

ILLINOIS COMMERCE COMMISSION

DOCKET No. 15-_____

DIRECT TESTIMONY

OF

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Submitted on Behalf Of

**AMEREN ILLINOIS COMPANY
d/b/a Ameren Illinois**

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22 **Q. Please describe your educational background and relevant work experience.**

23 A. Please see my Statement of Qualifications attached as an Appendix to this direct
24 testimony.

25 **B. Purpose, Scope and Identification of Exhibits**

26 **Q. What is the purpose of your direct testimony?**

27 A. The purpose of my direct testimony is to discuss AIC's electric embedded cost of service
28 studies (ECOSS), cost allocation methods, revenue allocation methods, and rate design. The rate
29 design and cost allocation methods used in this case are consistent with those approved by the
30 Commission in AIC's most recent "rate redesign" proceeding, Docket 13-0476. AIC initiated
31 said docket on July 22, 2013 - consistent with the requirements of 220 ILCS 5/16-108.5(e) – and
32 the changes resulting therefrom were approved in a Final Order issued on March 19, 2014. The
33 decisions made by the Illinois Commerce Commission from the Order on Rehearing in Docket
34 13-0476 were also incorporated into the rate design and allocation methods used in this case. I
35 also discuss and present in my testimony the prices developed as a result of this year's formula
36 rate update - those that will become effective beginning January 2016 – and discuss the impact
37 those price changes will have on customers' electric bills.

38 **Q. Please generally describe your testimony and analysis performed for this filing.**

39 A. My testimony and analysis presents the results of AIC's ECOSS for its three Rate Zones
40 based on AIC's updated revenue requirement, utilizing a 2014 test year and ratemaking
41 adjustments for its performance based formula rate, Rate Modernization Action Plan – Pricing
42 (Rate MAP-P). I present and discuss the net revenue requirement for each rate class, which is
43 determined by adding the 2014 rate year revenue requirements produced from the ECOSS to the
44 corresponding allocation of the reconciliation amount.

45 My testimony also discusses the approved revenue allocation and rate design calculations
46 necessary to produce new delivery service charges that will recover the Company's net revenue
47 requirement¹ for the 2015 Rate MAP-P annual update, as discussed by Ameren witness Mr.
48 Ronald Stafford in Ameren Exhibit 1.0. As indicated the ECOSS, revenue allocation, and rate
49 design methodologies are consistent with and follow the prescribed methods established in
50 Docket 13-0476.

51 **Q. What will be the overall impact to customer bills because of this 2015 MAP Update**
52 **filing?**

53 A. The net revenue requirement for each of AIC's three Rate Zones has increased since the
54 2014 formula rate update; in total, AIC's net revenue requirement has increased from
55 approximately \$925 million to \$1.035 billion. This is an approximately \$110 million increase in
56 net revenue requirement, which translates into increased delivery service charges for AIC's
57 customers. The additional delivery service revenue will be collected through new delivery
58 service charges that have been determined by the currently approved cost allocation rate design
59 methodologies.

60 **Q. When will these new electric delivery service charges become effective?**

61 A. The new delivery service charges will become effective on the first billing cycle of the
62 January 2016 billing period.

63 **Q. Are you proposing any tariff changes in this proceeding?**

64 A. No.

¹See Ameren Exhibit 1.2, Schedule FR A-1, Line 30

65 **Q. Please summarize the conclusions of your direct testimony.**

66 A. I conclude that:

- 67
- 68 • Rate MAP-P pricing is based on AIC's updated net revenue requirement utilizing
69 2014 actual costs, 2015 plant additions, including ratemaking adjustments, and
the 2014 reconciliation;
 - 70 • Rate MAP-P pricing relies on separate Rate Zone net revenue requirements and
71 embedded class cost of service study results; and,
 - 72 • The cost allocation, revenue allocation, and pricing methods adhere to the
73 currently-approved cost allocation and rate design methods as established in
74 Docket 13-0476, which superseded previously-approved methodologies.

75 **Q. Are you sponsoring any exhibits with your direct testimony?**

76 A. Yes. I am sponsoring the following exhibits:

- 77
- 78 • Ameren Exhibit 6.1: Summary of Electric Rate Zone ECOSs – Rates of Return
under Present Revenues
 - 79 • Ameren Exhibit 6.2: Summary of Electric Rate Zone ECOSs – Revenue
80 Requirement under Equalized Rates of Return (excludes the reconciliation)
 - 81 • Ameren Exhibit 6.3: Summary of Electric Rate Zone ECOSs – Unbundled Cost
82 of Service Results under Equalized Rates of Return (excludes the reconciliation)
 - 83 • Ameren Exhibit 6.4: Summary of Rate Zone Net Revenue Requirements
84 (includes reconciliation)
 - 85 • Ameren Exhibit 6.5: Narrative explanation of the process of determining
86 Delivery Service Charges
 - 87 • Ameren Exhibit 6.6: Determination of Delivery Service Charges & Price
88 Summary
 - 89
 - 90 • Ameren Exhibit 6.7: Residential Bill Impact Comparisons
 - 91
 - 92 • Ameren Exhibit 6.8: Non-Residential Bill Impact Comparisons

93 **II. COST OF SERVICE STUDIES**

94 **A. Discussion of Cost Allocations and Methodologies**

95 **Q. What is an ECOSS?**

96 A. AIC provides delivery services to its customers under a number of residential and non-
97 residential rate classifications. These rate classifications are primarily differentiated by customer
98 characteristics, usage levels and supply voltage level. The purpose of the ECOSS in this
99 proceeding is to present the functionalization, classification, and allocation of distribution
100 delivery service-related costs to the Company's rate classes and to support the Company's rate
101 designs and pricing. The ECOSS is the result of allocating and/or assigning the various costs,
102 both direct and indirect, of providing electric distribution delivery services to the delivery service
103 classes in a way that best reflects the manner in which such costs are incurred.

104 **Q. What is the fundamental principle underlying the ECOSS?**

105 A. Cost causation is the fundamental principle applicable to all cost studies for purposes of
106 allocating costs to the individual delivery service classes. The Commission has noted in a prior
107 AIC general rate case order: “[g]enerally, the Commission prefers to allocate costs among the
108 various classes as close to the cost of serving each class as is reasonably possible and/or
109 appropriate. The purpose of doing so is to assign costs to those who cause them.” Order, Docket
110 09-0306 (cons.) (Apr. 29, 2010), p. 228. The results of the ECOSS provide the essential data
111 necessary for rate design and pricing, which are discussed later in my testimony.

112 **Q. What are the three major steps in preparing an embedded cost of service study?**

113 A. In general, preparing a cost of service study involves: (1) functionalization, (2)
114 classification and (3) allocation.

115 **Q. Please generally describe the process of cost functionalization.**

116 A. Functionalization is the assignment of investments (rate base) and expenses to the major
117 utility service categories such as production, transmission, distribution, customer-related, and
118 administrative & general. These major functions are further divided into FERC Accounts.² The
119 distribution function, for instance, is the sum total of FERC Accounts 360-374. FERC Account
120 365 (Overhead Conductors & Devices), for example, includes the installed cost of all overhead
121 conductors and devices used for distribution purposes. Functionalization sometimes requires
122 identifying more granular functions (sub-functions), such as operating voltage of distribution
123 equipment. In the above example of FERC Account 365, steps are taken to assign costs from
124 this account across the various voltage levels (sub-functions) of distribution lines operated by
125 AIC.

126 **Q. Do you testify to each of the functionalization steps mentioned above?**

127 A. No. Mr. Stafford provides the separation of costs by major function and FERC Account
128 for each Rate Zone. My testimony and analysis relate only to the determination of any sub-
129 function separation of costs.

130 **Q. Please generally describe the process of classification.**

131 A. Classification is the further separation and/or assignment of functionalized plant and
132 expenses into categories of cost causation based upon how the costs are generally incurred.
133 Costs can generally be incurred when new customers are connected to the system, when they
134 increase their demand (kW) on the local distribution system, or when they use more energy

² FERC Accounts are industry standard accounts defined in the Uniform System of Accounts.

135 (kWh). To account for these distinguishable ways a utility incurs costs, three classifications are
136 used: customer-related, demand-related and energy-related.

137 **Q. How were costs classified for your ECOSS?**

138 A. Demand-related costs are those investments and other capacity-related costs that remain
139 essentially the same, in the short run, no matter how many kilowatt-hours (kWh) are sold or
140 delivered. Demand costs are associated with the electrical facilities necessary to supply the
141 customer's service requirements during periods of maximum, or peak, power consumption.
142 Usage is expressed in terms of the customer's maximum power consumption during peak
143 periods, commonly referred to as "kilowatts of demand." As so defined, demand-related costs
144 include the majority of AIC's investment in Distribution Plant and associated expenses.

145 Customer-related costs are those rate base and expense items that are incurred to extend
146 and provide service to individual customers and typically vary with the number of customers
147 rather than their demand or their energy consumption. Examples include customer accounts and
148 customer service expenses, service drops, meters, etc.

149 Energy-related costs are those costs that are usage driven and are incurred when
150 customers use incremental kWh. These costs vary in direct proportion as customers use more or
151 less energy over a period of time.

152 **Q. Please generally describe the process of cost allocation to rate classes.**

153 A. Once costs have been classified by the manner in which they are incurred, allocation
154 factors (also referred to as allocators) are paired with classified costs in order to make the cost
155 allocations to each rate class. The pairing of allocation factors involves determining the
156 appropriate match of each classified cost with the available allocation factors. For example,
157 distribution substations have been classified as demand-related; therefore, an allocation factor

158 based on customers' class demand is an appropriate pairing, as opposed to an allocation factor
159 based on the number of customers in a customer class or the energy consumed by the customer
160 class. Allocation factors are developed from test year information and/or other available
161 customer information.³ The most common cost allocators used are based on customer/meter
162 counts, kilowatt-hours of energy usage, and kilowatt demand.

163 **Q. Please describe how test year rate base was allocated to the delivery service rate**
164 **classes.**

165 A. The components of electric rate base were allocated to delivery service rate classes,
166 consistent with the methodology approved in Docket 13-0476, as follows:

- 167 • Customer-related Distribution Plant. Services and Meters are the primary
168 components included in this classification. These plant balances are allocated to
169 customer classes in proportion to the current cost of serving each delivery service
170 class. Street lighting equipment is considered customer-related and is directly
171 assigned to the lighting class.
- 172 • Demand-related Distribution Plant. Remaining investments in Distribution Plant
173 are considered fixed and allocated based on demand placed by customer classes
174 on the distribution system. These plant items include distribution lines,
175 substations, line transformers, etc. These distribution plant items have been
176 classified as demand-related and separated into various voltage levels. Class
177 demands at each respective voltage levels formed the basis of allocating this
178 demand-related distribution plant. Class demands were based on load research
179 data. AIC has allocated substations using the Coincident Peak (CP) demand of
180 each delivery service class. High Voltage Distribution lines consisting of those
181 above 30 kV have also been allocated using class CP demands. Primary and
182 Secondary distribution lines are allocated using Non-Coincident Peak (NCP) class
183 demands. One exception to the allocation method of primary distribution lines
184 includes the reduction of the DS-5 class's NCP demand to 50% of the actual NCP
185 demand as developed by load research⁴. Line Transformers (FERC Account 368)
186 are allocated using SigmaNCP⁵ class demand allocation factor.

³ This information includes load research, customer billing records, engineering records, etc.

⁴ Per Final Order in Docket 13-0476.

⁵ SigmaNCP for each delivery service class is defined as the sum of each customer's highest annual peak demand within a class.

- 187 • General and Intangible Plant. These components of Distribution Plant are shared
188 by all delivery service classes based on the commonly used labor ratio.
- 189 • Material and Supplies. This component consists of materials related to
190 distribution facilities. Distribution materials are allocated to the delivery service
191 classes on the basis of the composite allocation of the original cost of Distribution
192 Plant.
- 193 • Cash Working Capital. This item is related to payroll, various taxes and interest
194 expense and is therefore allocated to each delivery service class in proportion to
195 the allocated original cost of Distribution Plant.
- 196 • Customer Advances for Construction, Contributions in Aid of Construction and
197 Customer Deposits. Customer Advances and Contributions in Aid of
198 Construction were assigned to each delivery service class on a customer count
199 basis while Customer Deposits are allocated based on AIC's records for deposits
200 made by customers in each delivery service class.
- 201 • Total Accumulated Deferred Income Taxes. The component is related primarily
202 to investment in property, and is internally allocated to each delivery service class
203 on the basis of allocated cost of original Distribution Plant.

204 **Q. Please describe how test year expenses were allocated to the delivery service rate**
205 **classes.**

206 A. The test year electric expenses were allocated as follows:

- 207 • Distribution O&M Expenses. The various Distribution O&M Expense Accounts
208 580-598 were individually “aligned” with one or more Distribution Plant accounts
209 and allocated to each delivery service class based upon the resulting allocation of
210 the aligned plant accounts. This allocated expense can be described as the general
211 accepted “expenses follow plant” cost allocation methodology.
- 212 • Customer Accounts Expenses. Account 903 – Customer Records and Collection
213 Expenses was divided between customer records and collection expense in that
214 account. Expenses related to customer records were allocated to the delivery
215 service classes based on number of customers while collections expenses were
216 allocated on the same basis as Account 904 – Uncollectible Accounts.
217 Uncollectible Accounts Expense was allocated to each delivery service class on
218 the basis of the level of such activities for each class as determined from our
219 billing system net write-offs. Meter Reading Expenses were allocated to delivery
220 service classes by estimating the relative difference in labor cost required to read
221 residential, commercial, and industrial meters (as provided by AIC metering
222 department). Account 901 – Supervision was allocated to each class on the basis
223 of the composite allocation of all other Customer Accounts Expenses.

224 • Customer Service Expense. These expenses were allocated for Account 908 on a
225 weighted customer basis. Account 909 – Informational and Instructional Expense
226 was allocated on customer counts as this is for mass media expenses thus it
227 benefits all customers. Account 907 – Supervisor and Account 910 –
228 Miscellaneous Customer Service and Informational Expense were allocated on
229 the delivery service class relationship of Accounts 908 and 909.

230 • Administrative & General (A&G) Expenses. Account 924 – Property Insurance
231 and Account 927 – Franchise Requirements were allocated to the delivery service
232 classes based on the relationship of the Distribution Plant accounts by delivery
233 service class with the remaining A&G accounts allocated based on labor.

234 **Q. How have depreciation and amortization expenses been allocated?**

235 A. These expenses were allocated based on the allocation of the corresponding original cost
236 of Distribution, Intangible and General Plant investments among the delivery service classes.

237 **Q. How have Electric Distribution Taxes been allocated?**

238 A. These expenses are allocated to each delivery service class on the basis of kWh delivered
239 to each rate class.

240 **Q. How have real estate taxes and payroll taxes been allocated?**

241 A. Real estate taxes were allocated to delivery service classes on the basis of the sum of the
242 previously allocated total original cost of Distribution Plant. Payroll taxes have been allocated
243 on the basis of labor.

244 **Q. Please explain the treatment of Other Revenue associated with items such as Late
245 Payment Charges, Non-Sufficient Check Charges and Reconnection Charges.**

246 A. Late Payment, Non-Sufficient Check Charges and Reconnection Charges were allocated
247 to the delivery service classes on the basis of revenues recorded in the Company's billing system
248 during the test year.

249 **Q. Please explain the treatment of Other Revenue associated with wholesale**
250 **distribution services.**

251 A. AIC provides distribution service to a number of wholesale customers. Revenues
252 collected from wholesale customers for use of AIC's distribution system provide a credit to AIC's
253 retail delivery service revenue requirement and are allocated to the delivery service classes on
254 the basis of original cost of Distribution Plant.

255 **Q. How did you incorporate the formula rate's reconciliation amount into the ECOSS**
256 **results?**

257 A. The approximately \$112 M reconciliation amount has been allocated to the rate zones
258 and rate classes on the basis of actual 2014 billed delivery service revenue, consistent with the
259 methodology approved in the prior MAP-P update proceedings. This process results in a net
260 revenue requirement for various unbundled cost components for each rate class, which is
261 consistent with AIC's overall net revenue requirement presented by Mr. Stafford. The net
262 unbundled revenue requirement components resulting from this process are used for the revenue
263 allocation and pricing which will be explained in more detail later in my testimony.

264 **B. Results of Embedded Cost of Service Studies**

265 **Q. What Delivery Service Classes are presented in the ECOSSs?**

266 A. The major rate classifications are DS-1 (Residential Delivery Service); DS-2 (Small
267 General Delivery Service); DS-3 (General Delivery Service); DS-4 (Large General Delivery
268 Service); DS-5 (Lighting Service); and DS-6 (Temperature Sensitive Delivery Service). DS-3
269 and DS-4 have been further divided into three subclasses differentiated by supply voltage: +100
270 kV, Distribution High Voltage, and Primary Voltage.

271 **Q. Please summarize the results of the Rate Zone ECOSSs.**

272 A. The ECOSS results are summarized in three exhibits: Ameren Exhibit 6.1, Ameren
273 Exhibit 6.2, and Ameren Exhibit 6.3. The net revenue requirement, including reconciliation, is
274 summarized in Ameren Exhibit 6.4.

275 Ameren Exhibit 6.1 contains, for each Rate Zone and each delivery service class, the rate
276 of return earned under present operating revenues.⁶ Ameren Exhibit 6.1 also includes rate base
277 components, operation and maintenance expense, customer service and accounts expense,
278 administrative and general expenses, depreciation and amortization expense, and taxes for each
279 delivery service class within each rate zone, as calculated by the ECOSS models.

280 Ameren Exhibit 6.2 contains, for each Rate Zone and each delivery service class, the
281 revenue required to allow AIC to earn an equal rate of return for each delivery service class.⁷
282 Ameren Exhibit 6.2 also shows the corresponding rate base components and expenses under this
283 equalized rate of return for each delivery service class. Ameren Exhibit 6.2 does not include the
284 reconciliation amount in the revenue requirement.

285 Ameren Exhibit 6.3 contains, for each Rate Zone and each delivery service class, the
286 unbundled revenue requirement components necessary for AIC to earn the equalized rate of
287 return shown in Ameren Exhibit 6.2 for each delivery service class. Unbundled revenue
288 requirement components include, among others, categories such as Distribution, Services,
289 Meters, Customer Service, etc. The sum total of these unbundled revenue requirement

⁶ Present revenues are consistent with revenues reflected in the standard informational filing requirements, Part 285.3005 Schedule C-1.

⁷ The rate of return used in these calculations is reflected in the standard informational filing requirements, Part 285.1005 Schedule A-2.

290 components for all Rate Zones equals the total AIC revenue requirement, excluding the 2014
291 reconciliation amount.

292 Ameren Exhibit 6.4 shows, for each Rate Zone and delivery service class, the net revenue
293 requirement necessary to recover AIC's allowed revenue requirement per the performance based
294 formula rate, as presented by Mr. Stafford. The net revenue requirement shown in Ameren
295 Exhibit 6.4 allows AIC to earn an equal rate of return for each rate class before the allocation of
296 the reconciliation amount is made to each class.

297 **III. RATE DESIGN**

298 **A. Delivery Service Charges – Rate MAP-P Pricing Development**

299 **Q. How is the pricing developed?**

300 **A.** The updated pricing follows the revenue allocation and rate design methodology ordered
301 in Docket 13-0476. See Ameren Exhibit 6.5 for an in depth narrative explanation of the
302 currently approved methodology.

303 **Q. What steps were followed to develop the proposed pricing update?**

304 **A.** AIC followed a process using three major steps, all of which adhere to the methods
305 established in Docket 13-0476, as explained in detail in Ameren Exhibit 6.5. First, AIC
306 developed the ECOSS and incorporated the reconciliation amount for each Rate Zone. Second,
307 the revenue allocation process determined the revenue responsibility for each class within each
308 Rate Zone. Third, the Company adjusted individual charge components for each Delivery
309 Service Rate Class.

310 **Q. Has AIC developed separate prices by Rate Zone?**

311 **A.** Yes. The process outlined in Rate MAP-P helps ensure recovery of the Company's
312 revenue requirement⁸. Consistent with the outcome in Docket 13-0476, several price
313 components are uniform, and will remain uniform, among the Rate Zones (i.e., Customer, Meter,
314 Transformation, and Reactive Demand Charges). In addition to existing uniform prices, the
315 currently approved rate design methodology allows for additional movement towards price
316 uniformity, if certain criteria are met.

317 **Q. Does AIC's rate design methodology permit and promote movement toward**
318 **additional pricing uniformity?**

319 **A.** Yes. See page 2 of Ameren Exhibit 6.5. Generally, the approved methodology promotes
320 and requires additional movement toward price uniformity if a) average costs for each of the
321 applicable Rate Zones excluding the EDT is within 10% of the weighted average cost of the
322 applicable Rate Zone, and b) current average prices for delivery service for the class or subclass
323 excluding the EDT in the individual Rate Zone are likewise within 10% of the combined average
324 price of either two or three Rate Zones. In addition to the tolerances for rate uniformity listed
325 above, prices will be made uniform in all situations where prices within a rate cross-over one
326 another between Rate Zones. Prices for DS-6 shall be uniform among Rate Zones.

⁸ Due to the implementation of price uniformity for certain classes among two or more Rate Zones, revenue generated under proposed rates will deviate from the revenue requirements determined for each Rate Zone in the Company's revenue allocations. See Column 22 within Ameren Exhibit 6.6, pages 2, 4, and 6, for Rate Zones I, II, and III, respectively.

327 **Q. Has such additional uniformity among the Rate Zones, as described above, occurred**
328 **as a result of this proceeding?**

329 A. Yes. Table 1 below shows the classes and subclasses whose delivery service charges
330 have met the criteria for uniform delivery service pricing⁹ as provided by the approved rate
331 design methodology. For any given delivery service classification identified in Table 1, a value
332 of “Yes” indicates that the delivery service charges for a particular delivery service
333 classification have become uniform with those in at least one other Rate Zone.

334 For example, the DS-3 Primary Supply Voltage service classification has a value of
335 “Yes” for Rate Zone I and Rate Zone II, but a value of “No” in Rate Zone III. This indicates that
336 the delivery service charges have become uniform for this service classification in Rate Zones I
337 and II, but not yet in Rate Zone III. Therefore, customers in Rate Zone I and II will pay the same
338 delivery service charges effective January 2016, but customers in Rate Zone III will pay different
339 charges until a time when the rate design methodology allows the DS-3 Primary Supply Voltage
340 service classification in Rate Zone III to become uniform as well.

341 Another example is the DS-1 service classification. This classification has a value of
342 “Yes” for all three Rate Zones, indicating that delivery service charges will be uniform for all
343 Rate Zones effective January 2016. The DS-1 service classification is currently uniform for only
344 Rate Zones I and II. The approved rate design methodology has now caused delivery service
345 rates in the DS-1 class to become completely uniform, except for the Electric Distribution Tax
346 cost recovery charge, which continues to be different by Rate Zone.

⁹ Uniform pricing excludes Electric Distribution Tax cost recovery, which is established separately using the procedure described in Ameren Exhibit 6.5, page 4.

347

Table 1

Combined Rate Zone Delivery Service Charges			
<u>Delivery Service Classification</u>	<u>RZ I</u>	<u>RZ II</u>	<u>RZ III</u>
DS-1 - Residential Service	Yes	Yes	Yes*
DS-2 - Small General Service	Yes	Yes	Yes
DS-3 - General Service			
DS-3 - Primary Voltage	Yes	Yes	No
DS-3 - High Voltage	Yes*	Yes	Yes
DS-3 - +100 kV Voltage	Yes	Yes	Yes
DS-4 - Large General Service			
DS-4 - Primary Voltage	No	No	No
DS-4 - High Voltage	Yes	No	Yes
DS-4 - +100 kV Voltage	Yes	No	Yes
DS-5 - Protective Lighting Service	No	Yes	Yes
DS-6 - Temperature Sensitive Delivery Service	Yes	Yes	Yes
*Asterisk denotes change from prior year			

348 **Q. Do you expect additional movement towards rate uniformity to occur?**

349 A. Yes. I expect movement towards additional rate uniformity to continue over the course
350 of annual MAP-P update proceedings. It is unclear how fast or to what extent future movement
351 will entail due to year to year changes in net revenue requirements, investments incurred by AIC,
352 and many other unknowns. I do expect delivery service prices, including Electric Distribution
353 Tax cost recovery, to become completely uniform among the Rate Zones at some point in the
354 future.

355 **Q. Does this additional price uniformity, as approved in Docket 13-0476, have any**
356 **effect on reconciling the proposed Rate Zone revenue requirements?**

357 A. Yes. Due to the movement to additional price uniformity described above, as authorized
358 by Docket 13-0476, the proposed revenues by Rate Zone presented in Ameren Exhibit 6.6 will
359 no longer match the proposed revenues by Rate Zone presented in Mr. Stafford's A-2 Schedule
360 (RZ-I, RZ-II, and RZ-III). It should be noted that although AIC's proposed revenues will no
361 longer match by Rate Zone in this proceeding and future proceedings, AIC's total proposed

362 revenues as presented on page 44 of Ameren Exhibit 6.6 will continue to reconcile with the total
363 proposed revenues presented in Mr. Stafford's A-2 Schedule (AIC).

364 **Q. Has AIC incorporated the outcomes of the Final Order on Rehearing in Docket 13-**
365 **0476?**

366 A. Yes. Particularly, AIC has set the modified straight fixed variable percentage at 36.4%,
367 down from the 44.8% previously utilized.

368 **B. Pricing**

369 **Q. Previously in your testimony, you stated that AIC is proposing an overall net**
370 **revenue requirement increase. How does this translate into new delivery service prices**
371 **resulting from application of Rate MAP-P?**

372 A. Generally speaking, the proposed increase in the net revenue requirement will result in
373 higher delivery service charges. The individual price changes and the magnitude of those
374 changes are dependent on the rate design methodology pursuant to Rate MAP-P tariff and
375 outlined in Ameren Exhibit 6.5. For example, residential (DS-1) monthly customer and meter
376 charges will increase to \$12.00 and \$5.02, respectively. Ameren Exhibit 6.6 contains all delivery
377 service prices as set forth by Rate MAP-P, which supplements the "Determination of Delivery
378 Service Charges" section of the tariff. Weather normalized billing determinants, based on the
379 test year 2014, were used to establish the actual resultant volumetric-based pricing for all
380 customer classes.

381 Please note that the "present" revenue contained within Ameren Exhibit 6.6 (pages 9-44)
382 are based on test year billing determinants and prices approved in Docket 14-0317 (those
383 currently in effect), and reflected in the Delivery Service Charges Informational Sheet
384 supplemental to the Rate MAP-P tariff. The net change in revenue presented by Mr. Stafford is a

385 comparison between the revenue requirement approved in Docket 14-0317 and the proposed
386 revenue requirement in this proceeding.

387 **Q. Has the value for delivery service “Uncollectible Recovered in Base Rates” used in**
388 **conjunction with Rider EUA – Electric Uncollectible Adjustment, changed through**
389 **application of Rate MAP-P?**

390 A. Yes. The proposed uncollectible base delivery service values have been updated to
391 reflect proposed expense levels. The values are shown in the Rate MAP-P Informational Sheet.
392 The values themselves do not impact prices customers pay. Instead, the values are considered a
393 subset of the Customer Charge and used to track the amount of uncollectible expense is
394 “included in rates” for administration of Rider EUA – Electric Uncollectible Adjustment (Rider
395 EUA).

396 **Q. Have the uncollectible factors associated with Ameren Illinois supplied power been**
397 **adjusted in this proceeding?**

398 A. Yes. Both Rider PER – Purchased Electricity Recovery (Rider PER) and Rider HSS –
399 Hourly Supply Service (Rider HSS) require the uncollectible factors to be established in either a
400 delivery services rate case or formula rate proceeding pursuant to Section 16-108.5 of the Public
401 Utilities Act¹⁰. Permitting updates pursuant to formula rate proceedings was added to Riders
402 PER and HSS in late October, 2013. Table 2 below provides the adjusted factors.

¹⁰ See the Company’s Electric Service Schedule Illinois. C. C. No. 1; 1st revised Sheet No. 25.016

403

Table 2

Supply Service

BGS1/RTP1	0.01729
BGS2/RTP2	0.00294
HSS3/HSS6 ¹¹	0.01037
HSS4/HSS6 ¹²	0.00000
BGS5	0.00139

404 **Q. Do these updated Rider PER and Rider HSS uncollectible factors affect delivery**
405 **service prices developed in this proceeding for purposes of the 2015 MAP update formula**
406 **rate process?**

407 A. No. These factors are unrelated to delivery service pricing.

408 **Q. Does Ameren Exhibit 6.6 contain a summary of prices necessary to achieve the net**
409 **revenue requirement presented by Mr. Stafford?**

410 A. Yes. The summary of prices is contained on pages 46 through 50 of Ameren Exhibit 6.6.
411 A revenue proof, similar to Part 285 Schedule E-5, is also contained within Ameren Exhibit 6.6.
412 These calculations are shown on pages 9 through 44 of Ameren Exhibit 6.6 for Rate Zones I, II,
413 and III, respectively.

¹¹ Customers electing service under DS-6, whose only Company supply option is Rider HSS, who would otherwise be a DS-3 Customer supplied under HSS3.

¹² Customers electing service under DS-6, whose only Company supply option is Rider HSS, who would otherwise be a DS-4 Customer supplied under HSS4.

414 **C. Bill Impacts Comparisons**

415 **Q. Have you developed bill impacts that the proposed change in charges will have on**
416 **various customers?**

417 A. Yes. As an example, the typical¹³ residential customer using 10,000 kWh per year will
418 experience delivery service rate increases of 16.7%, 16.9%, and 5.2%, for Rate Zones I, II, and
419 III respectively. Ameren Exhibit 6.7 shows the impact of price changes on a series of
420 residential customers. Ameren Exhibit 6.8 shows the impact on a series of non-residential
421 customers. The impacts reflect changes in delivery service prices from those in effect on the
422 date of this filing to those proposed in this proceeding.

423 **D. Public Notice**

424 **Q. Does Ameren Illinois Company intend to publish Notice consistent with Part 255 of**
425 **the Illinois Administrative Code for the proposed change in rates?**

426 A. Yes. An Affidavit of Notice verifying the Company complied with the requirements of
427 Part 255 will be filed on e-Docket at a later date.

428 **IV. CONCLUSION**

429 **Q. Does this conclude your direct testimony?**

430 A. Yes, it does.

¹³ General Use, Non-Space Heating per Ameren Exhibit 6.7

APPENDIX

STATEMENT OF QUALIFICATIONS

RYAN K. SCHONHOFF

I am currently a supervisor in the Regulatory Policy and Rates Department of Ameren Illinois Company and I previously held the position of Regulatory Consultant in the same department. In addition to my general supervisory duties, my core responsibilities in the department include development of cost of service studies, revenue allocation, rate design, and pricing of gas and electric utility services. I am responsible for providing written and oral testimony related to such regulatory analysis. I am a graduate of Southern Illinois University at Edwardsville with a Bachelor of Science degree in Electrical Engineering and a concentration in Power Systems. I received my Master of Science Degree in Business Administration from Southern Illinois University at Edwardsville in May 2010. I am a licensed Professional Engineer in the State of Illinois. Prior to Ameren, I was employed by the Association of Illinois Electric Cooperatives where my responsibilities included development of Cost of Service Studies, Rate Design, and Long Term Energy Forecasts for member electric cooperatives located throughout the State of Illinois. I began my employment with Ameren in the Corporate Planning Department as a Load Research and Forecast Specialist. During that time, I performed various activities for the department including load research and development of class demands, electric and gas forecasting, revenue analysis, bill impact analysis, and a variety of other ad hoc analysis to support regulatory initiatives and rate cases. I have previously testified before the Illinois Commerce Commission and the Federal Energy Regulatory Commission in the following docketed proceedings.

Docketed Proceedings

<u>Subject Matter</u>	<u>Docket No</u>	<u>Year</u>
Gas Class Cost of Service	ICC Docket No. 15-0142	2015
Electric Class Cost of Service & Rate Design	ICC Docket No. 14-0317	2014
Electric Rate Redesign	ICC Docket No. 13-0476	2013
Electric Class Cost of Service	ICC Docket No. 13-0301	2013
Electric Class Cost of Service	ICC Docket No. 12-0293	2012
Electric Class Cost of Service	ICC Docket No. 12-0001	2012
Electric Class Cost of Service	ICC Docket No. 11-0279	2011
Electric Cost of Service & Rate Making	FERC Docket ER11-2777-002	2011
Gas & Electric Energy Efficiency Plan	ICC Docket No. 10-0568	2010