

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

AMEREN ILLINOIS COMPANY )  
d/b/a Ameren Illinois )  
Petitioner )  
)  
Tariff filing to present the Illinois Commerce )  
Commission with an opportunity to consider )  
revenue neutral tariff changes related to rate design )  
authorized by subsection 16-108.5(e) of the Public )  
Utilities Act. )

Docket No. 13-0476

**REBUTTAL TESTIMONY OF  
SCOTT J. RUBIN  
ON REHEARING**

**on Behalf of  
the People of the State of Illinois**

AG Exhibit 4.0

July 3, 2014

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AG Exhibit 4.1 .....	Effect of AIC Zone Consolidation Proposal
AG Exhibit 4.2 .....	AIC Customers Using Over 150,000 kWh Annually

## Introduction

1  
2 **Q. Please state your name.**

3 A. My name is Scott J. Rubin. I previously submitted direct and rebuttal testimony in the  
4 initial phase of this proceeding, as well as direct testimony on rehearing, on behalf of the  
5 Office of the Attorney General (“AG” or “the People”) (AG Exhibits 1.0, 2.0, and 3.0,  
6 respectively). My background and qualifications are set forth in AG Ex. 1.0.

7 **Q. What is the purpose of this rebuttal testimony on rehearing?**

8 A. In my rebuttal, I will respond to various statements and analyses contained in the direct  
9 testimony on rehearing filed by witnesses for Ameren Illinois Company (“Ameren”,  
10 “AIC”, or “Company”) and the Staff of the Illinois Commerce Commission (“Staff”).

## Response to Ameren Witnesses

11  
12 **Q. Have you reviewed the direct testimony on rehearing of Ameren witnesses Nelson  
13 and Jones?**

14 A. Yes, I have reviewed the testimony of Mr. Craig D. Nelson (Ameren Ex. 1.0RH 2d rev.)  
15 and Mr. Leonard M. Jones (Ameren Ex. 2.0RH 2d rev.), as well as their accompanying  
16 exhibits.

17 **Q. Mr. Nelson recommends that Commission should “maintain the status quo with  
18 respect to the percentage of DS-1 revenues that AIC recovers through fixed charges  
19 (44.8%).” (Ameren Ex. 1.0RH, 2:41-42.) Do you agree?**

20 A. No, I do not agree. As I explained in my earlier testimonies in this proceeding, collecting  
21 such a high percentage of costs through fixed charges is not consistent with the cost of  
22 providing service to Ameren's residential customers. Ameren's customer-related costs are

23 less than 30% of its residential cost of service. Collecting such a high percentage of costs  
24 through the customer charge has the effect of significantly over-charging low-use  
25 customers so they can provide a subsidy to high-use customers. Ameren does not  
26 provide any information that contradicts that basic fact because it can't: the figures are  
27 taken directly from Ameren's own cost-of-service studies.

28 **Q. Mr. Nelson bases his “status quo” recommendation on a concern about the impacts**  
29 **that moving toward cost-based pricing would have on “the price signals for AIC's**  
30 **residential electric customers” particularly in a “rising-rate environment.” (Ameren**  
31 **Ex. 1.0RH, 2:45-3:47.) Do you share his concern?**

32 A. I share Mr. Nelson's concern with the effect of rate changes on customers, but those  
33 concerns do not lead to his conclusion that 44.8% of Ameren's residential costs should be  
34 collected through fixed charges. As I showed in my earlier testimony<sup>1</sup>, the AG proposed  
35 rate design, which is the cost-based rate design, would be fair to all residential customers.  
36 When the effects of adopting that rate design are evaluated over time – specifically when  
37 compared to the rates in effect in 2007 – I showed that the AG rate design treats all  
38 customers fairly, while Ameren's rate design places an extraordinarily heavy burden on  
39 lower-use customers.

40 **Q. Mr. Nelson also testifies: “The challenge today is to design DS-1 rates to avoid**  
41 **excessive rate increases” for electric space-heating customers. (Ameren Ex. 1.0RH,**  
42 **4:90-91) How do the AG and Ameren proposed rate designs address that challenge?**

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<sup>1</sup> See AG Ex. 3.0 at 11:237-12:250; AG Ex. 3.05.

43 A. When comparing total bill impacts for electric space-heating customers between the  
 44 winter of 2013-14 and the upcoming winter of 2014-15, both the Ameren and AG rate  
 45 designs would result in lower bills for most electric space heating customers. This occurs  
 46 because of substantial price reductions in the "price to compare" (a combination of BGS  
 47 and TS service) that will take effect in October 2014, as compared to the rates in effect  
 48 last winter. In particular, the following table shows the difference between the AG and  
 49 Ameren rate designs for non-summer usage in excess of 800 kWh per month (the rate  
 50 heating customers would pay for most of their usage this winter; I refer to this usage as  
 51 "Block 2" in the first table below), as compared to the change in the price to compare for  
 52 the winter of 2014-15 from the winter of 2013-14.

<b>Comparison of January 2014 and January 2015 Heating Rates (¢/kWh)</b>					
	<b>Block 2 Distribution + EDT</b>			<b>Change from Jan. 2014 to Jan. 2015</b>	
	<b>Jan. 2014</b>	<b>Ameren Jan. 2015</b>	<b>AG Jan. 2015*</b>	<b>Ameren</b>	<b>AG</b>
<b>Zone 1</b>	0.69001¢	0.91737¢	1.17337¢	+ 0.22736¢	+ 0.48336¢
<b>Zone 2</b>	0.94660¢	0.89426¢	1.15026¢	- 0.05234¢	+ 0.20366¢
<b>Zone 3</b>	1.54506¢	1.83383¢	2.30683¢	+ 0.28877¢	+ 0.76177¢
* This uses the ICC's approved electricity distribution tax (EDT) rates for Jan. 2015; the AG had proposed lower EDT rates for DS-1 customers than the ICC adopted					

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	<b>Price to Compare (BGS+TS)</b>			<b>Change in Total Rate from Jan. 2014 to Jan. 2015</b>	
	<b>Jan. 2014</b>	<b>Jan. 2015</b>	<b>Difference</b>	<b>Ameren</b>	<b>AG</b>
<b>Zone 1</b>	4.887¢	4.465¢	- 0.422¢	- 0.19464¢	+ 0.06136¢
<b>Zone 2</b>	4.816¢	4.361¢	- 0.455¢	- 0.70198¢	- 0.25134¢
<b>Zone 3</b>	4.832¢	4.441¢	- 0.391¢	- 0.10223¢	+ 0.37077¢

54

55 The above table shows that on a total bill basis (combined distribution charges,  
 56 distribution tax, electricity supply, and transmission charges), Ameren's proposal would

57 result in reduced rates for electric heating customers when compared to the rates in effect  
58 in January 2014. The AG rate design would result in reductions in Zone 2, but modest  
59 price increases in Zones 1 and 3. The increase in Zone 1 would be 1.1%, while the  
60 increase in Zone 3 would be 5.8%. Neither of these changes would raise the types of  
61 concerns Mr. Nelson discussed in his testimony.

62 I disagree, therefore, with Mr. Nelson. In the current rate environment, there is no  
63 “challenge” to be met for electric space-heating customers' total bill impacts. Under any  
64 of the rate designs being considered, electric space heating customers will either pay  
65 lower bills than they did last winter or have relatively modest rate increases.

66 **Q. Mr. Jones states that the AG's rate design “will unfairly result in undue bill impacts**  
67 **for delivery service for higher use residential customers during the colder and**  
68 **hotter months, even if phased-in over time.” (Ameren Ex. 2.0RH (Rev.), 2:43-44). Is**  
69 **he correct?**

70 A. There is no question that the AG rate design would result in higher distribution charges  
71 for higher-use customers than would Ameren's rate design. Whether those changes are  
72 “undue,” however, is a matter of judgment. Ameren has claimed throughout its  
73 testimony on rehearing that the relevant consideration is the total bill impact, and the  
74 need to avoid the type of situation that existed in 2007 when some heating customers saw  
75 their bills double, in large measure because of increased supply charges. In this statement  
76 (and I believe nowhere else in his testimony), Mr. Jones focuses solely on the distribution  
77 portion of bills. Elsewhere, however, he claims that is not the relevant consideration.  
78 For example, on page 11 (lines 244-247), Mr. Jones states: “the Commission has  
79 designed AIC's DS-1 rates to avoid undue total bill impacts to higher use residential

80 customers” (emphasis added). Similarly, on page 20 (lines 442-443), he emphasizes that  
81 it is “important for the Commission to also consider the changes in residential supply  
82 charges when designing residential delivery service rates.” He then continues:  
83 “Residential customers pay total bills, not just a delivery service bill. A change in one  
84 component viewed in isolation may lead to a false assumption that bill impacts are more  
85 or less severe than they are when considered together.” (20:444-446)

86 As I demonstrated above, on a total bill basis, the changes in rates for electric  
87 space-heating customers do not rise to a level of concern.

88 **Q. On page 21 of his testimony, Mr. Jones looks at bill impacts for space heating**  
89 **customers in Zone 1 that use 60,000 kWh per year. Is this a meaningful**  
90 **comparison?**

91 A. No. There are three problems with this analysis. First, Mr. Jones fails to identify the  
92 number of customers he is talking about. In the data set I have (all customers with bills  
93 for 12 months), there are 192 customers in Zone 1 with annual consumption of 60,000  
94 kWh or more, out of more than 243,000 customers in that service area. Thus, the  
95 customers Mr. Jones highlights represent less than one-tenth of one percent of the  
96 customers in Zone 1.

97 Second, the comparison fails to recognize the substantial reduction in winter  
98 supply prices that will take effect this winter, as I discussed above. Thus, on a total bill  
99 basis – which Mr. Jones has emphasized is so important – the impacts are virtually non-  
100 existent.

101 Third, if Mr. Jones were truly so concerned about the bill impacts on these  
 102 customers, he would not have proposed consolidating the rates for Zones 1 and 2 at this  
 103 time. Much of the bill impact he highlights is the result of his own proposal to  
 104 consolidate Zones 1 and 2. In the table above, I show that the combination of Ameren's  
 105 consolidation and distribution-tax proposals results in reducing the distribution rates in  
 106 Zone 2, while increasing the rates in Zone 1. If, instead, Ameren had simply proposed  
 107 keeping those rates separate, the distribution bill impacts in Zone 1 would be much  
 108 smaller than he suggests.

109 As an example, I have prepared a hypothetical illustration (attached as AG  
 110 Exhibit 4.1) to show what the Zone 1 and Zone 2 distribution rates might be in January  
 111 2015 (under Ameren's proposed revenue requirement and the AG rate design) if Mr.  
 112 Jones had not proposed to consolidate the DS-1 rates in those zones. The following table  
 113 summarizes the resulting bill impacts.

<b>Comparison of January 2014 and January 2015 Heating Rates (¢/kWh) Assuming No Consolidation of Zone 1 and Zone 2 Rates (AG Rate Design)</b>					
	<b>Block 2 Distribution + EDT</b>			<b>Total Bill</b>	
	<b>Jan. 2014</b>	<b>Unconsolidated Jan. 2015</b>	<b>Difference</b>	<b>BGS+TS Difference</b>	<b>Change in Total Bill</b>
<b>Zone 1</b>	0.69001¢	1.04300¢	+ 0.35299¢	- 0.422¢	- 0.06901¢
<b>Zone 2</b>	0.94660¢	1.47000¢	+ 0.52340¢	- 0.455¢	+ 0.06840¢

114  
 115 That is, eliminating the consolidation of rates between Rate Zone 1 and Rate Zone 2  
 116 would reduce the impact on Zone 1 heating customers. The total bill impact on heating  
 117 customers in both rate zones would be modest -- a slight reduction in Zone 1 and a slight  
 118 increase in Zone 2.

119 **Q. Mr. Jones's testimony about the few customers who use 60,000 kWh per year refers**  
120 **to tables he attached as Ameren Exhibits 2.6RH and 2.7RH. Are those tables**  
121 **accurate?**

122 A. No, they are not. Those tables fail to reflect the substantial reduction in BGS and TS  
123 charges (the price to compare) that is scheduled to take effect in October 2014. Thus, his  
124 comparisons on a total bill basis do not reflect what customers actually will see on their  
125 bills this upcoming winter.

126 **Q. Does that problem exist throughout Mr. Jones's exhibits?**

127 A. Yes. All analyses in his exhibits that compare total bill impacts between 2013-2014 and  
128 2014-2015 fail to include the impact of the new BGS prices that will take effect in  
129 October 2014.

130 **Q. Beginning on page 37 (line 799), Mr. Jones discusses what he calls an "alternative**  
131 **consumer protection mechanism." Do you agree that the Commission should**  
132 **implement such an approach?**

133 A. No. Mr. Jones's proposal has several flaws. First, Ameren apparently does not believe  
134 there are any constraints on its proposing revenue requirements that would have total bill  
135 impacts of more than 7.5%. Indeed, were it to do so, it could not obtain the full revenue  
136 requirement it seeks to impose this year. In fact, such a constraint would tie the level of  
137 distribution increases Ameren could request in the future to changes in the generation  
138 supply market. I am fairly certain that Ameren would not agree to limit its distribution  
139 rate increases in years when there are significant increases in supply costs. That is,  
140 Ameren does not believe that total bill increases of 7.5% or more are to be avoided --

141 only that they should be avoided when the matter at issue is the reduction of Ameren's  
142 exorbitant residential customer charges.

143           Moreover, the "profiles" Mr. Jones has constructed are absurd and have nothing to  
144 do with the way in which Ameren's residential customers actually use electricity. I  
145 applied his 12 profiles (they appear on pages 39-40 of his testimony on rehearing) to the  
146 actual billing data for more than 800,000 Ameren residential customers. To be  
147 conservative, I treated each of his profiles as a range. For example, profile 1 has October  
148 and May consumption of 1,500 kWh per month, profile 2 has October and May usage of  
149 1,200 kWh per month, and profile 3 has usage in those months of 800 kWh. To construct  
150 ranges, I treated a customer as being in profile 1 if his/her consumption totaled 3,000  
151 kWh or more for those two months. A customer is in profile 2 if total consumption for  
152 those months is between 2,400 and 2,999 kWh, and a customer is in profile 3 if  
153 consumption is between 1,600 and 2,399 kWh for the two months combined. I used this  
154 same approach for each of the three categories within each of the 12 profiles.

155           In the following table, I show the number (and percentage) of DS-1 customers  
156 that each profile represents. It is readily apparent that most of the profiles represent  
157 aberrations. Nine of the profiles each represent less than 1% of Ameren's residential  
158 customers. Two of the others are just fractionally higher. In total, all 12 profiles capture  
159 the usage patterns of just 12.31% of Ameren's residential customers – roughly one out of  
160 every eight customers. The impacts on the other 88% of Ameren's customers apparently  
161 are irrelevant to Mr. Jones.

162

163

<b>Number and Percent of Customers in Each of Mr. Jones's Proposed "Profiles"</b>		
Profile	No. of Customers	Percent of Customers
1	1,526	0.19%
2	553	0.07%
3	946	0.12%
4	14,327	1.79%
5	195	0.02%
6	1,238	0.15%
7	7,643	0.95%
8	58,245	7.26%
9	28	0.00%
10	261	0.03%
11	3,475	0.43%
12	<u>10,337</u>	<u>1.29%</u>
Subtotal	98,774	12.31%
None	703,848	87.69%
Total	802,622	100.00%

164

165

Finally, I question Mr. Jones's characterization of his proposal as being for

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“consumer protection.” It appears to me that the proposal is designed to protect Ameren's

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high customer charge; not to protect consumers. If Mr. Jones and Ameren were so

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concerned about protecting consumers from the adverse impacts of rate design changes,

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they never would have proposed moving toward SFV rates in the first place. When

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Ameren proposed SFV rates, it did not discuss the impact the change would have on

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consumers; and there certainly was no mention of limiting bill impacts to 7.5% increases.

172

Indeed, some low-use customers' bills nearly doubled when Ameren drastically increased

173

its customer charge, but Ameren said nothing about needing to limit those bill impacts.

174 **Q. Does anything in the testimony of the Ameren witnesses cause you to change any of**  
175 **the opinions, conclusions, analyses, or recommendations in your direct testimony on**  
176 **rehearing?**

177 A. No.

### 178 **Response to Staff Witness Harden**

179 **Q. Have you reviewed the testimony on rehearing of Staff witness Cheri Harden?**

180 A. Yes, I have reviewed Staff Exhibit 1.0 and accompanying exhibits.

181 **Q. Do you have any concerns with Ms. Harden's testimony and analysis?**

182 A. Yes. I have three major concerns with her testimony and exhibits. First, she relies on  
183 information Ameren provided in discovery as the basis for her analyses and conclusions.  
184 The Ameren analyses that were available to Ms. Harden when her testimony was  
185 prepared, however, were inaccurate. Ameren had not calculated the AG rate design in  
186 accordance with the methodology I set out in my initial testimony in this proceeding (AG  
187 Exhibit 1.0). As I explained in my testimony on rehearing (AG Exhibit 3.0), the Ameren  
188 discovery responses on which Ms. Harden relied used a customer charge that was too low  
189 and consumption charges that were too high.

190           Second, Ms. Harden makes the same mistake that Ameren makes when analyzing  
191 total bill impacts. She fails to account for the substantial reductions in non-summer  
192 supply charges that are scheduled to take effect this October. Thus, the total bill impacts  
193 – especially for heating customers – are grossly inaccurate because they are using supply  
194 charges that are nearly 0.5 cents per kWh too high.

195

196 **Q. What is your third concern with Ms. Harden's testimony?**

197 A. Ms. Harden tends to focus on customers with very extreme usage levels. I have serious  
198 doubts that those extreme customers are anything like a typical residential customer. To  
199 illustrate my concern, attached as AG Exhibit 4.2 is a printout of the largest DS-1  
200 customers in the billing data set Ameren provided to me (data for calendar year 2012).  
201 This exhibit shows all customers with annual consumption in excess of 150,000 kWh.  
202 There were 67 such customers in 2012. Interestingly, in some of her analyses, Ms.  
203 Harden focused on only 48 customers, which would be those using in excess of 170,000  
204 kWh annually.

205 A simple review of these data would make anyone question whether these are  
206 truly single-family residential housing units. Most of these very largest users do not  
207 exhibit strong seasonal usage patterns, contrary to what one might expect for a true  
208 residential home. For example, the customer on line 1 of Exhibit 4.2 (the customer with  
209 the highest annual usage, with more than 1.1 million kWh) has higher consumption in  
210 April and May than in June and July. Further, every month has consumption of at least  
211 65,000 kWh, which is frankly incredible for any type of residence.

212 There are other customers in this extreme range that are equally puzzling. The  
213 customer on line 10, for example, has nearly flat consumption each month -- eight of the  
214 12 months are between 26,000 and 29,000 kWh; the other four are between 32,000 and  
215 38,000 kWh. This is the type of consumption pattern one would expect for an industrial  
216 enterprise, not from a residence.

217 Other customers in this extreme group register huge peaks at unusual times of the  
218 year. Some customers (lines 11, 17, 30, 52, and 58), for example, show massive peaks in  
219 September and October, which again is quite unexpected for residential homes, which  
220 usually peak during extremely hot or extremely cold weather.

221 **Q. Why is this important?**

222 A. The characteristics of these ultra-high users are important because there are serious  
223 questions about what they are and how they are using electricity. Customers with such  
224 unusually high – and seasonally odd – usage of electricity may be misclassified as  
225 residential when in fact there are sizeable commercial or industrial operations taking  
226 place on the property. Some of them could be large farms that are taking advantage of  
227 the provision in Ameren's tariff that allows farms with residences to be served entirely on  
228 a residential rate. Some of them could be multi-family buildings that are master-metered  
229 when they should have meters for each unit.

230 To be sure, I do not know who or what these customers are or how they are using  
231 electricity. It is obvious, however, that they are as far from typical residential consumers  
232 as one could imagine. No residence is going to use tens of thousands of kilowatt-hours  
233 each month. No residence is going to see October consumption that is five or 10 times  
234 higher than an average month's consumption.

235 In other words, these extreme users of electricity may not be residential customers  
236 at all. If they are, then their use of electricity is so unusual that it is not reasonable to  
237 establish a rate design for the class – or determine any other type of public policy – based  
238 on the effects they might encounter. The DS-1 class is supposed to be for residential

239 electricity consumption, not commercial or industrial operations. Specifically, Ameren's  
240 tariff contains the following requirements to take service on the DS-1 rate:

241 1. Service under this Rate is available for any eligible Residential  
242 Customer, as determined by the Company, within the territory served by  
243 Company under this Schedule where power and energy used at  
244 Customer's Premises is for predominantly Residential purposes, meeting  
245 the following criteria:

246 a. Single-family dwelling or building containing two or more single-  
247 family units, where each unit is separately metered and used as a  
248 residence.

249 b. Homes that are served by a single meter where usage is a combination  
250 of home and farm use. Usage shall be limited to service within the  
251 residence on the farm and that required for all general farming and  
252 agricultural purposes conducted on the premises served. Where separate  
253 meters are required to supply other operations, each additional meter shall  
254 be billed under the applicable Non-Residential rate.

255 c. Recreation facilities consisting of summer cottages, homes, trailers or  
256 boat slips where service is individually metered and intended for  
257 continuous use by the same single family.

258 2. Service under this Rate is not available to Customers when power and  
259 energy would be used at Customer's Premises for predominately Non-  
260 Residential purposes. Structures which are not considered Residential  
261 include, but are not limited to the following:

262 a. Multiple-occupancy club houses, recreational lodges, sorority or  
263 fraternity houses, dormitories, assisted living residences or other buildings  
264 used for group living or similar activities, where individual units are  
265 typically not metered separately.

266 b. A residence or dwelling unit whose occupants are expected to be  
267 transient in nature.

268 AIC I.C.C. Tariff No. 1, Original Sheet 11.

269

270 **Q. Do you have an opinion about Ms. Harden's proposal to set Ameren's customer**  
271 **charge to collect 36% of the residential revenue requirement?**

272 A. In my opinion, residential rates should be set to recover no more than the customer-  
273 related cost of service through the customer and meter charges. Presently, those  
274 customer-related costs are approximately 28% of Ameren's residential cost of service, so  
275 that should be the goal. If the Commission is concerned with the effect of moving to that  
276 percentage in one step, then adopting Ms. Harden's recommendation would be a  
277 reasonable first step in a two-year phase-in designed to achieve cost-based pricing in a  
278 reasonable period of time. As I explain above, however, I believe that when total bill  
279 impacts are considered, it is feasible to adopt the AG rate design in one step – to be  
280 implemented in January 2015 – without requiring a phased approach.

281 **Q. Does this conclude your rebuttal testimony?**

282 A. Yes, it does.