Exhibit No.:	________________
Issue(s):	Class Cost of Service/ Rate Design/ Fuel Adjustment Clause
Witness/Type of Exhibit:	Kind/Surrebuttal
Sponsoring Party:	Public Counsel
Case No.:	ER-2010-0036

SURREBUTTAL TESTIMONY

OF

RYAN KIND

Submitted on Behalf of
the Office of the Public Counsel

UNION ELECTRIC COMPANY D/B/A AMERENUE

Case No. ER-2010-0036

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Denotes Highly Confidential Information that has been Redacted

March 5, 2010

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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 Electric Service Provided to Customers in the Company's Missouri Service Area.	)))))	**Case No. ER-2010-0036**

AFFIDAVIT OF RYAN KIND

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Ryan Kind, of lawful age and being first duly sworn, deposes and states:

1. My name is Ryan Kind. I am a Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony.

3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

Ryan Kind

Ryan Kind

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

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 23, 2013
Cole County
Commission #09754037

Jerene A. Buckman

Jerene A. Buckman
Notary Public

My commission expires August 23, 2013.

SURREBUTTAL TESTIMONY

OF

RYAN KIND

UNION ELECTRIC COMPANY

CASE NO. ER-2O10-0036

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

A. Ryan Kind, Chief Energy Economist, Office of the Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102.

Q. **ARE YOU THE SAME RYAN KIND THAT HAS PREVIOUSLY FILED (1) DIRECT TESTIMONY REGARDING CLASS COST OF SERVICE (CCOS) AND RATE DESIGN ISSUES, (2) REBUTTAL TESTIMONY AND (3) ADDITIONAL DIRECT TESTIMONY REGARDING FAC ISSUES IN THIS CASE?**

A. Yes.

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

A. The purpose of this testimony is to provide results of a revised class cost of service (CCOS) study and to address the additional rebuttal testimony regarding Fuel Adjustment Clause (FAC) of Union Electric Company (UE or the Company) witness Jaime Haro.

Q. **WHY IS PUBLIC COUNSEL PROVIDING THE RESULTS OF ANOTHER REVISED CCOS STUDY AT THIS TIME?**

A. There are two reasons why OPC is filing a revised CCOS study in this testimony. First, OPC witness Barbara Meisenheimer has provided a new fuel allocator to be used with the

OPC CCOS study that uses a TOU production allocator. Ms. Meisenheimer discusses this new TOU-based fuel allocator in her surrebuttal testimony.

Second, I received an inquiry about a week ago from one of the other parties about the manner in which I had treated interchange power that was purchased to serve native load. The other party pointed out that I had included interchange power that was purchased to facilitate off-system sales (OSS) together with interchange power that was purchased to serve native load. Once this was pointed out, I determined that the interchange purchased to facilitate OSS should be removed from the CCOS study since my intention was to exclude all of the costs associated with OSS (both fuel costs and power purchased for OSS) from my study so that only net OSS revenues rather than gross OSS revenues were included and allocated to the various customer classes. Another corresponding change was made to the CCOS study to subtract interchange power purchased to facilitate OSS from gross OSS revenues. Fuel that was used for OSS sales had already been subtracted from gross OSS revenues so subtracting interchange power purchased to facilitate OSS yields the correct figure for net OSS revenues, which is then allocated to the various classes.

Q. HOW DID THE CHANGES TO OPC'S CCOS STUDIES THAT YOU DESCRIBED IN THE PRECEDING ANSWER AFFECT THE RESULTS OF THOSE STUDIES?

A. The net effect of all the revised CCOS study changes described above was no change in the UE system-wide revenue requirement in the revised study but some small changes in class revenue requirements.

Attachment A summarizes the results of OPC's revised CCOS study. Comparing Attachment A from this rebuttal testimony to Attachment A from my direct and rebuttal testimony shows that the revisions discussed above have not had a large impact on OPC's

CCOS study results. For example, the revised study with the TOU production allocator (OPC's preferred allocator) indicates that revenues for the residential class would need to increase by 1.23% (on a revenue neutral basis) to bring residential class revenues up to the level of costs that OPC's study has allocated to the residential class. This 1.23% increase study result replaces the .98% increase study result from OPC's original study presented in my direct testimony. Due to the relatively small changes in CCOS study results in the revised study, I am not modifying the rate design recommendation from my direct testimony where I recommended that "any overall revenue requirement increase that results from this case should be made by making equal percentage changes to all class revenue requirements."

Q. LET'S TURN NOW TO THE SUBJECT OF UE'S FAC. WHAT IS YOUR RESPONSE TO THE TESTIMONY OF UE WITNESS JAIME HARO ON THIS SUBJECT?

A. In his Additional Rebuttal Testimony regarding FAC issues, Mr. Haro responds to some of the issues that I raised in my Additional Rebuttal Testimony regarding FAC issues. In my Additional Direct testimony, I stated my concerns about the new bilateral contracts that UE entered into after the January 2009 ice storm impacted Noranada's operations and the level of its electrical load that is served by UE. On page 2 of his testimony, Mr. Haro compared the new bilateral contracts to its other long term full and partial requirements contracts and states that "AmerenUE has utilized long-term full and partial requirements contracts for many years."

Q. DO YOU DISAGREE WITH THIS STATEMENT ABOUT UE'S PAST EXPERIENCE WITH THESE TYPES OF CONTRACTS?

A. I don't disagree with the general statement that UE has used long-term full and partial requirements contracts for many years. However, the characteristics of these contracts were different in the past and the ratemaking environment was different for UE as well.

Q. HOW WERE THESE LONG TERM CONTRACTS DIFFERENT IN THE PAST?

A. During the 1990s, the long-term contracts that UE had to provide full and partial requirements service (primarily to municipal customers) were subject to cost of service regulation by the Federal Energy Regulatory Commission (FERC). This is generally no longer the case since UE has now entered into contracts under the market-based rate authority granted by FERC which allows UE to freely negotiate mutually agreeable terms and conditions with bilateral contract customers. When regional electric wholesale market prices are high, UE can use these contracts to lock in margins that can provide for returns in excess of its cost of service.

The other way in which these contracts were different in the past was that UE did not have an FAC and UE was not having rate cases very often because its cost of providing service was generally declining, rather than increasing. When UE's contracts were subject to cost-based regulation from FERC, the Company did not have an FAC, and its rate cases were infrequent, there was not much concern that its long-term full requirements contracts could have adverse impacts on native load customers. The FAC introduces a new level of complexity where regulators must try to audit and understand the operations of a utility that has part of its generation costs and offsetting OSS revenues flowing through the FAC, part recovered in base rates, and another part that is excluded from Missouri jurisdictional revenues.

Q. CAN YOU PROVIDE AN EXAMPLE OF HOW TRACKING ALL OF THESE GENERATION COSTS AND OFFSETTING OSS REVENUES PRESENTS CHALLENGES TO AUDITORS AND

REGULATORS SEEKING TO ASSURE THAT MISSOURI CUSTOMERS ARE PAYING JUST AND REASONABLE RATES?

A. Yes. One of the contracts that UE entered into after the decline in Noranda's load was a **

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Q. DO YOU HAVE ANY OTHER CONCERNS ABOUT THE APPROVAL REQUEST IN ATTACHMENT B THAT YOU WANT TO EXPRESS AT THIS TIME?

A. Yes. It is troubling to see that UE's management is not able to independently make decisions about power sales like this and that it is in fact UE's holding company, the Ameren Corporation, that ultimately determines whether UE makes this type of long-term sale from the regulated generating assets of UE. It's difficult for the Missouri Commission to effectively regulate a utility that cannot make major decisions independent of the holding company that owns it.

Q. ON PAGE 10 OF HIS TESTIMONY, MR. HARO ASSERTS THAT UE PROVIDED PUBLIC COUNSEL EVERYTHING THAT WAS REQUESTED IN OPC DR NO. 2021. DO YOU AGREE?

A. No. OPC DR 2101 requested UE to:

> Please specify the dollar amount of costs and revenues (by month if available) associated with non-asset based trading of wholesale capacity and energy products for UE during the test year ending 3/31/09.

UE's response did not specify the **separate cost and revenue** information requested by OPC but instead only provided the **net revenues** associated with this trading activity.

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

Revised Results From OPC's CCOS Study

Table 1 - Results of OPC's CCOS Study Using the TOU Production Allocator

	Res	SGS	LGS/SPS	LPS	LTS	System
Revenue Shift	11,804,388	(23,343,920)	(24,388,151)	14,681,453	21,246,229	0
% Revenue Shift	1.23%	-9.40%	-3.77%	8.80%	15.27%	0.00%

Table 2 - Results of OPC's CCOS Study Using the Avg. & 4 CP Production Allocator

	Res	SGS	LGS/SPS	LPS	LTS	System
Revenue Shift	32,268,485	(18,878,284)	(30,320,328)	11,969,935	4,960,193	0
% Revenue Shift	3.35%	-7.60%	-4.69%	7.17%	3.56%	0.00%

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Kind Surrebuttal

Attachment B

has been deemed

“Highly Confidential”

in its entirety.