal arises only for space-heat customers using over approximately 26,000 kilowatt-hours annually (Ameren Ex. 7.1). It says only about 13% of electric space-heat customers use over 26,000 kWh annually. (Ameren Ex. 7.0, at 26:584). The AG states this represents only about 13% of electric space-heat customers, and so does not represent a significant share of the space-heat subclass. Actually, it asserts, among customers with peak winter usage double their peak summer usage, 14% saw annual bill increases of over 40% when SFV design was introduced in 2007 (AG Ex. 2.0, at 8:159-9:177; AG Ex. 2.1; AG IB, at 25), suggesting that the introduction of SFV was worse for that group than the AG's proposal would be for the 13% identified by Mr. Jones. The AG emphasizes that the evidence adduced by Company witness Jones shows that a majority of space-heating customers (68%) would experience lower rates under its plan compared to the Company's plan, while the Company focuses on the 32% minority of space-heating customers who would see higher rates under the AG's plan.

The AG states that its analysis demonstrates that the percentage of cost recovery assigned to the customer and meter charges for the DS-1 class must be reduced to ensure that rates reflect cost causation for that class. In addition, it asserts principles of equity and fairness demand that users of small amounts of electricity not shoulder more of the cost recovery burden than their demand and contribution to cost justify. The AG insists that high-usage customers should not be rewarded with lower percentage increases in rates when their contribution to cost causation is higher than other customers within their subclass. It asserts that the cost-based rates developed by its expert, Mr. Rubin, will significantly reduce the current subsidies of high users by low users and result in more fair and equitable rates. The AG explains that except for some minor differences, the revenues received from each ventile group of customers would be approximately equal to the cost of serving each such group. The AG concludes that a correct understanding of fixed versus variable costs, a focus on space-heating customers, a concern for energy efficiency, and, perhaps most importantly, a regard for the recent ComEd rate design order all militate in favor of adopting the AG's proposed rate redesign for DS-1 customers.

d. Commission Analysis and Conclusion

At the outset, the Commission recognizes that both DS-1 rate design proposals in the record offer stark contrasts to one another. AIC proposes a SFV rate design for the DS-1 class customer charge to recover a fixed percentage of the DS-1 revenue

requirement from the monthly non-volumetric charges. Its target percentage of revenues to recover through fixed charges is 50%, stating this is the same percentage that was approved for Commonwealth Edison's residential rate design in Docket No. 10-0467. Staff supports the Company's proposal to increase the percentage of SFV fixed cost recovery for the DS-1 customer charge.

Recently, in ComEd's rate design case, the Commission adopted the AG's proposal to move away from a SFV rate structure (Docket No. 13-0387 Order at 73-75). In that case, the Commission articulated several policy reasons for adopting a rate design with greater emphasis on traditional ratemaking principles like cost causation. The rationale for this decision included many of the same arguments made by the AG in this case including, more equitable cost sharing within customer classes, rates that are consistent with the General Assembly's intent to promote energy conservation, and the fact that the Company's financial risk has been reduced as a result of its participation in EIMA (Docket No. 13-0387 Order at 74-75). The Commission believes the record in this case similarly supports a discontinuation of the gradual shift toward a greater SFV rate structure as proposed by AIC. Furthermore, AIC failed to present the Commission with any substantial evidence justifying its proposed increase in fixed charges but for its assertion that the 50% target is the same percentage that was approved for Commonwealth Edison's residential rate design in Docket No. 10-0467. Therefore, AIC's proposed rate design proposal is not adopted.

The AG argues in favor of a rate redesign through which the Company would recover approximately 28%, rather than 50%, of its revenue requirement through the non-volumetric charges. The AG proposes no change to the meter charge, but a decrease in the customer charge from \$11.46 to \$5.17. The AG proposal recovers the remaining residential revenue requirement for each rate zone by increasing the volumetric charge. It maintains the same relationship as presently exists among summer and non-summer rates and among the non-summer first 800 kWh block and the non-summer over-800 kWh block. It proposes to significantly increase the volumetric charges and significantly decreases the customer charge for the DS-1 customer class.

The AG claims its proposal corresponds to the ECOSS provided by AIC, which indicates that 28% of electric delivery service costs are customer-related and, in the AG's estimation, fixed. In support of its request for a higher customer charge, AIC points to what it calls demand-related fixed costs for line transformers, primary lines, secondary lines, poles, substations, and other facilities that it says are constructed and maintained to serve the DS-1 class regardless of the usage by individual customers. The AG points out that AIC's ECOSS shows that 71.9% of the Company's distribution costs are variable and states that SFV rate design results in significant cross-subsidies of high-usage residential customers by low -usage residential customers. It appears there is much disagreement between the parties on the topic of fixed versus variable costs, and as such, the Commission would suggest further analysis be done in order to present a more suitable accounting methodology for these costs. While the Commission acknowledges the merits of the AG's proposal, and generally supports a rate design

which encourages residential customers to reduce energy usage and increase energy efficiency, the Commission is not confident that the merits of the AG's proposal outweigh the negative effects on electric space heating customers. The AG's proposed rate design to lower the DS-1 Customer Charge would hold higher usage residential customers responsible for a much larger portion of DS-1 revenues, including any annual increases to the DS-1 revenue requirement. As Ameren notes in its BOE, its Exhibit 7.1 projects that any residential customer that uses more than about 10,000 kWh per year will have higher annual bills under the AG's proposed rate design (without SFV), as opposed to AIC's rate design (with SFV).

The magnitude of this shift is made larger due to the fact that (i) Ameren's next formula rate update case will likely reflect a significant rate increase primarily due to new investments related to smart grid deployment; and (ii) the rate design will go into effect with the January 2015 billing cycle, when usage for space heating customers is at its highest. All of these factors combined have the potential to create rate shock for a significant number of electric space heating customers—an effect the Commission continually makes a concerted effort to avoid. While such concerns could potentially be addressed by a phased-in approach, the record is insufficient to implement such an approach at this time. Therefore, the Commission declines to adopt the AG's proposal at this time.

As a policy matter, the Commission strives to maintain consistency in its proceedings, but recognizes distinctions between this case and Docket No. 13-0387, the ComEd rate redesign proceeding. Among these distinctions, the Commission notes the following: (i) the significant adverse bill impacts for AIC's higher usage residential customers, including electric space-heating customers, which the AG's rate design proposal would cause; (ii) the continued use of SFV design for AIC's residential natural gas customers, including those customers who take both electric and gas service from AIC; and (iii) that AIC was not directed by the Commission in a prior order to provide evidence on the cost of service for lower usage residential customers, as was the case in Docket No. 13-0387. Although the Commission has declined to move toward a greater SFV rate design in the current proceeding, the Commission directs AIC to maintain the current percentage of fixed cost recovery through fixed charges (44.8%), with the expectation that this issue will be revisited in AIC's next electric rate design proceeding.

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having given due consideration to the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) Ameren Illinois Company d/b/a Ameren Illinois is an Illinois corporation engaged in the distribution and sale of electricity to the public in Illinois, and is a public utility as defined in Section 3-105 of the Act;

- (2) the Commission has jurisdiction over the parties hereto and the subject matter herein;
- (3) the recitals of fact and legal argument identified as the parties' respective positions are supported by the record;
- (4) the recitals of fact and conclusions of law reached in the Commission conclusions are supported by the record and are hereby adopted as findings of fact and conclusions of law for purposes of this Order;
- (5) the determinations regarding cost of service, revenue allocations, rate design, and terms and conditions of service contained in earlier sections of this Order are reasonable for purposes of this proceeding; the tariffs filed by Ameren Illinois Company d/b/a Ameren Illinois should incorporate the rates, revenue allocations, rate design, and terms and conditions set forth and referred to herein;
- (6) Ameren Illinois Company d/b/a Ameren Illinois is directed to make a compliance filing consistent with the conclusions herein within five (5) business days of the entry of this Order. Staff has seven (7) business days after Ameren Illinois Company d/b/a Ameren Illinois has made the filing to review to confirm compliance;
- (7) all motions, petitions, objections, and other matters in this proceeding which remain unresolved should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposed tariff sheets filed by Ameren Illinois Company d/b/a Ameren Illinois on July 22, 2013, are hereby permanently cancelled and annulled.

IT IS FURTHER ORDERED that Ameren Illinois Company d/b/a Ameren Illinois is authorized to file new tariff sheets with supporting work papers in accordance with the Findings and Conclusions of this Order, applicable to electric services furnished on and after the effective date of said tariff sheets.

IT IS FURTHER ORDERED that all motions, petitions, objections, and other matters in this proceeding which remain unresolved are disposed of consistent with the conclusions herein.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 19th day of March 2014.

(SIGNED) DOUGLAS P. SCOTT

Chairman