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Missouri Public
Service Commission

Exhibit No.:

Issues: Interim Rates

Witness: Gary S. Weiss

Sponsoring Party: Union Electric Co.

Type of Exhibit: Direct Testimony

Case No.: ER-2010-0036

Date Testimony Prepared: October 20, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. ER-2010-0036

DIRECT TESTIMONY ON INTERIM RATES

OF

GARY S. WEISS

ON

BEHALF OF

UNION ELECTRIC COMPANY

d/b/a AmerenUE

St. Louis, Missouri
October, 2009

AmerenUE Exhibit No. D
Case No(s) ER-2010-0036
Date 12-07-09 Rptr KK

1 **DIRECT TESTIMONY ON INTERIM RATES**
2 **OF**
3 **GARY S. WEISS**
4 **CASE NO. ER-2010-0036**

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

6 A. My name is Gary S. Weiss. My business address is 1901 Chouteau
7 Avenue, Saint Louis, Missouri 63103.

8 **Q. By whom and in what capacity are you employed?**

9 A. I am employed by Union Electric Company d/b/a AmerenUE
10 (“AmerenUE” or “Company”) as Manager of Regulatory Accounting.

11 **Q. Are you the same Gary S. Weiss who filed direct testimony in this**
12 **case?**

13 A. Yes, I am.

14 **Q. What is the purpose of your direct testimony on interim rates?**

15 A. The purpose of my direct testimony on interim rates is to provide the
16 calculation of the revenue requirement that is the basis for the Company’s request for
17 interim rate relief in this case. In addition, I provide the calculation of the Company’s
18 per-books historic earned returns, and adjust those historic earned returns to take into
19 account the cost associated with the loss of the Taum Sauk generating facility, which is
20 being borne by the Company through adjustments to rates that were implemented in each
21 of the Company’s last two rate cases. Finally, I provide the calculation of the total
22 revenue loss to the Company due to the regulatory lag associated with net additions to
23 plant-in-service from October 1, 2008 through September 30, 2009.

1 **Q. Are you responsible for calculating the revenue requirement that is**
2 **the basis for the Company's request for interim rate relief in this case?**

3 A. Yes, I am.

4 **Q. What is the amount of the interim revenue requirement requested by**
5 **the Company, and what items are included in the interim revenue requirement?**

6 A. The Company is requesting that rates be approved that permit it to recover
7 approximately \$37.3 million¹ of its total requested annual increase (which is
8 approximately \$402 million) in revenue requirement on an interim basis, subject to
9 refund. This interim revenue requirement increase is calculated based only on the cost of
10 net plant additions² that have been placed in service from October 1, 2008 (the first day
11 after the end of the true-up period in the Company's last rate case) to May 30, 2009, the
12 most current month for which accounting data was available at the time this rate case was
13 filed. The interim revenue requirement increase includes depreciation expense, income
14 taxes, and return on the net plant additions. The depreciation rates and rate of return
15 approved in the Commission's Report and Order in the Company's last rate case, Case
16 No. ER-2008-0318, were used to calculate the interim revenue requirement.

17 **Q. What is the basis for the Company's request to recover these costs on**
18 **an interim basis, subject to refund?**

19 A. As outlined in the direct testimony on interim rates of AmerenUE witness
20 Warner L. Baxter, the Company is experiencing significant regulatory lag—a delay
21 between the time when expenditures are made and the time that those expenditures are

¹ The calculation of the \$37.3 million interim increase is reflected in Schedule GSW-E23 to this testimony.

² Net plant additions are the increase in plant-in-service less the increase in accumulated depreciation reserve on all of AmerenUE's plant.

1 reflected in rates. In fact, without interim rates all of the return, taxes and depreciation on
2 this plant-in-service associated with the time period beginning when it goes into service
3 until permanent rates would be set in this case is lost forever. An interim rate increase
4 based upon the costs of these capital additions (which are already serving customers) will
5 help mitigate regulatory lag and provide some mitigation against the Company's
6 persistent inability to earn its authorized return, which I discuss below.

7 **Q. Has AmerenUE been able to earn the return on equity authorized by**
8 **the Commission in its last two rate cases since Case No. ER-2007-0002 concluded in**
9 **May 2007?**

10 A. No. The Commission authorized returns on equity of 10.2% and 10.76%
11 respectively, in the Company's last two rate cases (Case No. ER-2007-0002 and Case No.
12 ER-2008-0318). For the twenty-seven months from June 2007 through August 2009
13 (each a twelve month ending period), the Company's earned return on equity has
14 consistently been below its authorized return on equity, as shown in Table 1 on the next
15 page of this testimony. During this period, the Company's average earned return on
16 equity was just 8.06 percent, or 214 and 270 basis points below that authorized by the
17 Commission in Case No. ER-2007-0002 and Case No. ER-2008-0318, respectively. In
18 fact, in only two of those twenty-seven months did the Company's earned return on
19 equity equal or exceed the allowed return on equity in effect at that time, and in only
20 three other months was the Company's return within even 50 basis points of its
21 authorized return on equity.

TABLE 1

Month	Year	Mo. Electric Rate Base	Mo. Electric Operating Income	Return on Rate Base	Return on Equity	Allowed ROE	Variation
June	2007	\$5,894,787,447	\$ 409,836,625	6.95%	8.32%	10.20%	-1.88%
July		5,857,606,784	413,787,801	7.06%	8.53%	10.20%	-1.67%
August		5,852,708,753	434,074,853	7.42%	9.20%	10.20%	-1.00%
September		5,832,533,516	454,226,385	7.79%	9.91%	10.20%	-0.29%
October		5,843,612,754	438,158,731	7.50%	9.36%	10.20%	-0.84%
November		5,850,240,664	429,010,087	7.33%	9.04%	10.20%	-1.16%
December		5,815,927,377	433,537,872	7.45%	9.28%	10.20%	-0.92%
January	2008	5,814,605,545	440,938,071	7.58%	9.52%	10.20%	-0.68%
February		5,856,834,745	433,006,825	7.39%	9.16%	10.20%	-1.04%
March		5,832,160,085	444,541,129	7.62%	9.60%	10.20%	-0.60%
April		5,849,549,828	482,114,278	8.24%	10.78%	10.20%	0.58%
May		5,869,432,908	467,424,494	7.96%	10.25%	10.20%	0.05%
June		5,874,810,247	457,787,345	7.79%	9.92%	10.20%	-0.28%
July		5,877,435,787	454,545,693	7.73%	9.81%	10.20%	-0.39%
August		5,890,259,653	433,445,576	7.36%	9.09%	10.20%	-1.11%
September		5,957,247,493	410,069,991	6.88%	8.18%	10.20%	-2.02%
October		6,002,477,409	378,454,012	6.30%	7.08%	10.20%	-3.12%
November		6,118,937,710	356,182,643	5.82%	6.15%	10.20%	-4.05%
December		6,158,150,109	383,946,700	6.23%	6.94%	10.20%	-3.26%
January	2009	6,169,143,105	382,758,987	6.20%	6.88%	10.20%	-3.32%
February		6,224,863,979	361,752,402	5.81%	6.13%	10.20%	-4.07%
March		6,019,494,000	353,605,000	5.87%	6.02%	10.76%	-4.74%
April		6,019,642,000	336,030,000	5.58%	5.46%	10.76%	-5.30%
May		6,037,599,000	341,673,000	5.66%	5.61%	10.76%	-5.15%
June		6,038,441,000	352,331,000	5.83%	5.95%	10.76%	-4.81%
July		6,083,856,000	342,577,000	5.63%	5.56%	10.76%	-5.20%
August		6,091,596,000	354,246,000	5.82%	5.91%	10.76%	-4.85%
Average					<u>8.06%</u>		<u>-2.26%</u>

1 **Q. Isn't the unavailability of the Taum Sauk Plant part of the reason for**
2 **AmerenUE's failure to earn its authorized rate of return?**

3 A. Yes, but only in small part. The estimated value of the Taum Sauk Plant
4 in the current rate case (Case No. ER-2010-0036) is \$26.8 million per year. Based on
5 that estimate, the after tax impact of adjusting AmerenUE's operating income to reflect
6 this value is an increase of approximately \$16.5 million per year. In Table 2 on the next
7 page of this testimony, I have increased each period's operating income by the after tax
8 impact of Taum Sauk and recalculated the Company's earned return on equity. Including
9 the Taum Sauk adjustment during the twenty-seven months of June 2007 through August
10 2009, the Company's average earned return on equity was just 8.52%, an average of 181
11 basis points below the return on equity authorized by the Commission over that period.
12 Consequently, even when we reflect the impact of the Taum Sauk loss, the Company's
13 earned returns on equity are significantly below its authorized returns on equity.

TABLE 2

Month	Year	Mo. Electric Rate Base	Mo. Electric Operating Income With Taum Sauk	Return on Rate Base	Return on Equity	Allowed ROE	Variation
June	2007	\$5,894,787,447	\$ 426,346,177	7.23%	8.85%	10.20%	-1.35%
July		5,857,606,784	430,297,165	7.35%	9.07%	10.20%	-1.13%
August		5,852,708,753	450,584,217	7.70%	9.74%	10.20%	-0.46%
September		5,832,533,516	470,735,749	8.07%	10.46%	10.20%	0.26%
October		5,843,612,754	454,668,095	7.78%	9.90%	10.20%	-0.30%
November		5,850,240,664	445,519,451	7.62%	9.58%	10.20%	-0.62%
December		5,815,927,377	450,047,236	7.74%	9.82%	10.20%	-0.38%
January	2008	5,814,605,545	457,447,435	7.87%	10.07%	10.20%	-0.13%
February		5,856,834,745	416,497,461	7.11%	8.62%	10.20%	-1.58%
March		5,832,160,085	461,050,493	7.91%	10.14%	10.20%	-0.06%
April		5,849,549,828	498,623,642	8.52%	11.32%	10.20%	1.12%
May		5,869,432,908	483,933,858	8.24%	10.79%	10.20%	0.59%
June		5,874,810,247	474,296,709	8.07%	10.46%	10.20%	0.26%
July		5,877,435,787	471,055,057	8.01%	10.35%	10.20%	0.15%
August		5,890,259,653	449,954,940	7.64%	9.63%	10.20%	-0.57%
September		5,957,247,493	426,579,355	7.16%	8.71%	10.20%	-1.49%
October		6,002,477,409	394,963,376	6.58%	7.60%	10.20%	-2.60%
November		6,118,937,710	372,692,007	6.09%	6.67%	10.20%	-3.53%
December		6,158,150,109	400,456,064	6.50%	7.45%	10.20%	-2.75%
January	2009	6,169,143,105	399,268,351	6.47%	7.40%	10.20%	-2.80%
February		6,224,863,979	345,243,038	5.55%	5.62%	10.20%	-4.58%
March		6,019,494,000	370,114,364	6.15%	6.55%	10.76%	-4.21%
April		6,019,642,000	352,539,364	5.86%	5.99%	10.76%	-4.77%
May		6,037,599,000	358,182,364	5.93%	6.14%	10.76%	-4.62%
June		6,038,441,000	368,840,364	6.11%	6.47%	10.76%	-4.29%
July		6,083,856,000	359,086,364	5.90%	6.08%	10.76%	-4.68%
August		6,091,596,000	370,755,364	6.09%	6.43%	10.76%	-4.33%
Average					8.52%		-1.81%

1 **Q. Mr. Baxter's direct testimony on interim rates indicates that if**
2 **interim rates are not approved, AmerenUE will permanently lose revenue of**
3 **approximately \$75 million due to regulatory lag associated with the recovery of**
4 **plant costs in this case. Did you provide that figure, and can you please explain**
5 **what it represents?**

6 A. Yes. I calculated the monthly increases in actual net plant additions that
7 have occurred at AmerenUE from October 1, 2008 through September 30, 2009 (the
8 latest date available at the time I prepared this testimony). I then calculated the
9 depreciation expense, income taxes, and return on each month's net plant additions. I
10 used one-twelfth of the annual amounts to reflect the monthly amount of depreciation
11 expense, income taxes and return. Each month's lost depreciation expense, income taxes,
12 and return were then factored up through May 31, 2010, as new rates from this case
13 should be effective by June 2010. For example, the October 2008 monthly amount of
14 depreciation expense, income taxes, and return were multiplied by twenty, the number of
15 months from October 2008 through May 2010, to calculate the full amount of
16 depreciation expense, income taxes, and return permanently lost by the Company due to
17 the regulatory lag on the October 2008 net plant additions. I did the same calculation for
18 the months of November 2008 through September 2009 to calculate the total depreciation
19 expense, income taxes, and return of approximately \$75 million that will be permanently
20 lost by the Company on net plant additions through September 30, 2009, in the absence
21 of the Commission's approval of interim rates.³

³ The Company will actually permanently lose more taxes, depreciation, and return than is reflected in this \$75 million because there will be additional net plant increases both through the true-up cutoff date in this case (January 31, 2009) and up until the time new rates take effect.

1 **Q. Will the Commission's approval of interim rates allow the Company**
2 **to recover these lost revenues?**

3 A. No. The Commission's approval of the Company's requested interim rate
4 increase in this case will only allow it to recover a portion of the original interim rate
5 request of approximately \$37.3 million because any interim rates that are approved would
6 only be in effect for part of a year (e.g., if interim rates take effect on January 1, 2010,
7 they will remain in effect for only approximately six months). Moreover, none of the
8 difference between the approximately \$75 million relating to net plant additions from
9 October 1, 2008 through September 30, 2009, and the approximately \$37.3 million for
10 those net plant additions through May 30, 2009, will be addressed by interim rates in this
11 case. That difference (\$37.7 million) will be lost forever.

12 **Q. Does this conclude your direct testimony on interim rates?**

13 A. Yes, it does.

In the Matter of Union Electric Company d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service.) Case No. ER-2010-0036
) Tracking No. YE-2010-0054
) Tracking No. YE-2010-0055

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

1. My name is Gary S. Weiss. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Manager in Regulatory Accounting.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Gary S. Weiss
Gary S. Weiss

Subscribed and sworn to before me this 20th day of October, 2009.

Amanda Tesdall
Notary Public

Amanda Tesdall - Notary Public
Notary Seal, State of
Missouri - St. Louis County
Commission #07158967
My Commission Expires 7/29/2011

AmerenUE
Increase in Electric Plant
Increase from October 2008 thru May 2009
(In \$000's)

	May 2009			September 2008			Incr(Decr)	Allocation		Missouri Jurisdictional
	Plant Balance	Less ARO	Adjusted Plant Balance	Plant Balance	Less ARO	Adjusted Plant Balance		Method	Percent	
GROSS PLANT										
Intangible Plant	44,296,181	-	44,296,181	41,519,870	-	41,519,870	2,776,311	(Fixed)	95.59%	2,853,876
Steam	2,972,400,073	26,100,948	2,946,299,125	2,936,805,453	26,608,867	2,910,196,586	36,102,539	(Fixed)	95.59%	34,510,417
Nuclear	2,829,862,608	-	2,829,862,608	2,805,605,808	40,826,807	2,764,779,001	65,083,608	(Fixed)	95.59%	62,213,420
Callaway Post Operational	116,730,946	-	116,730,946	116,730,946	-	116,730,946	-	(Fixed)	95.59%	-
Hydraulic	269,594,027	-	269,594,027	286,579,523	-	286,579,523	(16,985,496)	(Fixed)	95.59%	(16,236,436)
Other Production	1,191,179,135	-	1,191,179,135	1,182,070,067	-	1,182,070,067	9,109,068	(Fixed)	95.59%	8,707,358
Total Production	7,379,766,789	26,100,948	7,353,665,841	7,327,791,797	67,435,674	7,260,356,123	93,308,718			89,194,759
Transmission	631,514,658	-	631,514,658	600,063,042	-	600,063,042	31,451,617	(Direct)	100.00%	31,451,617
Distribution	4,044,494,072	337,836	4,044,156,236	3,850,104,374	337,836	3,849,766,538	194,389,699	(Distribution)	99.52%	193,456,628
General	537,321,278	231,782	537,089,496	501,064,703	320,730	500,743,973	36,345,523	(Labor)	96.75%	35,164,294
Total	12,837,392,979	26,670,566	12,810,722,413	12,320,543,785	68,094,240	12,252,449,545	358,272,868			351,921,174
ACCUMULATED RESERVE										
Intangible Plant	19,324,407	-	19,324,407	16,438,547	-	16,438,547	2,885,860	(Fixed)	95.59%	2,758,584
Steam	1,318,677,544	8,040,031	1,310,637,513	1,291,879,404	7,339,027	1,284,540,377	26,097,136	(Fixed)	95.59%	24,946,252
Nuclear	1,224,712,700	-	1,224,712,700	1,270,073,139	76,479,917	1,193,593,222	31,119,478	(Fixed)	95.59%	29,747,109
Callaway Post Operational	59,882,516	-	59,882,516	57,424,204	-	57,424,204	2,458,312	(Fixed)	95.59%	2,349,900
Hydraulic	72,751,499	-	72,751,499	70,791,625	-	70,791,625	1,959,874	(Fixed)	95.59%	1,873,443
Other Production	470,809,607	-	470,809,607	456,007,387	-	456,007,387	14,802,220	(Fixed)	95.59%	14,149,442
Total Production	3,148,833,865	8,040,031	3,138,793,834	3,140,175,759	83,818,944	3,056,356,814	78,437,020			73,066,147
Transmission	224,623,568	-	224,623,568	215,869,249	-	215,869,249	8,754,319	(Direct)	100.00%	8,754,319
Distribution	1,778,131,235	255,314	1,778,875,821	1,737,491,873	250,971	1,737,240,901	41,635,026	(Distribution)	98.52%	41,435,171
General	257,465,009	148,304	257,316,705	244,721,307	146,154	244,575,153	12,741,552	(Labor)	96.75%	12,327,451
Total	5,427,378,085	8,443,650	5,418,934,435	5,360,696,734	84,216,070	5,276,480,665	142,453,770			138,341,682
NET PLANT										
Intangible Plant	24,971,774	-	24,971,774	25,081,323	-	25,081,323	(109,549)	(Fixed)	95.59%	(104,718)
Steam	1,653,722,529	18,060,916	1,635,661,612	1,644,926,049	19,269,840	1,625,656,210	10,005,403	(Fixed)	95.59%	9,554,165
Nuclear	1,605,149,909	-	1,605,149,909	1,535,532,669	(35,653,110)	1,571,185,779	33,964,130	(Fixed)	95.59%	32,466,311
Callaway Post Operational	56,848,430	-	56,848,430	59,306,742	-	59,306,742	(2,458,312)	(Fixed)	95.59%	(2,349,900)
Hydraulic	196,842,528	-	196,842,528	215,787,898	-	215,787,898	(18,945,370)	(Fixed)	95.59%	(18,109,879)
Other Production	720,369,528	-	720,369,528	726,062,680	-	726,062,680	(5,693,152)	(Fixed)	95.59%	(5,442,084)
Total Production	4,232,932,924	18,060,916	4,214,872,007	4,181,616,038	(16,383,270)	4,197,999,308	16,872,699			16,128,612
Transmission	406,891,090	-	406,891,090	384,193,792	-	384,193,792	22,697,298	(Direct)	100.00%	22,697,298
Distribution	2,265,362,837	82,522	2,265,280,315	2,112,612,501	86,885	2,112,525,636	152,754,679	(Distribution)	99.52%	152,021,457
General	279,856,269	83,478	279,772,792	256,343,396	174,576	256,168,820	23,603,972	(Labor)	96.75%	22,836,843
Total	7,210,014,894	18,226,915	7,191,787,979	6,959,847,051	(16,121,830)	6,975,968,880	215,819,098			213,579,492
Depreciation Expense										
Intangible Plant							Incr. Plant 2,853,876	Depr. Rate 20.00%		Depreciation 530,775
Steam							34,510,417	2.00%		690,208
Nuclear							62,213,420	2.19%		1,362,474
Callaway Post Operational							-			-
Hydraulic							(16,236,436)	1.44%		(233,805)
Other Production							8,707,358	2.63%		229,004
Total Production							89,194,759			2,047,681
Transmission							31,451,617	2.34%		735,968
Distribution							193,456,628	3.42%		6,616,217
General							35,164,294	5.59%		1,965,684
Total							351,921,174			11,896,525

AmerenUE
Interim Rate Calculation
(In \$000's)

	Gross Plant	Missouri Retail
Increase in Gross Plant October 2008 through May 2009	\$ 358,273	\$ 351,921
Increase in Net Plant October 2008 through May 2009	215,819	213,579
Return and Income Taxes (11.886%)		25,386
Depreciation Expense		11,897
Total Increase in Revenues		<u>\$ 37,283</u>