Docket No. 02-0837
ICC Staff Exhibit No. 10.0

REBUTTAL TESTIMONY

of

CHERI L. HARDEN

Rates Department

Financial Analysis Division

Illinois Commerce Commission

CENTRAL ILLINOIS LIGHT COMPANY

Docket No. 02-0837

May 21, 2003

Q. Would you please state your name and business address?

A. Cheri L. Harden, 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. Are you the same Cheri Harden who filed direct testimony in this case?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to issues raised by Central Illinois Light Company ("CILCO" or "Company") witness Raymond J. Stillson (CILCO Rebuttal Exhibit 4.4). Additionally, I will present revised rates and associated schedules in response to Staff witness Bonnie Pearce's revised revenue requirement proposals (ICC Staff Exhibit 7.0, Schedule 7.1).

Q. Are you proposing changes to the rates offered in your direct testimony?

A. Yes. I have attached schedules ICC Staff Exhibit 10.0, Schedule 10.1, pages 1 through 5.

Q. Mr. Stillson is proposing 700 cfh as the appropriate breaking point between Rate 550 and Rate 600 instead of the 315 cfh originally proposed. Do you accept this new breaking point? (Company Witness Stillson, Exhibit 4.4, page 8)

A. Yes. I find 700 cfh an adequate breaking point between Rate 550 and Rate 600 classes.

Q. The Company opposes your rate design for Rate 510, are you changing your recommendation? (Company Witness Stillson, Exhibit 4.4, page 13)

A. No, I am not changing my recommendation. I am still proposing that the customer charge should be at 75% of cost and a flat rate structure for the delivery charge.

Q. Did you review the entire rate design structure as Company witness Stillson suggests in his rebuttal testimony? (Company Witness Stillson, Exhibit 4.4, page 11)

A. Yes I did. However, rate design is not an exact science, it requires that the analyst assign costs based on many factors. Any time that two or more rate designs are compared, it can be argued that cost shifting is taking place. Because costs may be shifted, based on the specific design of a rate, does not necessarily mean that my recommended residential rate is inappropriate. Even the Company's proposal for its Rate 510 residential rate shifts costs from the design of the Company's existing Rate 510. The existing Rate 510, approved in CILCO's previous rate case, includes a customer charge which is 75% of the fully embedded customer charge for residential customers. In the current docket, the Company initially proposed a customer charge which was only 63% of the fully embedded customer charge for residential customers. Movement from 75% to 63% meant that the Company's proposal had shifted costs from the

customer charge to the delivery charge.

My customer charge recommends that the percent of fully embedded customer charge remain at 75%. This recommendation shifts costs from the Company's initial proposal. While either the 75% or the 63% number can be argued, either one involves a shifting of costs. The point being that even the Company's initial proposal included cost shifting, which apparently the Company was not opposed to at the time of filing.

The flat rate concept is not an unusual rate design. Other gas utilities, as well as electric utilities, in Illinois have flat rates for residential customers. Simply arguing that cost shifting occurs should not, by itself, be the sole determinant as to whether or not a specific rate design is appropriate.

Q. Does your rate design impact the Company's ability to recover its costs?

A. The rate design I propose will provide the Company the opportunity to recover its costs. Revenue requirement may be over, or under, recovered in a period of time for various reasons, including the number of customers, weather, general economic conditions and customer usage. For instance, the number of customers could increase substantially if a new large business locates in the Company's territory. This could cause the Company to over-recover. Under-

recovery could occur if a large business closes or relocates out of the Company's territory. Warmer or colder weather during the summer and winter seasons will cause over or under-recovery. If the general economic conditions are good, customers may feel positive about their own "pocket-book" and increase their usage, thus possibly causing the Company to over-recover.

My recommendation for a flat rate delivery charge may cause customers to be more aware of their energy use and be more inclined to conserve. This is certainly the intent. Whether customers will choose to conserve is not yet known. Thus, in combination with the other possible causes of over and under-recovery that are described above, the Company may, or may not, actually recover its revenue requirement in any particular year. The Company argument that it may not recover its revenue requirement using my recommended rate design is not valid because the Company may not recover its revenue requirement under its own proposed rate structure.

The results of my proposed rate design can be found in ICC Staff Exhibit 10.0, Schedule 10.1, pages 1 through 5.

Q. Does the Company oppose your rate design for Rate 550 and Rate 600?

A. No, the Company has accepted my flat rate design for the delivery charge for Rate 550 and Rate 600 (as shown on CILCO Rebuttal Exhibit 4.6) as the

customer charge is set at full cost of service.

Q. Does this conclude your rebuttal testimony in this proceeding?

A. Yes.

Central Illinois Light Company
RS 510 - Residential Gas Service
Proposed Rate Design - Staff Rebuttal
Page 1 of 5

Line No.	Description (a)	Block Break (b)	Annual Billing Determinant (c)	Proposed Distribution Rates (d)	Proposed Distribution Revenues (e)	Current Distribution Revenues (f)	Proposed Increase (g)	% Change (h)
1	Customer Charge (per Month)		2,280,996	$12.15	$27,714,101			
	Delivery (per therm)							
2	Head Block	0	114,064,768	$0.0000	$0			
3	Tail Block		65,815,426	$0.0000	$0			
4	Total Delivery		179,880,194	$0.1689	$30,381,765			
5	Total All				$58,095,866	$50,865,759	$7,230,107	14.21%
6	Target Revenue				$58,092,777			
7	Over/(Under)				$3,089			

Central Illinois Light Company
RS 550 - Small General Gas Service
Proposed Rate Design - Staff Rebuttal
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Line No.	Description (a)	Block Break (b)	Annual Billing Determinant (c)	Proposed Distribution Rates (d)	Proposed Distribution Revenues (e)	Current Distribution Revenues (f)	Proposed Increase (g)	% Change (h)
1	Customer Charge (per Month)		157,320	$23.00	$3,618,360			
	Delivery (per therm)							
2	Head Block	0	11,995,510	$0.0000	$0			
3	Tail Block		7,740,948	$0.0000	$0			
4	Total Delivery		19,736,458	$0.1557	$3,072,967			
5	Total All				$6,691,327	$6,322,165	$369,162	5.84%
6	Target Revenue				$6,692,535			
7	Over/(Under)				($1,209)			

Central Illinois Light Company
RS 600 - General Gas Service
Proposed Rate Design - Staff Rebuttal
Page 3 of 5

Line No.	Description (a)	Block Break (b)	Annual Billing Determinant (c)	Proposed Distribution Rates (d)	Proposed Distribution Revenues (e)	Current Distribution Revenues (f)	Proposed Increase (g)	% Change (h)
1	Customer Charge Std. (per Month)		54,360	$120.00	$6,523,200			
2	Customer Charge Non-Std. (per Month)		84	$1,320.00	$110,880			
3	Total Customer Charge				$6,634,080			
	Delivery (per therm)							
4	Head Block		66,791,722	$0.0000	$0			
5	Tail Block		8,046,452	$0.0000	$0			
6	Total Delivery		74,838,174	$0.1083	$8,104,974			
7	Total All				$14,739,054	$11,390,817	$3,348,237	29.39%
8	Target Revenue				$14,740,416			
9	Over/(Under)				($1,362)			

Central Illinois Light Company
RS 650 - Intermediate General Gas Service
Proposed Rate Design - Staff Rebuttal
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Line No.	Description (a)	Annual Billing Determinant (b)	Proposed Distribution Rates (c)	Proposed Distribution Revenues (d)	Current Distribution Revenues (e)	Proposed Increase (f)	% Change (g)
1	Customer Charge (per Month)	360	$1,320.00	$475,200			
2	Demand Charge (per MDCQ therm)	1,942,056	$0.9247	$1,795,819			
3	Distribution Charge (per therm)	27,875,841	$0.0100	$278,758			
4	Total All	27,875,841		$2,549,778	$2,027,893	$521,885	25.74%
5	Target Revenue			$2,550,030			
6	Over/(Under)			($253)			

Central Illinois Light Company
RS 700 - Large General Gas Service
Proposed Rate Design - Staff Rebuttal
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Line No.	Description (a)	Annual Billing Determinant (b)	Proposed Distribution Rates (c)	Proposed Distribution Revenues (d)	Current Distribution Revenues (e)	Proposed Increase (f)	% Change (g)
1	Customer Charge (per Month)	60	$2,770.00	$166,200			
2	Demand Charge (per MDCQ therm)	4,226,604	$0.2618	$1,106,525			
3	Distribution Charge (per therm)	46,506,417	$0.0100	$465,064			
4	Total All	46,506,417		$1,737,789	$1,298,559	$439,230	33.82%
5	Target Revenue			$1,738,077			
6	Over/(Under)			($288)			