Exhibit No:
Issues: *Nuclear Fuel Costs and Coal-Fired Power Plant Maintenance*
Witness: *Roberta A. Grissum*
Type of Exhibit: *Surrebuttal Testimony*
Case No: *ER-2010-0036*
Date Testimony Prepared: *March 5, 2010*

MISSOURI PUBLICE SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY,
d/b/a AMERENUE

CASE NO. ER-2010-0036

Jefferson City, Missouri
March 5, 2010

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SURREBUTTAL TESTIMONY

OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY,
d/b/a AMERENUE

CASE NO. ER-2010-0026

SURREBUTTAL TESTIMONY

OF

ROBERTA A. GRISSUM

UNION ELECTRIC COMPANY,
d/b/a AMERENUE

CASE NO. ER-2010-0036

Q. Please state your name and business address.

A. My name is Roberta A. Grissum. My business address is 111 North 7th Avenue, Suite 105, St. Louis, Missouri 63101.

Q. Are you the same Roberta A. Grissum who contributed to Staff's Revenue Requirement Cost of Service Report filed December 18, 2009 in this case?

A. Yes, I am.

EXECUTIVE SUMMARY

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimonies of Union Electric Company, d/b/a AmerenUE (Company or AmerenUE) witness Randall J. Irwin, regarding the issue of nuclear fuel cost and AmerenUE witness Mark C. Birk, regarding the issue of coal-fired power plant maintenance.

NUCLEAR FUEL PRICE

Q. Does AmerenUE witness Irwin accurately identify the nuclear fuel price used by Staff in its Production Cost Model?

A. Mr. Irwin does correctly identify the component of cost related specifically to nuclear fuel as 54.87 cents per MMBtu. However, there is an additional component proposed by

Staff in the amount of 9.57 cents per MMBtu related to the nuclear fuel cost for spent fuel. The sum of these two components is 64.44 cents per MMBtu.

Q. How did Staff determine AmerenUE's nuclear fuel price it is proposing in this proceeding?

A. Staff used an 11-month average cost based upon costs from the actual nuclear fuel AmerenUE burned for the period beginning after the most current nuclear fuel reload in October 2008 through and ending September 30, 2009 as provided by AmerenUE in its response to Staff Data Request No. 65. Staff also included costs associated with the disposal of spent nuclear fuel based upon an 11-month average. It is the Staff's intention to re-examine the nuclear fuel costs as part of its true-up audit and adjust it to reflect the average cost based upon costs resulting from nuclear fuel actually burned through January 31, 2010, the true-up cut-off date, as provided by AmerenUE in its updated response to Staff Data Request No. 65.

Q. Should Staff make any adjustment in its proposed nuclear fuel cost based upon Mr. Irwin's rebuttal testimony?

A. No. As Mr. Irwin indicates in his rebuttal testimony on Page 5, Lines 8 – 9, "The Company and Staff are using the best information available (as of January 31, 2010) regarding other fuel costs and power prices, in order to rebase the fuel costs as accurately as possible." The true-up date established in this proceeding is January 31, 2010. Mr. Irwin is proposing to selectively use a cost that reflects nuclear fuel burned after the refueling that will occur in May of 2010, while all other items in AmernUE's cost of service reflect events that have occurred by, but not after, the true-up cut-off date of January 31, 2010.

Q. Will AmerenUE have an opportunity to recover fuel costs not included in its non-FAC rates set in this case before its next general electric rate case?

A. Probably. Presently AmerenUE has a Fuel Adjustment Clause which this Commission authorized in Case No. ER-2008-0318. If the Commission extends that Fuel Adjustment Clause or modifies it, but leaves it substantially the same, then AmerenUE would be able to recoup changes in its fuel costs, including these nuclear fuel cost changes, through its Fuel Adjustment Clause.

Q. Should nuclear fuel costs be reflected in AmerenUE's cost of service in the same manner as its coal costs are reflected, simply because the nuclear fuel cost is known and the nuclear fuel rod assemblies have been delivered to the Callaway Plant?

A. No. Nuclear fuel costs cannot be reflected in AmerenUE's cost of service in the same manner as it's coal costs. Coal deliveries reflecting the new contract prices that took effect on January 1, 2010, will begin in January 2010. Therefore, the price increase has occurred, is known and measurable and the coal is available to be burned in the Company's power plants by the true-up cut-off date for this rate case. Nuclear fuel price increases have occurred. The Company can estimate the nuclear fuel cost based on modeling. However, as Mr. Irwin stated in his direct testimony in Case No. ER-2008-0318: "The nuclear fuel price is based upon the amortization of the initial costs of the fuel assemblies contained in the Callaway reactor".

As such, the nuclear fuel price AmerenUE witness Irwin proposes to include in this proceeding has not and will not occur until after the new fuel rod assemblies have been loaded into the Callaway reactor during refueling and the Callaway unit is placed back in-service sometime in June 2010. Until the Callaway is brought back into service following the reload, it cannot generate electricity that reflects the new nuclear fuel price. This is approximately four months after the true-up cut-off date of January 31, 2010 agreed to in this proceeding.

COAL-FIRED POWER PLANT MAINTENANCE

Q. Does Mr. Birk accurately characterize the methodology Staff used to determine the normalized level of maintenance costs it used for AmerenUE's coal-fired generating units?

A. Yes. Staff proposed a normalized level of maintenance costs in the amount of $101,140,014 for AmerenUE's coal-fired generating units based upon a three-year average of actual expenses for the 36 months ending March 31, 2009. This resulted in Staff proposing a negative adjustment in the amount of ($17,826,730). The following chart provides a three-year history of AmerenUE's actual coal-fired generating unit maintenance costs, based upon AmerenUE's response to Staff Data Request No. 51 as part of the current case and also to Staff Data Request No. 145 as part of AmerenUE's previous electric rate case, Case No. ER-2008-0318:

	Expenditures
12 months Ending 3/31/2007	$ 94,375,424
12 months Ending 3/31/2008	$ 91,077,874
12 months Ending 3/31/2009	$118,966,744
Staff's Three Year Average	$101,140,014

In addition, AmerenUE told Staff it incurred a total of $96,538,598 in actual maintenance costs during the calendar year ending 2009.

Q. Has AmerenUE made any changes in its coal-fired generating units' maintenance cycles?

A. Yes. Company made a decision in calendar year 2003 to move from a historic 18-24 month interval for planned outages to a three to four years cycle, depending on the unit.

Q. How did this change in maintenance cycles impact Staff's decision to utilize a three-year average of actual expenses to normalize maintenance costs for AmerenUE's coal-fired generating units?

A. Staff views the time frame 2003-2005 as a period of transition for AmerenUE with regard to the change in its planned outage cycles, a period that included planned outages occurring on the old 18-24 month interval, as well as planned outages occurring on the newly extended three-four year intervals. Therefore, Staff believes the period April 1, 2006 through March 31, 2009 to be a period that is more reflective of the planned outages that will occur under the newly extended planned outage cycles on a going forward basis.

Mr. Birk confirms this on Page 14 at lines 7 through 9, of his rebuttal testimony where he states:

> In approximately 2003, the Company determined that it could likely maintain a high level of equivalent availability at its coal-fired units while also extending the interval between major planned outages from an historic 18-24 month interval to intervals of three to four years, depending on the unit (the cyclone units at the Sioux Plant require more frequent planned outages). As the Company continued to study the issue, it determined that it could extend those intervals even further like most of the industry was doing, to approximately six years between planned outages. Lengthening these outage cycles allowed us to maintain a high level of equivalent availability on the fossil units while absorbing a significant portion of the material and labor cost increases we were seeing associated with overhaul work throughout the last five years."

Q. What is the significance of the statements found in Mr. Birk's rebuttal testimony on Page 14 at Lines 14 through 23, where he states as follows:

> [T]he Company was taking fewer planned outages while it moved to these longer, approximately six-year planned outage intervals (six plus years at Labadie and Rush Island, four plus years at Meramec, and three plus years at Sioux). Thus, fewer major planned outages occurred than would normally be expected (two in 2005, two limited overhauls in 2006, and just one in 2007 with no major overhauls on any of the Labadie units during this time). In contrast, during the test year for this case (April 2008 to March 2009), two major overhauls occurred, one on Labadie Unit 1 (88 days) and the other on Sioux Unit 1 (66 days) and two mini overhauls were completed on Meramec Unit 4 and Rush Island Unit 2.

A. Mr. Birk states that AmerenUE decreased the number of planned outages during the transitional period by moving planned outage intervals to "six plus years at Labadie and

Rush Island, four years at Meramec and three plus years at Sioux." Mr. Birk also states that the outages that occurred in 2005 through 2007 are fewer than the major planned outages that would normally have occurred during this timeframe. However, AmerenUE's decision to decrease the number of planned outages in 2005 through 2007 led to an above normal increase in maintenance cost during the April 1, 2008 through March 31, 2009 test year. This invalidates Mr. Birk's assertion on Page 16 at Lines 4 through 5 of his rebuttal testimony that the level of coal-fired generating units' maintenance that occurred during the test year is "clearly the proper level of expenditures that should be included in the Company's cost of service and no normalization should take place".

Q. Mr. Birk indicates the expected level of coal-fired generating units maintenance costs for calendar year 2010 will be approximately $117.5 million. Do you believe this should be considered in determining the appropriate level of coal-fired generating unit maintenance costs for this proceeding?

A. No. Mr. Birk states on Page 14 beginning on Line 23 and ending on Page 15 at Line 3 that, "Indeed, we did not perform any major outages in 2009 due to severe liquidity/credit concerns which forced us to defer outages that had been planned (and that were needed to put the units on the longer planned outage cycles discussed above)." This is evident by the fact that AmerenUE's maintenance costs decreased from approximately $119 million during the test year to approximately $96.5 million during the calendar year ending 2009.

Mr. Birk's statements indicate that some of the maintenance scheduled for 2010 would have been performed in 2009, absent the severe liquidity/credit concerns. Instead, maintenance, again delayed due to Company controlled decisions, are being moved from 2009 and placed in 2010, thus creating an above normal level of maintenance cost in 2010. It is

apparent that planned outages are at AmerenUE's discretion, and the timing of these outages can be changed depending on, among other things, current financial conditions.

The amount of coal-fired generating unit maintenance costs Mr. Birk identifies as AmerenUE's 2010 budget amount should be discounted because AmerenUE has total control and discretion to change, delay or forgo any coal-fired generating unit maintenance scheduled for 2010, should financial or other conditions change during the year, as it did in 2009.

Q. Please summarize your testimony on power plant maintenance.

A. Historic data and Mr. Birk's statements indicate that planned outages, which are at AmerenUE's discretion, were delayed in the years prior to the test year and again during the calendar year ending 2009. As a result, the level of power plant maintenance for the coal-fired generating units during the test year is above normal and the budgeted level for 2010 is also above normal. As a result, the test year should be adjusted to reflect the average cost during the 36 months ending March 31, 2009.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

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

AFFIDAVIT OF ROBERTA A. GRISSUM

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Roberta A. Grissum, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

Roberta A. Grissum

Roberta A. Grissum

Subscribed and sworn to before me this 5th day of March, 2010.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D. Suzie Mankin

Notary Public