

DIRECT TESTIMONY

of

**Mike Luth
Rate Analyst**

Rates Department
Financial Analysis Division
Illinois Commerce Commission

Petition for Approval of Decommissioning Riders, Cost Estimate, and
Funding Level of Nuclear Decommissioning Trust Fund

Union Electric Company

Docket No. 02-0565

December 16, 2002

Witness Identification

1 Q. Please state your name and business address.

2 A. Mike Luth, Illinois Commerce Commission (“Commission”), 527 East Capitol
3 Avenue, Springfield, Illinois 62701.

4 Q. What is your present position with the Commission?

5 A. I am currently a Rate Analyst in the Rates Department of the Financial Analysis
6 Division. In that position, I review and analyze tariff filings by electric and gas
7 utilities with regard to cost of service and rate design. I make recommendations
8 to the Commission on such filings and participate in docketed proceedings as
9 assigned.

10 Q. Please state your professional qualifications and work experience.

11 A. I received a B.S. in Accounting from Illinois State University. I have earned the
12 C.P.A and C.M.A professional designations. Since graduating, I have worked as
13 an Assistant Property Manager with a real estate company and as a Field Auditor
14 with the Wisconsin Department of Revenue. In October of 1990, I joined the
15 Accounting Department of the Commission (“Commission”). In June 1998, I
16 transferred from the Accounting Department of the Commission to the Rates
17 Department.

18 Q. Have you testified in any previous Commission dockets?

19 A. Yes. I have testified on numerous occasions before the Commission.

Introduction to Testimony

20 Q. What is the subject matter of your testimony?

21 A. In its petition, Union Electric Company ("UE") requested an increase in the Rider
22 DEF currently in effect, from .008 cents per kWh to .015 cents per kWh
23 (AmerenUE Exhibit No. JRP-1). Revenues recovered under Rider DEF
24 commenced through the Order in Docket No. 99-0186 and replaced the
25 Company's recovery of decommissioning funding costs through base rates. In
26 this docket, the requested change in Rider DEF represents the start of a new 3-
27 year cycle for Rider DEF, which includes a comparison of revenues collected
28 under Rider DEF during the previous period of October 1999 through June 2002
29 with decommissioning costs to be funded through Rider DEF for the same
30 period. UE's requested increase per kWh is based upon several factors, which
31 can be summarized as:

- 32 1. Increase in funding,
- 33 2. Recovery of funding below expected levels from October 1999 through
34 June 2002, and
- 35 3. Reduction in projected kWh sales subject to Rider DEF compared to
36 projected kWh in Docket No. 99-0186.

37 I reviewed the allocation of projected decommissioning costs to Illinois customers
38 subject to Rider DEF and projected sales to Illinois customers for the next
39 reconciliation period of July 2002 through June 2005.

40 Q. Are you presenting any supporting schedules?

41 A. Yes. I prepared Schedule 4.01, "Calculation of Allocation Factor to Illinois, For
42 Funding of Decommissioning Costs under Rider DEF", which is attached to this
43 direct testimony.

Allocation to Illinois

44 Q. What is your recommendation concerning the allocation of decommissioning
45 funding costs to Illinois?

46 A. I recommend that the Commission find that the percentage of decommissioning
47 costs to Illinois should be 6.81%, rather than the percentage proposed by the
48 Company of 7.21%. The calculation of my recommended allocation factor to
49 Illinois is presented on Schedule 4.01 attached to this testimony.

50 Q. Why do you recommend a different percentage of decommissioning costs
51 allocated to Illinois?

52 A. There are two reasons why I am recommending a different allocation factor to
53 Illinois compared to UE:

- 54 1. UE did not adjust its allocation to eliminate interruptible customers, and
- 55 2. Comparison of Illinois to Total Company demand factors over a more
56 recent period.

57 The Company explained its calculation of decommissioning costs allocated to
58 Illinois in its reply to Staff data request ML-1. The Company compared the
59 monthly Illinois kW coincident peak ("CP") for the period of May 2001 through
60 April 2002 to the system peak for those months. A CP factor was used to
61 allocate decommissioning funding for Rider DEF in Docket No. 99-0186, and to

62 allocate decommissioning funding through base rates in the last UE base rate
63 case, Docket No. 85-0006. Shortly after the Order in Docket No. 99-0186, the
64 Company had a similar docket in Missouri, its major jurisdiction, which
65 established the allocation of decommissioning funding in Missouri. I reviewed
66 the Missouri Commission's Order, which was provided in the Company's reply to
67 Staff data request ML-3. In the current docket, the Company's calculation of the
68 allocation to Illinois was not adjusted to eliminate interruptible customers in
69 Illinois, as it was in the Missouri decommissioning docket.

70 A CP allocation factor measures demand upon the Company's generation
71 resources. Since interruptible customers can be curtailed from the use of the
72 Company's generation resources, demands from interruptible customers should
73 not be included in the allocation of demand for generation resources. Moreover,
74 in the Missouri decommissioning docket, the allocation to Missouri excluded the
75 effect of demands by interruptible customers. To be consistent with the Missouri
76 allocation, the allocation to Illinois should eliminate the effect of demands by
77 interruptible customers. The percentage of decommissioning funding from Illinois
78 that I am recommending eliminates demands from interruptible customers from
79 the calculation and is consistent with the calculation in Missouri.

80 Q. Are there any other differences in your calculation of the percentage of
81 decommissioning allocated to Illinois compared to the Company's calculation?

82 A. Yes. My allocation is based upon the 12 months of October 2001 through
83 September 2002, which is the most recent month that CP demand readings were
84 provided to me in Staff data request ML-5. The Company's allocation was based
85 upon CP readings from May 2001 through April 2002, which is less recent than
86 the 12-month period serving as the basis for my recommended allocation. It is
87 appropriate to use a more recent period in order to base the current funding of
88 estimated future decommissioning costs upon the current use of the facilities to
89 be decommissioned.

Revision to Wording of Tariff

90 Q. Do you recommend any changes to how the tariff for Rider DEF is worded?

91 A. Yes. The first sentence of the next-to-last paragraph of Sheet No. 122, as shown
92 on Schedule 2, page 1 of AmerenUE Exhibit No. JRP-1, should be revised to
93 replace the words “. . . the following January 1 . . .” with the words “after
94 Commission approval”. Changing the wording of the tariff in this fashion will
95 reduce any confusion over whether the then-current Rider DEF will remain in
96 effect until the Commission approves a revised or updated Rider DEF. The
97 significance of the phrase “. . . to be effective the following January 1 . . .” has
98 been of some concern since the Company filed the revised Rider DEF under
99 review in this docket. To eliminate similar potential future concerns, the change
100 in the wording of the tariff that I recommend should be made.

101 Q. Does this conclude your direct testimony?

102 A. Yes, it does.

Union Electric Company
 Calculation of Allocation Factor to Illinois
 For Funding of Decommissioning Costs under Rider DEF
 For the Reconciliation Period July 1, 2002 through June 30, 2005

<u>Illinois</u>	<u>Less: Interruptible</u>	<u>Net Illinois</u>	<u>Total Company</u>	<u>Less: Interruptible</u>	<u>Net Total Company</u>	<u>Illinois Portion</u>	
462,200		462,200	6,749,200	-	6,749,200	0.0685	May-01
559,200	62,753	496,447	7,240,400	62,753	7,177,647	0.0692	June-01
513,200		513,200	8,086,287	-	8,086,287	0.0635	July-01
511,200		511,200	8,020,738	-	8,020,738	0.0637	August-01
522,100	23,021	499,079	7,141,877	23,021	7,118,856	0.0701	September-01
392,200	19,449	372,751	4,727,100	19,449	4,707,651	0.0792	October-01
399,200	22,226	376,974	5,241,184	22,226	5,218,958	0.0722	November-01
435,200	29,729	405,471	5,428,126	29,729	5,398,397	0.0751	December-01
449,700	30,872	418,828	5,776,872	30,872	5,746,000	0.0729	January-02
416,100	24,371	391,729	5,868,744	24,371	5,844,373	0.0670	February-02
393,100	29,561	363,539	5,832,945	29,561	5,803,384	0.0626	March-02
427,300	21,878	405,422	5,857,981	21,878	5,836,103	0.0695	April-02
474,300	24,942	449,358	6,633,680	24,942	6,608,738	0.0680	May-02
472,300	19,948	452,352	7,361,993	19,948	7,342,045	0.0616	June-02
513,300		513,300	8,085,952	-	8,085,952	0.0635	July-02
529,200		529,200	8,080,717	-	8,080,717	0.0655	August-02
<u>485,300</u>		<u>485,300</u>	<u>7,211,180</u>	-	<u>7,211,180</u>	0.0673	September-02
<u>7,955,100</u>		<u>7,646,350</u>	<u>113,344,976</u>		<u>113,036,226</u>	<u>0.0676</u>	all 17 months
							October 2001 through September 2002
<u>5,387,200</u>		<u>5,164,224</u>	<u>76,106,474</u>		<u>75,883,498</u>	<u>0.0681</u>	12 months

Source: UE Reply to Staff data request ML-5