

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

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**AMEREN ILLINOIS COMPANY** )  
d/b/a Ameren Illinois )  
) )  
and )  
) )  
**MIDAMERICAN ENERGY COMPANY** )  
) )  
Petition for Declaratory Ruling that Approval )  
Of Purchase of Utility Assets Is Not Necessary ) Docket No. 14-0572  
Pursuant To Section 7-102 or, in the alternative, )  
Approval of Purchase of Utility Assets Pursuant )  
to Section 7-102; Transfer of Franchises, Licenses )  
Permits or Rights to Own Pursuant to Section )  
7-203; Transfer of Certificates of Convenience )  
and Necessity Pursuant to Section 8-406; and )  
the Granting of All Other Necessary and )  
Appropriate Relief. )

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**REBUTTAL TESTIMONY  
OF  
DEHN A. STEVENS**

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

2 A. My name is Dehn A. Stevens. My business address is 106 East Second Street, Davenport,  
3 Iowa 52801.

4 **Q. Are you the same Dehn A. Stevens who has previously submitted an affidavit in this**  
5 **proceeding?**

6 A. Yes, I am. My affidavit is attached as Schedule 1.0 to my testimony.

**PURPOSE OF REBUTTAL TESTIMONY**

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

8 A. I will respond to the Direct Testimonies of Mr. Greg Rockrohr and Ms. Burma Jones  
9 dated January 23, 2015.

10 **Q. Please provide a high-level overview of the transaction involved in this proceeding.**

11 A. The transaction involves the sale by MidAmerican to Ameren of certain transformers  
12 (“East Galesburg Transformers”) and a 17.2 mile segment of a 161 kV transmission line  
13 between Ameren’s proposed Mercer and existing East Galesburg substations  
14 (“Transmission Line”). This Transmission Line will be rebuilt as part of Multi-Value  
15 Project No. 16 (“MVP-16”) approved by the Midcontinent Independent System Operator,  
16 Inc. (“MISO”) and scheduled to be completed in 2016. A detailed overview of the  
17 transaction is contained in the original petition. The petition also contains a drawing  
18 showing the final ownership and configuration of facilities in the East Galesburg area at  
19 the conclusion of the MVP-16 construction at Appendix A Page 34. My affidavit and  
20 Mr. Rockrohr’s testimony at ll. 52-60 also summarize the transaction.

21 **Q. Are there any aspects of the transaction you would like to note?**

22 A. Yes. I believe it is helpful to take into context the realignment of Ameren and  
23 MidAmerican facilities in the Galesburg area and the development of MVPs to see why  
24 the transaction has been structured as it is, including the timing of the activities involved  
25 in the transaction.

26 Ameren and MidAmerican have discussed the need to realign their facilities in the  
27 Galesburg area for a number of years. There have been significant changes in the  
28 electrical facilities in the Quad Cities-Galesburg areas since the 1950s when the 161 kV  
29 line from Galesburg to the Quad Cities was constructed to serve as a significant source of  
30 external supply and reliability for MidAmerican. Since that time, many other facilities  
31 have been constructed in the Quad Cities area that increase the reliability of electric  
32 service, including a 345 kV loop around the Quad Cities, the Louisa Generating Station  
33 near Muscatine, Iowa, other 69 kV and 161 kV facilities, and local generation.

34 The catalyst bringing discussions of realignment of facilities to fruition was the  
35 development of Multi-Value Projects (“MVP”) by MISO. MVPs are planned and  
36 approved by MISO specifically to serve regional transmission needs. MVP-16 planned  
37 by MISO includes a 345 kV line from MidAmerican’s Oak Grove Substation near the  
38 Quad Cities to Ameren Transmission Company of Illinois’ new Sandburg Substation near  
39 Galesburg. In order to construct MVP-16, MidAmerican and Ameren sought to  
40 accomplish several objectives with the least amount of impact on landowners. Utilizing  
41 the existing 161 kV line right-of-way to site the new 345 kV transmission line is a natural  
42 fit to reduce landowner impact and has worked quite well for several recent  
43 MidAmerican MVP and transmission line projects. However, we sought to take multiple

44 factors into account in deciding the best order of accomplishing the needed tasks.

45 For example, one option we considered was to proceed with the sale of the  
46 Transmission Line from MidAmerican to Ameren in the near term as opposed to after  
47 construction of the double-circuit 161kV/345kV transmission line. The key issue with  
48 that approach is that it would have involved multiple and potentially confusing contacts  
49 with landowners and other stakeholders and it would have complicated the certificate of  
50 need filing unnecessarily. To effect a sale in the near-term would involve contacts with  
51 landowners in order to assign multiple easements related to the Transmission Line from  
52 MidAmerican to Ameren. Then, MidAmerican would need to be in contact with those  
53 same landowners concerning the new certificate filing and the negotiation of additional  
54 easements needed for the MidAmerican 345 kV line. In addition, there would be  
55 multiple certificate filings including a new certificate from one party (MidAmerican)  
56 overlaying on an existing certificate of another party (Ameren). Such a process would  
57 have required Ameren to fully participate in the new certificate filing to protect its  
58 interests in what would then be its existing certificate.

59 These kinds of unnecessary complications can be avoided by structuring the  
60 proposed transactions as outlined in Article II of the Petition.

61 **Q. Please summarize your response to Mr. Rockrohr's testimony.**

62 A. I agree with Mr. Rockrohr on his points and recommendations concerning the disposition  
63 of the East Galesburg Transformers. I take some issue with several of his points  
64 concerning the Transmission Line.

65 **Q. Please summarize the areas of agreement.**

66 A. I agree that the value of the East Galesburg Transformers is less than \$300,000 as stated

67 on Page 3 of Mr. Rockrohr's testimony. While I am not an attorney, I agree with Mr.  
68 Rockrohr's interpretations of Commission authorities that the book value of the East  
69 Galesburg Transformers is less than the Commission's threshold for Commission  
70 approval (p. 4) and that the transfer of the East Galesburg Transformers does not need  
71 Commission approval under Section 7-203 of the Illinois Public Utilities Act (p. 9).

72 **Q. Do you agree with Mr. Rockrohr's assessment of cost recovery?**

73 A. Yes. We generally agree that the costs of the new 345 kV line are allocated broadly  
74 across the MISO footprint. I would clarify his assessment by noting that the cost  
75 recovery of the rebuilt Transmission Line is on the same basis as the 345 kV line **only** if  
76 the costs are considered an integral part of the 345 kV transmission line project. In other  
77 words, if the costs of rebuilding the existing Transmission Line are **not** considered a part  
78 of MVP-16 then the costs would not be shared broadly across the MISO footprint.  
79 Instead, the costs of a 161kV transmission line not included as an MVP-16 facility would  
80 be paid for entirely by MidAmerican and Ameren Illinois customers through their zonal  
81 transmission rates. I would also point out that, as between MidAmerican and Ameren,  
82 the relative responsibilities to construct various parts of the MVP-16 project are  
83 important in the context of the broader realignment of facilities because the final  
84 ownership and investment amounts are aligned with the respective needs of the parties.

85 **Q. Please summarize your areas of disagreement with Mr. Rockrohr.**

86 A. The primary issue I disagree with is the valuation of the Transmission Line in the  
87 transaction. I do not agree that the "sales price appears to vastly underestimate the value  
88 of the Transmission Line" as stated on Page 5 of Mr. Rockrohr's testimony. I do not  
89 agree with his statement on Page 5 that "MEC indicates that the value of the new 17.2-

90 mile 161 kV line 116 will be approximately \$14,255,000”. I also do not agree with some  
91 of the rationale behind his ultimate recommendation that approval of the transfer should  
92 be conditioned on receipt of a certificate in Dockets Nos. 14-0494 and 14-0514.

93 Regardless of my disagreement on this last point, I believe that Ameren and  
94 MidAmerican are willing to accept that condition.

95 **Q. Please explain why you do not agree with Mr. Rockrohr’s statements concerning the**  
96 **value of the Transmission Line.**

97 A. I do not agree that the incremental cost to build the new 345 kV line as a double-circuit  
98 line with the existing Transmission Line as opposed to as a single-circuit 345 kV line  
99 translates into an increase in value of the 161 kV line. Mr. Rockrohr references  
100 MidAmerican’s response to Staff Data Request ENG 2.04 as the basis for his claim that  
101 the value of the Transmission Line is \$14,225,000. I agree that the incremental cost to  
102 build a new 345 kV line as a double circuit is \$14 million, but I don’t agree that the  
103 underlying 161 kV line has increased in value by that amount.

104 **Q. Would the incremental cost of the Transmission Line be as Mr. Rockrohr suggests if**  
105 **the transaction began with a separate sale of the Transmission Line from Ameren to**  
106 **MidAmerican?**

107 A. No. It may be most illustrative of MidAmerican’s position to consider the other order in  
108 which this transaction could have occurred. Ameren and MidAmerican could have  
109 bifurcated the transaction, starting with a separate sale of the Transmission Line from  
110 MidAmerican to Ameren. This transaction would have transferred ownership of the 161  
111 kV line segment from Mercer to East Galesburg on approximately the same terms as the  
112 proposed Transaction (approximately 1.3 times net today’s book value, less depreciation

113 expense due to timing). After selling this facility to Ameren Illinois, MidAmerican could  
114 later at some undetermined future point have rebuilt the 161 kV line as a double-circuit.

115 If MidAmerican had chosen that approach, rebuilding what would then be an  
116 Ameren 161 kV line as a double-circuit line, Ameren would have no cost responsibility  
117 for the costs of rebuilding the line. In that instance, MidAmerican would replace the  
118 Ameren line with its functional equivalent on a rebuilt double-circuit line at no cost to  
119 Ameren. 100% of the costs to construct the new double-circuit line would be  
120 appropriately allocated to the new MidAmerican 345 kV line being constructed.

121 Importantly, the value of the 161 kV line owned by Ameren would stay the same  
122 on the Ameren books. Ameren's investment would be unchanged for the transmission  
123 line connecting between its same two substations. Instead, all of the incremental  
124 investment to build the new double-circuit line, including the 161 kV improvements,  
125 would sit on MidAmerican's books and be accounted for in the costs of the 345 kV line.

126 **Q. Will the Transmission Line serve a different function when it is rebuilt?**

127 A. No. The Transmission Line serves the same function as before despite it having an  
128 increased capacity as a result of being rebuilt. The functional equivalency is due to the  
129 line still serving the same purpose of connecting the two Ameren substations.

130 **Q. Will the existing 161 kV components be used in the rebuild of the Transmission Line  
131 as part of a double-circuit structure?**

132 A. No. It is important to note that from an engineering point of view, it would not be  
133 practical to attempt to re-use any of the existing 161 kV line components such as the  
134 insulators or conductors in the process of re-configuring the line as part of the double-  
135 circuit structures. Because the insulators and conductor are almost 60 years old, it is not

136 prudent to reuse this material as part of new double-circuit line construction. Besides  
137 their age, the materials are also incompatible with current standard line designs which  
138 require the use of twisted pair conductors for better galloping performance and the use of  
139 current standard conductor sizes for operations and maintenance purposes.

140 MidAmerican's believes this example of the impacts of a separate sale of the  
141 Transmission Line shows that the consideration being contemplated in this transaction is  
142 appropriate for all involved. It is also clear that the function of the 161 kV line has not  
143 has not changed or increased in value on anyone's books and thus the incremental costs  
144 of facilities to be constructed by MidAmerican should not be used to determine a value  
145 for the line as Mr. Rockrohr advocates.

146 **Q. What other aspects of Mr. Rockrohr's testimony do you take issue with?**

147 A. In several places (such as on Page 6), Mr. Rockrohr argues that the actual line to be  
148 transferred does not yet exist because the existing line will be rebuilt. I believe that the  
149 functionally equivalent line does in fact exist today and it is the same line on which the  
150 net book value is based. The Sandburg Substation is immediately adjacent to the existing  
151 East Galesburg Substation and is functionally equivalent in terms of serving as a terminus  
152 to the Transmission Line. Likewise, the existing transmission line already has a  
153 certificate and does not need a new one. Nevertheless, Ameren and MidAmerican are  
154 willing to concede that the approval of the transfer can be conditioned on the granting of  
155 the two referenced certificates.

156 **Q. Ms. Jones requested that Ameren and MidAmerican file with the Chief Clerk of the**  
157 **Commission, with a copy to the Manager of Accounting, copies of the actual journal**  
158 **entries used to record the sale and purchase of MidAmerican's Illinois-based**

159 **transmission assets within sixty days of the closing of the Transaction. Is**

160 **MidAmerican in agreement with that recommendation?**

161 A. Yes.

162 **Q. Does that complete your prepared rebuttal testimony?**

163 A. Yes, it does.

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Docket No. 14-0572

AFFIDAVIT OF  
DEHN A. STEVENS

STATE OF IOWA )  
COUNTY OF SCOTT ) ss.

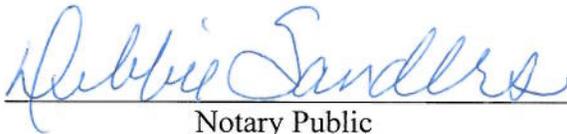
I, Dehn A. Stevens, being first duly sworn on oath, depose and state that I am the same Dehn A. Stevens identified in the foregoing Rebuttal Testimony; that I have caused the attached Rebuttal Testimony to be prepared and am familiar with the contents thereof; and that the foregoing Rebuttal Testimony is true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Further affiant sayeth not.



Dehn A. Stevens

Subscribed and sworn to before me,  
a Notary Public in and for said County and  
State, this 6th day of February, 2015.

  
Notary Public