

Exhibit No.:

Issue(s):

Economic Considerations/
Billing Adjustment Issue

Witness/Type of Exhibit:

Meisenheimer/Direct

Sponsoring Party:

Public Counsel

Case No.:

GR-2010-0363

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

**UNION ELECTRIC COMPANY,
D/B/A AMERENUE**

GAS REVENUE REQUIREMENT

CASE NO. GR-2010-0363

November 8, 2010

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Natural)
Gas Service Provided to Customers in the)
Company's Missouri Service Area)

GR-2010-0363

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
)
COUNTY OF COLE) ss

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

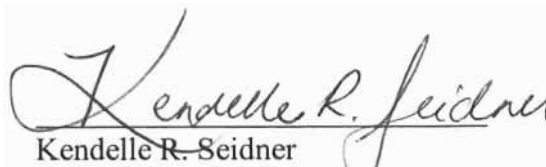
1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.


Barbara A. Meisenheimer \

Subscribed and sworn to me this 8th day of November 2010.



KENDELE R. SEIDNER
My Commission Expires
February 4, 2011
Cole County
Commission #07004782


Kendelle R. Seidner
Notary Public

My Commission expires February 4, 2011

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

**UNION ELECTRIC COMPANY, D/B/A AMERENUE (GAS REVENUE
REQUIREMENT)**

CASE NO. GR-2010-0363

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
2230, Jefferson City, Missouri 65102.

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.

A. I hold a Bachelor of Science degree in Mathematics from the University of Missouri-
Columbia (UMC) and have completed the comprehensive exams for a Ph.D. in Economics
from the same institution. My two fields of study are Quantitative Economics and Industrial
Organization. My outside field of study is Statistics.

I have been with the Office of the Public Counsel since January 1996. I have testified on
economic issues and policy issues in the areas of telecommunications, gas, electric, water
and sewer. In rate cases my testimony has addressed class cost of service, rate design,
miscellaneous tariff issues, low-income and conservation programs and revenue requirement
issues related to the development of class revenues, billing units, low-income program costs,
incentive programs and fuel cost recovery.

1 Over the past 15 years I have also taught courses for the following institutions: University of
2 Missouri-Columbia, William Woods University, and Lincoln University. I currently teach
3 undergraduate and graduate level economics courses and undergraduate statistics for
4 William Woods University.

5 **Q. DID YOU TESTIFY IN AMERENUE'S LAST GAS RATE CASE?**

6 A. Yes. I testified in the most recent rate case; Case No. GR-2007-0003.

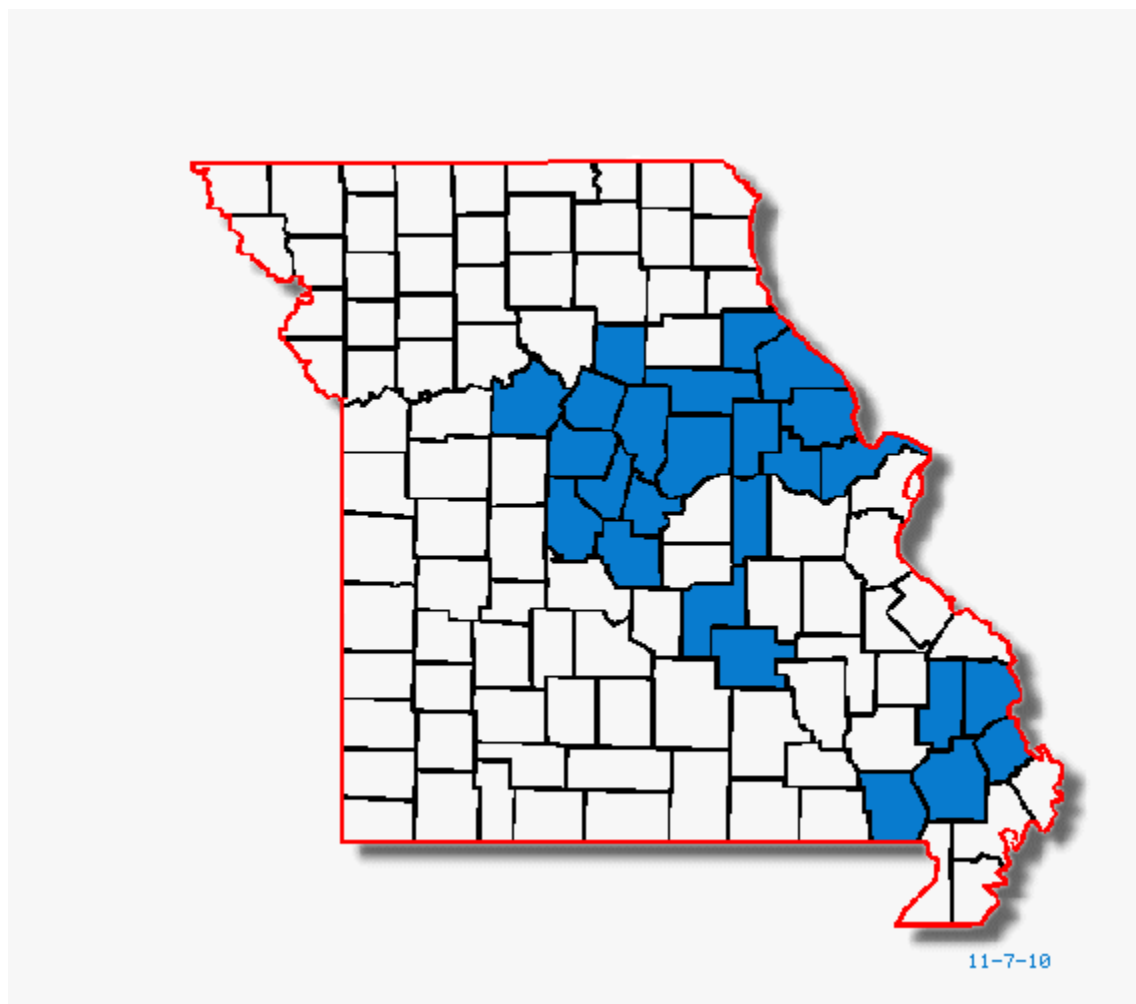
7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. My direct revenue requirement testimony addresses economic and public policy
9 considerations that Public Counsel encourages the Commission to consider in resolving the
10 issues in this case.

11 ***II. ECONOMIC CONSIDERATIONS***

12 **Q. PLEASE COMMENT ON THE RATE OF UNEMPLOYMENT IN AMERENUE'S SERVICE AREA.**

13 A. AmerenUE serves customers in portions of 25 counties in Eastern, Central and Southeastern
14 Missouri.



These counties have experienced high unemployment in recent years. As illustrated below, according to the U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, the unemployment rate in many of these counties has more than doubled since 2006.

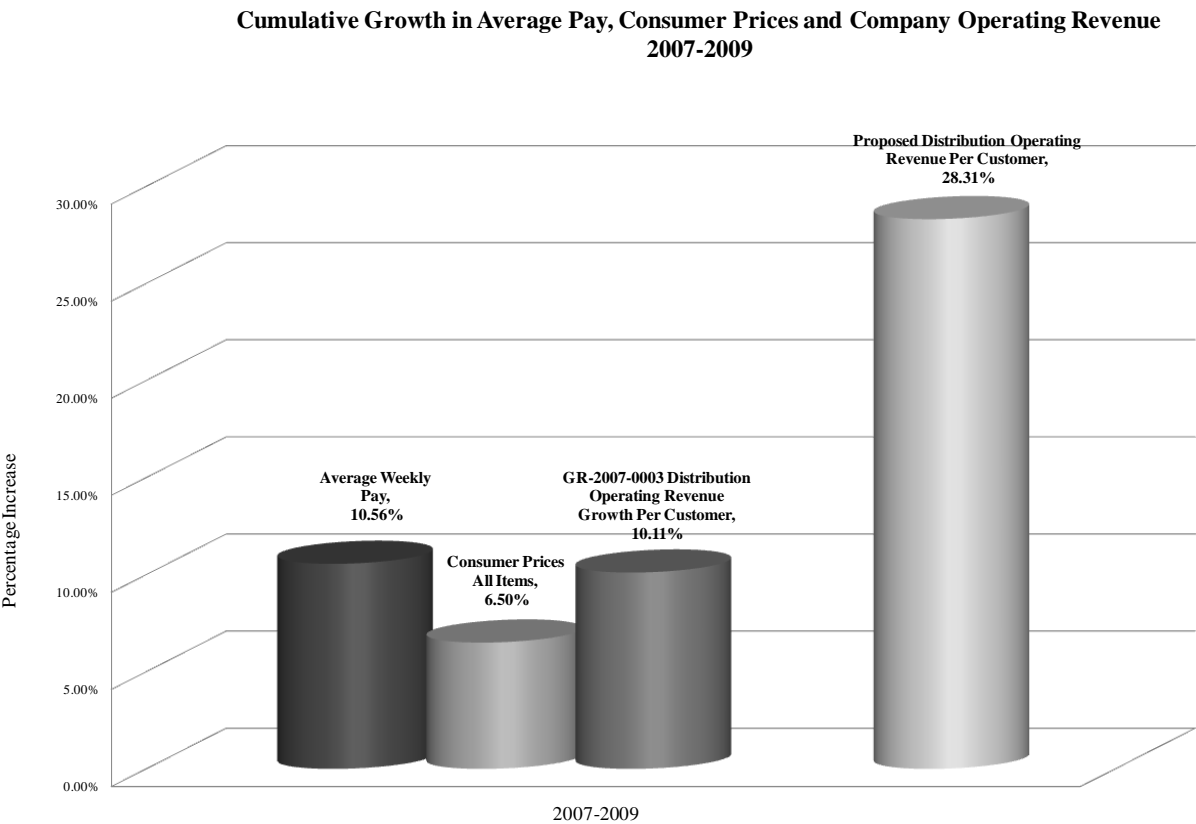
	Unemployment Rate				Change Increase 2006-2009
	2006	2007	2008	2009	
Audrain County	4.4%	4.9%	6.2%	9.5%	116%
Bollinger County	5.5%	5.4%	6.7%	10.2%	85%
Boone County	3.3%	3.7%	4.4%	6.3%	91%
Butler County	5.3%	6.5%	6.1%	8.2%	55%
Callaway County	4.3%	4.4%	5.3%	8.1%	88%
Cape Girardeau County	4.1%	4.3%	5.1%	7.3%	78%
Cole County	3.8%	3.9%	4.5%	6.9%	82%
Cooper County	4.3%	4.5%	5.7%	9.0%	109%
Dent County	5.8%	6.7%	7.6%	9.7%	67%
Gasconade County	5.4%	5.5%	7.6%	11.6%	115%
Howard County	4.4%	4.4%	5.9%	8.4%	91%
Lincoln County	5.2%	5.6%	7.8%	11.9%	129%
Miller County	5.2%	5.2%	6.7%	11.7%	125%
Moniteau County	4.6%	4.6%	5.5%	8.2%	78%
Montgomery County	5.4%	5.4%	7.1%	11.8%	119%
Morgan County	6.6%	6.1%	7.5%	12.6%	91%
Phelps County	4.3%	4.9%	5.8%	7.3%	70%
Pike County	5.1%	5.0%	5.7%	9.1%	78%
Ralls County	4.9%	4.9%	5.3%	8.7%	78%
Randolph County	4.9%	5.3%	6.0%	10.7%	118%
Saint Charles County	3.9%	4.1%	5.4%	8.6%	121%
Saline County	4.5%	5.0%	5.7%	7.8%	73%
Scott County	5.3%	5.8%	6.5%	9.0%	70%
Stoddard County	5.6%	6.4%	7.5%	9.8%	75%
Warren County	5.3%	5.4%	7.4%	11.4%	115%

1 **Q. PLEASE COMMENT ON RECENT RATE INCREASES THAT HAVE IMPACTED AMERENUE’S**
2 **SERVICE AREA.**

3 From 2005 to 2009, investor owned utility customers in portions of AmerenUE's service
4 area have been impacted by significant rate increases. AmerenUE increased companywide
5 electric rates twice for a total of almost \$205M. Missouri American Water increased
6 companywide water rates twice for a total of almost \$63M impacting communities such as
7 Mexico, Jefferson City and St. Charles.

8 **Q. PLEASE COMMENT ON WAGES AND PRICES IN THE AREA.**

9 **A.** Based on data obtained from the US Bureau of Labor Statistics, for the period 2007-2009,
10 workers average pay has exhibited a higher percentage of growth than consumer prices and
11 a slightly higher percentage of growth than current operating revenue per customer.
12 However, the percentage of increase in pay is less than half the percentage of growth in
13 operating revenue per customer that will exist if AmerenUE's \$11.9M proposed increase is
14 granted. The diagram shown below illustrates these comparisons.



The diagram illustrates a 10.56% increase in average pay for the combined period 2007-2009, while the increase granted in GR-2007-0003 combined with the proposed increase in this case would generate AmerenUE more than a 28% increase in operating revenue per customer.

Q. HAVE CONSUMERS EXPRESSED CONCERNS ABOUT THEIR ABILITY TO AFFORD UTILITY RATE INCREASES?

1 A. Yes. Customers testifying in the recent AmerenUE electric and Missouri American Water
2 public hearings have regularly voiced frustration and concerns about the burden of
3 additional rate increases given the current state of the economy. Some customers have
4 testified that they must work extra hours or two jobs just to make ends meet. Some have
5 testified that they must choose between paying utility bills and buying food and medicine.

6 **Q. WHAT DO YOU BELIEVE SHOULD BE THE COMMISSION'S FOCUS IN RESOLVING THIS CASE?**

7 A. In this case, the Commission should focus on ensuring that AmerenUE tightens its belt just
8 as consumers are doing. The Commission should closely scrutinize AmerenUE's costs, rate
9 of return, proposed incentive mechanisms and program funding requirements in order to
10 minimize any customer rate increases.

11 **Q. HOW MIGHT THE COMMISSION DECIDE IN A MANNER THAT MINIMIZES THE RATE IMPACT**
12 **ON CONSUMERS?**

13 A. With respect to the rate of return, the Commission is generally presented with a range of
14 returns that are considered reasonable by financial analysts. Setting rates to produce a return
15 at the lower end of the range can provide AmerenUE the opportunity to earn a reasonable
16 return while also minimizing the rate increase imposed on consumers.

III. BILLING ADJUSTMENT ISSUE

Q. ARE THERE ADDITIONAL ISSUES RELATED TO REVENUE REQUIREMENT THAT YOU WOULD LIKE TO ADDRESS?

A. Yes. The first issue was the basis for a recent residential customer complaint in Case No. GC-2010-0225. Based on the Staff's March 12, 2010, Report, AmerenUE waited until four winter meter readings of "0" use occurred before investigating whether a meter had failed. This led to nine months of zero reads before UE investigated, which resulted in a billing adjustment of over \$1,000 covering a period of 295 days. Public Counsel agrees with the Staff observation and recommendation that AmerenUE's procedure can prove a hardship on customers and should be reconsidered. Public Counsel is interested in working with other parties to develop procedures to more quickly identify and correct meters incorrectly registering "0" usage.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.