

Exhibit No.:  
Witness: Greg Meyer  
Type of Exhibit: Surrebuttal Testimony  
Issues: Revenue Requirement  
Sponsoring Party: Missouri Industrial Energy Consumers  
Case No.: ER-2010-0036

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

\_\_\_\_\_)  
**In the Matter of Union Electric** )  
**Company, d/b/a AmerenUE's** ) **Case No. ER-2010-0036**  
**Tariffs to Increase Its Annual** ) **Tariff Nos. YE-2010-0054**  
**Revenues for Electric Service** ) **and YE-2010-0055**  
\_\_\_\_\_)

Surrebuttal Testimony and Schedule of

**Greg Meyer**

**Revenue Requirement**

**NON-PROPRIETARY VERSION**

On behalf of

**Missouri Industrial Energy Consumers**

March 5, 2010

  
**BRUBAKER & ASSOCIATES, INC.**  
CHESTERFIELD, MO 63017

Project 9187

**BEFORE THE PUBLIC SERVICE COMMISSION  
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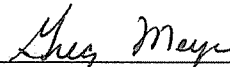
**Case No. ER-2010-0036**  
Tariff Nos. YE-2010-0054  
and YE-2010-0055

STATE OF MISSOURI     )  
                                  )  
COUNTY OF ST. LOUIS    )     SS

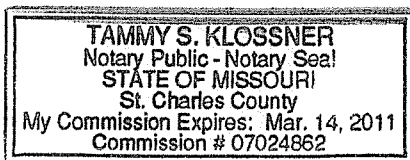
**Affidavit of Greg Meyer**

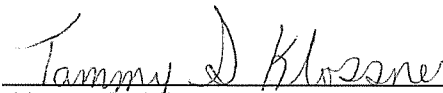
Greg Meyer, being first duly sworn, on his oath states:

1. My name is Greg Meyer. I am a consultant with Brubaker & Associates, Inc., having its principal place of business at 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017. We have been retained by the Missouri Industrial Energy Consumers in this proceeding on their behalf.
2. Attached hereto and made a part hereof for all purposes are my surrebuttal testimony and schedule which were prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2010-0036.
3. I hereby swear and affirm that the testimony and schedule are true and correct and that they show the matters and things that they purport to show.

  
\_\_\_\_\_  
Greg Meyer

Subscribed and sworn to before me this 4<sup>th</sup> day of March 2010.



  
\_\_\_\_\_  
Notary Public



1 **Q WHAT DO YOU ADDRESS IN THIS TESTIMONY?**

2 A In this testimony, I will address the rebuttal testimony of AmerenUE in regard to  
3 steam production maintenance expense, executive compensation, vegetation  
4 management expense and tracker, infrastructure inspection expense and tracker,  
5 and storm expense and tracker. In addition, I will address issues which I believe  
6 have been agreed to between AmerenUE, Staff and MIEC.

7 **Q PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.**

8 A My surrebuttal testimony may be summarized as follows:

- 9 1. Steam Production Maintenance Expense. I am recommending to normalize the  
10 test year maintenance expense for steam production units by reducing test year  
11 expense by \$14 million.
- 12 2. Executive Compensation. I am still recommending that this Commission  
13 disallow the salaries and benefits for the top five executives of AmerenUE  
14 consistent with the voluntary adjustment proposed by Ameren in its last filed  
15 Illinois rate case. Approximate value \$1.8 million.
- 16 3. Vegetation Management. I am recommending the level of vegetation  
17 management expenses be based on the 12 months ended January 31, 2010 of  
18 \$50.4 million. I am also recommending that the expenses deferred from  
19 October 1, 2008 through February 28, 2009 by the Commission for vegetation  
20 management expenses be netted against the vegetation/inspection tracker.  
21 Finally, I am recommending that the vegetation management tracker be  
22 discontinued.
- 23 4. Infrastructure Inspections. I am recommending the level of infrastructure  
24 inspections be based on the 12 months ended January 31, 2010. Consistent  
25 with my vegetation management issue, I am recommending the inspection  
26 expenses deferred from October 1, 2008 through February 28, 2009 by the  
27 Commission be netted against the vegetation/inspection tracker. I also  
28 recommend that the inspection tracker be discontinued.
- 29 5. Storm Expense. I am recommending continuance of the level of storm expense  
30 proposed in the last case. I also recommend that no tracker be established for  
31 storm expense.
- 32 6. I will address certain matters which I believe have been resolved between  
33 AmerenUE, the Staff and MIEC.

**Greg Meyer**  
**Page 2**

1                   The fact that I do not address an issue that has been raised by any party in  
2                   their rebuttal testimony should not be considered as an endorsement of their position.

3                   **Steam Production Maintenance Expense**

4                   **Q       DID AMERENUE FILE REBUTTAL TESTIMONY CONCERNING STEAM**  
5                   **PRODUCTION MAINTENANCE EXPENSE?**

6                   A       Yes. Mr. Mark Birk of AmerenUE filed rebuttal testimony on the subject of steam  
7                   production maintenance expense.

8                   **Q       WHAT LEVEL OF EXPENSE DOES MR. BIRK CLAIM SHOULD BE INCLUDED IN**  
9                   **THE COST OF SERVICE?**

10                  A       Mr. Birk states on page 17 of his rebuttal testimony that "...the normal level of  
11                  coal-fired plant maintenance expenditures should be very near or above the test year  
12                  level of \$119 million we seek to include in rates in this case, ..."

13                  **Q       WHAT LEVEL OF STEAM PRODUCTION MAINTENANCE EXPENSE DO YOU**  
14                  **RECOMMEND?**

15                  A       In my direct testimony, I recommended the level of steam production maintenance  
16                  expense AmerenUE incurred during the 12 months ended March 31, 2008 of  
17                  approximately \$91 million. This recommended level was based on an analysis of the  
18                  three years of 2006, 2007 and 2008.

19                  Since the filing of my direct testimony, I have reviewed the historical steam  
20                  production maintenance expense and scheduled outages for the specific units of  
21                  AmerenUE's coal-fired power plants. Based on that analysis, I have revised the level  
22                  of steam production maintenance expense to approximately \$105 million. Therefore,

1 my adjustment to steam production maintenance expense has been decreased from  
2 a \$27.8 million reduction to a reduction of \$14 million.

3 **Q PLEASE DESCRIBE THE ANALYSIS YOU PERFORMED.**

4 A I performed my analysis for each plant separately. The purpose of my analysis was  
5 to attempt to determine a base level of maintenance expense and a level of expense  
6 which could be attributed to the scheduled outages which occurred in specific years.

7 First, I listed the scheduled outages for each plant by unit from 2000 - 2014  
8 using the NERC GADS data and response to Staff Data Request No. 294.

9 Second, I listed the actual total steam production maintenance expense by  
10 generating plant from 2001 - 2009 and the budgeted level in 2010. Attached as  
11 Schedule GRM-SR-1 are four graphs which depict the maintenance dollars and  
12 scheduled outages for each generating plant from 2001 - 2010. It should be noted  
13 that the 2010 figures are budgeted or forecasted.

14 Finally, I took the maintenance expense by year and compared that to the  
15 scheduled outages which occurred in those years and attempted to estimate a normal  
16 level of routine or base level of maintenance expense. For some of the generating  
17 plants, determining the routine or base level of maintenance expense was not  
18 difficult. For example, Rush Island's historical base level of maintenance expense is  
19 approximately \*\*\*\*\* and Labadie's historical base level of maintenance  
20 expense is approximately \*\*\*\*\*. It was not as easy to determine a base  
21 level of maintenance expense for the Sioux generating plant as Units 1 and 2 were  
22 scheduled off for planned maintenance \*\*\*\*\*. However, I  
23 estimated that the base level of maintenance expense for the Sioux plant to be the  
24 average of the maintenance expense for the years \*\*\*\*\*

1 \*\*\*\*\*. Meramec's base level of maintenance expense was determined by  
2 averaging \*\*\*\*\* maintenance expense levels \*\*\*\*\*.

3 **Q AFTER YOU ESTIMATED THE LEVEL OF BASE OR ROUTINE MAINTENANCE**  
4 **EXPENSE FOR EACH GENERATING PLANT, HOW DID YOU DETERMINE THE**  
5 **INCREMENTAL MAINTENANCE EXPENSE ASSOCIATED WITH SCHEDULED**  
6 **OUTAGES?**

7 A I reviewed the incremental increases above the base levels of maintenance expense  
8 to estimate the level of scheduled maintenance expense. Referring to the graphs on  
9 Schedule GRM-SR-1, the incremental differences can be seen by the increases in  
10 expense during those years when certain plants are scheduled for maintenance.  
11 Table 1 lists what I have estimated for base/routine maintenance and the amount for  
12 scheduled outages.

**\*\*\*Entire Table is Confidential\*\*\***

1 Q PLEASE DESCRIBE HOW YOU DETERMINED THE SCHEDULED MAINTENANCE  
2 EXPENSE FOR EACH GENERATING PLANT.

3 A The methodology I used is described below:

4 1. **Labadie:** Based on the scheduled outages for Labadie Unit \*\*\*\*\* and Labadie  
5 Unit \*\*\*\*\* which occurred in \*\*\*\*\* , respectively, I estimated that  
6 the scheduled outage expense for these units would be approximately  
7 \*\*\*\*\* above base maintenance expense. I multiplied that amount by  
8 the four units at Labadie and divided by \*\*\*\*\* (years between scheduled  
9 outages).<sup>1</sup> This calculation provided an annual expense for scheduled outages of  
10 \*\*\*\*\* .

11 2. **Rush Island:** Based on the scheduled outage in \*\*\*\*\* for Rush Island  
12 Unit \*\*\*\*\* , I estimated that a scheduled outage expense for these units would  
13 cost approximately \*\*\*\*\* above base maintenance expense. I  
14 multiplied that amount by the two units and divided by \*\*\*\*\* (years between  
15 scheduled outages).<sup>1</sup> This calculation provided an annual expense for scheduled  
16 outages of \*\*\*\*\* .

17 3. **Meramec:** Based on the Meramec Unit \*\*\*\*\* outage which occurred in  
18 \*\*\*\*\* , I estimated that a scheduled outage would cost \*\*\*\*\* . I  
19 multiplied the \*\*\*\*\* by the four units at Meramec and divided by  
20 \*\*\*\*\* (years between scheduled outages).<sup>1</sup> This calculation provided an  
21 annual expense for scheduled outages of \*\*\*\*\* .

22 4. **Sioux:** Based on the Sioux Unit \*\*\*\*\* scheduled outage which occurred in  
23 \*\*\*\*\* and determined that a scheduled outage should cost approximately  
24 \*\*\*\*\* . I multiplied the \*\*\*\*\* by two units at Sioux and

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<sup>1</sup>Staff Data Request No. 294.



1 divided that amount by \*\*\*\*\* (years between scheduled outages).<sup>1</sup> This  
2 calculation provided an annual expense for scheduled outages of  
3 \*\*\*\*\*.

4 Summing the base and scheduled maintenance dollars for all of the coal-fired  
5 power plants resulted in a total allowance for steam production maintenance expense  
6 of \$104.6 million.

7 **Q HAVE YOU PERFORMED ANY OTHER ANALYSIS?**

8 A Yes. I have calculated five- and ten-year average cost levels from the Staff's  
9 workpaper. The five-year average from 2006 - 2010 of steam production  
10 maintenance expense is \$103.2 million. The ten-year average of steam production  
11 maintenance expense from 2001 - 2010 is \$101.8 million.

12 The five- and ten-year averages further support my detailed calculation.  
13 These averages also support my argument that the test year level of expense is  
14 abnormal.

15 **Q PLEASE SUMMARIZE YOUR POSITION.**

16 A The test year level of steam production maintenance expense is too high. A  
17 normalization adjustment is needed to stabilize the amount of expense over the  
18 scheduled durations between scheduled plant outages. My analyses reveals that the  
19 normalized level of expense is approximately \$105 million. I therefore recommend  
20 that the Commission adopt this normalized level of expense.

1 **Executive Compensation**

2 **Q DID AMERENUE ADDRESS EXECUTIVE COMPENSATION IN ITS REBUTTAL**  
3 **TESTIMONY?**

4 A Yes. AmerenUE witness Krista Bauer discusses executive compensation on page 21  
5 of her rebuttal testimony.

6 **Q PLEASE SUMMARIZE MS. BAUER'S TESTIMONY.**

7 A Ms. Bauer describes the role of AmerenUE's executive leadership. She further  
8 explains that salaries paid to AmerenUE executives are market competitive,  
9 appropriate and a normal cost of doing business.

10 **Q ARE ANY OF THESE ARGUMENTS PERTINENT TO THE REASON WHY YOU**  
11 **PROPOSED THE ADJUSTMENT?**

12 A No. As I stated in my direct testimony, the Ameren Illinois Utilities (AIU) made this  
13 adjustment in their direct case filed before the Illinois Commerce Commission.

14 **Q MS. BAUER SPECULATES IN HER DIRECT TESTIMONY, THAT THIS**  
15 **ADJUSTMENT MAY HAVE BEEN DONE FOR OTHER CONSIDERATIONS IN THE**  
16 **CONTEXT OF THAT CASE. DO YOU AGREE?**

17 A No. As I have pointed out in my direct testimony, Mr. Craig Nelson of AIU states that  
18 this adjustment was done voluntarily by the AIU due to today's difficult economic  
19 climate. Mr. Nelson provided no other justification for the adjustment. If, as Ms.  
20 Bauer speculates, other factors were considered, I would have expected such an  
21 explanation and would not have seen the word "voluntarily" in his direct testimony.

1 Q DO YOU CONTINUE TO SUPPORT THE ADJUSTMENT FOR EXECUTIVE  
2 COMPENSATION?

3 A Yes. I do not argue with the assertions made by Ms. Bauer in regards to the  
4 AmerenUE executives. However, those assertions were not the basis for my  
5 adjustment. An operating subsidiary of Ameren, the AIU, made a ratemaking  
6 decision to voluntarily not include the salaries of their executives in the current rate  
7 case. I am merely proposing that a similar adjustment be reflected in the rates paid  
8 by Missouri customers.

9 **Vegetation Management**

10 Q WHAT LEVEL OF VEGETATION MANAGEMENT COSTS DID AMERENUE  
11 REQUEST IN ITS DIRECT TESTIMONY?

12 A AmerenUE requested an average of the 2010 and 2011 forecast for vegetation  
13 management costs. The 2010 and 2011 forecasted levels were \$54.7 million and  
14 \$56.4 million, respectively. The average of those levels produced the requested level  
15 of \$55.5 million.

16 Q WHAT LEVEL DID AMERENUE PROPOSE FOR VEGETATION MANAGEMENT  
17 COSTS IN THE REBUTTAL TESTIMONY OF MR. DAVID WAKEMAN?

18 A Mr. Wakeman continues to support the use of the 2010 and 2011 forecasted levels of  
19 vegetation management costs. However, those forecasts have declined since the  
20 filing of AmerenUE's direct testimony. The 2010 forecast is now \$52.9 million and the  
21 2011 forecast is \$54.5 million. Averaging these two figures produces the revised  
22 vegetation management costs of \$53.7 million.

1 **Q ARE THESE LEVELS REQUESTED IN THE DIRECT AND REBUTTAL**  
2 **TESTIMONIES OF AMERENUE COMPARABLE?**

3 A No. The direct case level of \$55.5 million included internal labor. The revised  
4 AmerenUE rebuttal level of \$53.7 million does not include internal labor. The amount  
5 for internal labor should approximate \$2 million. Therefore, although not exact, the  
6 levels are approximately the same in total costs.

7 **Q DO YOU SUPPORT THE \$53.7 MILLION LEVEL?**

8 A No. The \$53.7 million level is still higher than the actual amount spent during the test  
9 year of \$50.3 million and the actual amount spent for the true-up period (February  
10 2009 - January 2010) of \$50.4 million.

11 **Q WHAT LEVEL OF COSTS DO YOU RECOMMEND?**

12 A I recommend that the Commission approve the actual level of vegetation  
13 management costs that were incurred by AmerenUE for the 12 months ended  
14 January 31, 2010 (true-up period). The \$50.4 million, that excludes internal labor,  
15 would result in a very slight increase in vegetation management costs than those  
16 incurred in the test year.

17 **Q WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

18 A My recommended level of expense is based on actual costs for vegetation  
19 management and does not rely on forecasted data. This Commission has historically  
20 recognized actual costs as opposed to forecasted costs.

1 Q IN THE PREVIOUS CASE, THE COMMISSION ESTABLISHED A LEVEL OF  
2 EXPENSE BASED ON AN AVERAGE OF A TWO-YEAR FORECAST. PLEASE  
3 COMMENT ON YOUR BELIEF AS TO WHY THE COMMISSION ADOPTED THIS  
4 POSITION.

5 A I have reviewed the Commission Order from the last rate case as it pertains to  
6 vegetation management costs. I believe the Commission granted AmerenUE a  
7 forecasted level of vegetation management costs as it believed AmerenUE was still  
8 progressing towards compliance with the Commission's vegetation management  
9 rules.

10 Q DO YOU BELIEVE THE COMPANY IS STILL IN THE BEGINNING STAGES OF  
11 COMPLIANCE WITH THE COMMISSION RULES TO TRIM URBAN AND RURAL  
12 AREAS IN A FOUR- AND SIX-YEAR TREE TRIMMING CYCLE?

13 A No. The Company began implementation of the rule in January 1, 2008. This would  
14 mean that urban areas would be fully trimmed in compliance with the new rules by  
15 December 31, 2011, and that rural areas would be fully trimmed by December 31,  
16 2013.

17 Mr. Wakeman states that only 40% of the areas have been trimmed to the  
18 new standards. However, Mr. Wakeman fails to mention that by the time new rates  
19 go into effect from this case over 50% of all routes will be trimmed to the new  
20 standards. I contend that either percentage of trimmed routes is sufficient data to  
21 establish an ongoing level of expense based on actual data, and reliance on  
22 forecasted levels of costs is no longer warranted.

1 Q DO YOU HAVE ANY FURTHER COMMENTS REGARDING MR. WAKEMAN'S  
2 REBUTTAL TESTIMONY?

3 A Yes. Mr. Wakeman argues that until the entire tree trimming cycle is completed, the  
4 use of forecasts and trackers is appropriate. I contend, however, that based on the  
5 fact that between 40% and 50% of these areas have been or will be trimmed before  
6 this case is completed, sufficient historical data exists to establish a level of expense  
7 and the use of forecasts and trackers can be discontinued.

8 Mr. Wakeman asserts that AmerenUE is not sure of the complexity of  
9 trimming the remaining circuits. Mr. Wakeman's arguments are purely speculative. It  
10 is not possible at this time to determine if AmerenUE has only trimmed the easiest  
11 circuits or the most difficult. However, this lack of knowledge should not persuade the  
12 Commission to continue using vegetation management forecasts or trackers.  
13 Sufficient cost history exists to determine the proper level of vegetation management  
14 costs.

15 Furthermore, the level of vegetation management expenses appears to have  
16 stabilized. There was only a slight increase (\$100,000) from the test year to the  
17 true-up periods. This might indicate the program has reached a maturity level  
18 whereby costs have remained fairly constant.

19 Q IS THERE ANOTHER ISSUE REGARDING VEGETATION MANAGEMENT  
20 COSTS?

21 A Yes. AmerenUE is still requesting cost recognition for the \$2.9 million of vegetation  
22 management and infrastructure inspection expenses incurred between October 1,  
23 2008 and February 28, 2009.

1 Q DO YOU HAVE CONCERNS WITH MR. WAKEMAN'S REBUTTAL TESTIMONY  
2 ON THIS ISSUE?

3 A Yes. First, Mr. Wakeman asserts that because this Commission granted accounting  
4 deferral, that those expenses must be included in the next cost of service. I strongly  
5 disagree with this position. I contend that allowing deferral of those expenses, allows  
6 the Commission the opportunity to consider those expenses, but does not guarantee  
7 expense inclusion. Second, I believe the \$2.9 million is overstated. I contend that  
8 the amount actually spent for vegetation management in excess of the amount  
9 included in rates for that period is worth approximately \$600,000. I would propose  
10 that the \$600,000 of increased expense be offset against the over-collection of the  
11 vegetation/inspection tracker of approximately \$5 million.

12 **Infrastructure Inspections**

13 Q PLEASE DESCRIBE THE COMPANY'S REBUTTAL POSITION REGARDING  
14 INFRASTRUCTURE INSPECTIONS.

15 A Mr. Wakeman continues to support the use of a forecasted level of expense for  
16 infrastructure inspections. However, Mr. Wakeman has revised the level of expense  
17 requested from the forecasts of 2010 and 2011 to only include those costs which do  
18 not include internal labor. The effect of this change is that AmerenUE is no longer  
19 requesting any budgeted employee level increases or wages for 2010 and 2011. In  
20 addition, Mr. Wakeman seeks to continue to have a tracker for infrastructure  
21 inspection costs.

1 **Q DO YOU AGREE WITH MR. WAKEMAN'S REBUTTAL POSITION?**

2 A No. I recommend that the Commission establish the level of expense for  
3 infrastructure inspections based on the 12 months ended January 31, 2010  
4 (\$7.60 million). This level of expense is approximately \$2.7 million greater than the  
5 level experienced during the test year.

6 **Q WHAT IS THE BASIS FOR YOUR RECOMMENDATION?**

7 A My recommended level of expense is based on actual costs for infrastructure  
8 inspections and does not rely on forecasted data. This Commission has historically  
9 relied on actual costs as opposed to forecasted costs.

10 **Q IN AMERENUE'S LAST CASE, THE COMMISSION DETERMINED THE LEVEL OF**  
11 **EXPENSE BASED ON THE FORECASTED LEVELS FOR 2009 AND 2010 AND**  
12 **ALLOWED THE COMPANY A TRACKER. DO YOU BELIEVE THESE**  
13 **CONCESSIONS NEED TO BE IMPLEMENTED IN THIS CASE?**

14 A No. As I have stated in my direct testimony, AmerenUE has testified it is in  
15 compliance with the Commission rules regarding inspections. I also believe that the  
16 level of expense incurred for these inspections through the true-up period is sufficient  
17 to establish an annual level of expense. Therefore, a tracker is not required.

18 I also have reviewed the Commission Order from the last case as it pertains to  
19 infrastructure inspections and believe the Commission granted AmerenUE a  
20 forecasted level of infrastructure inspection costs due to the inability to examine  
21 historical costs. The Company has been performing infrastructure inspections in  
22 compliance with the Commission's rule since July 2008. I contend there now exists



1 sufficient cost history and therefore I recommend the use of the true-up period to  
2 establish the proper cost level.

3 **Q DO YOU HAVE ANY FURTHER COMMENTS REGARDING MR. WAKEMAN'S**  
4 **REBUTTAL TESTIMONY AS IT RELATES TO INFRASTRUCTURE**  
5 **INSPECTIONS?**

6 A Yes. It appears Mr. Wakeman's arguments for inspections are similar to his  
7 arguments regarding vegetation management. Specifically, that AmerenUE would  
8 not be comfortable with any level of historical expense until AmerenUE's entire  
9 system had been inspected. Mr. Wakeman describes different areas of the rule  
10 where AmerenUE has not fully inspected and speculates these areas may cause the  
11 cost of inspections to increase.

12 I would remind the Commission that AmerenUE has stated in its direct  
13 testimony that it is in compliance with the Commission's rules, and therefore the last  
14 known level of inspection expenses should be adopted. I also recommend that the  
15 infrastructure tracker be eliminated.

16 **Q IS THERE ANOTHER ISSUE REGARDING INFRASTRUCTURE INSPECTIONS?**

17 A Yes. AmerenUE is requesting cost recognition for the infrastructure inspection  
18 expenses incurred between October 1, 2008 and February 28, 2009 that were  
19 allowed deferral accounting by the Commission in AmerenUE's last rate case.

20 **Q WHAT IS YOUR POSITION ON THIS ISSUE?**

21 A My arguments are the same as I presented for the vegetation management issue.  
22 Allowing deferral accounting treatment does not guarantee future ratemaking

1 recognition. I have calculated the amount of deferred expense to be approximately  
2 \$1.4 million. I would propose this level would also be netted against the \$5 million  
3 over-collection from the vegetation/inspection tracker.

#### 4 **Storm Expense**

5 **Q DID AMERENUE ADDRESS THE STORM ISSUE IN THEIR REBUTTAL**  
6 **TESTIMONY?**

7 A Yes. Mr. Wakeman provided rebuttal testimony on the issue of storm expense and  
8 implementation of a storm tracker.

9 **Q PLEASE SUMMARIZE MR. WAKEMAN'S TESTIMONY.**

10 A Mr. Wakeman continues to support the test year level of storm expenses which  
11 totaled \$10.4 million. Mr. Wakeman describes the expense and capital volatility for  
12 the major storms which have struck AmerenUE's service territory over the past  
13 several years. Mr. Wakeman also discusses the inability of AmerenUE to control the  
14 frequency or location of storms. Finally, Mr. Wakeman continues to advocate for the  
15 implementation of a new tracker for storm expense.

16 **Q DO YOU AGREE WITH MR. WAKEMAN'S REBUTTAL TESTIMONY?**

17 A I agree with certain arguments Mr. Wakeman presents. First, I agree with Mr.  
18 Wakeman that storms are beyond the control of AmerenUE. I also agree that storm  
19 costs have fluctuated throughout the years.

1 Q WHAT POSITIONS OF AMERENUE'S REBUTTAL TESTIMONY DO YOU  
2 DISAGREE?

3 A I disagree with AmerenUE's proposal to include \$10.4 million as an ongoing level of  
4 storm expense. I also disagree with AmerenUE's request to implement a storm  
5 tracker.

6 Q ARE YOU CONTINUING TO SUPPORT THE POSITION YOU FILED IN DIRECT  
7 TESTIMONY?

8 A Yes. I am still proposing to allow the amount included in the last case for storm  
9 expense. I therefore recommend that the test year level of storm expense be  
10 reduced by \$5.2 million.

11 Q IN YOUR DIRECT TESTIMONY, YOU STATED THAT ONLY ONE MAJOR STORM  
12 HAD STRUCK THE AMERENUE SERVICE TERRITORY SINCE RATES WERE  
13 ESTABLISHED IN THE LAST RATE CASE (MARCH 1, 2009). COULD YOU  
14 PROVIDE AN UPDATE TO THIS INFORMATION?

15 A Yes. I have reviewed Staff's Data Request No. 56 and updates for this case, and  
16 cannot find any other major storms that have occurred in the AmerenUE service  
17 territory since the one which occurred on May 8, 2009. Therefore, the amount  
18 included in AmerenUE's current rates for expense has been more than a sufficient  
19 level. In fact, the level of storm expense allowed in the last rate case is in excess of  
20 \*\*\*\*\*<sup>2</sup> from the level of storm expenses that have been recorded on  
21 AmerenUE's books since March 1, 2009.

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<sup>2</sup>\*\*\*\*\*  
\*\*\*\*\*

1 AmerenUE discusses at length the frequency, magnitude and historical levels  
2 of storm expense, but fails to describe that since new rates were established in  
3 March 2009, only one major storm has occurred in AmerenUE's service territory  
4 amounting to an expense of \*\*\*\*\* (non-internal labor). I continue to believe  
5 that the current level of storm expense included in current rates is sufficient.

6 **Q DO YOU SUPPORT THE IMPLEMENTATION OF A TRACKER FOR STORM**  
7 **EXPENSE?**

8 A No, I do not. I am generally opposed to the use of trackers for expense. I believe it is  
9 a much better regulatory approach to consider all relevant facts when setting rates.  
10 To selectively carve out portions of the total cost of service calculation to be tracked  
11 separately deviates from the total cost concept approach. I also continue to believe  
12 that AmerenUE has other options available to it to recover extraordinary storm costs.  
13 AmerenUE could file a rate case, file for interim/emergency rate relief or seek an  
14 accounting authority order to defer those costs until a future rate case. These  
15 accounting mechanisms are enough for possible recovery of storm expenses and  
16 have been used successfully by AmerenUE in the past.

17 **Q DO YOU HAVE AN INDICATION ON THE COMMISSION'S POSITION**  
18 **REGARDING TRACKERS?**

19 A Yes. Although the Commission allowed a vegetation/inspection tracker in the last  
20 case, they made the following statement:

21 "The Commission does not intend to allow the overuse of tracking  
22 mechanisms in this case, or in future rate cases. However, the tracker  
23 proposed by AmerenUE in this case is appropriate. This is a limited  
24 tracker that will have only a limited effect on AmerenUE's business  
25 risk."

1 I believe it is clear from the above statement that the Commission will only use  
2 trackers on a limited basis. I do not believe a storm tracker qualifies in this case for  
3 that purpose.

#### 4 **Issues Resolved**

5 **Q ARE THERE AREAS OF AGREEMENT THAT YOU HAVE REACHED WITH**  
6 **AMERENUE AND THE STAFF?**

7 A Yes. The parties to this case have agreed on a partial settlement of various issues in  
8 the case. There have also been discussions between the Staff, AmerenUE and  
9 MIEC regarding a smaller number of issues. As a result of those discussions, the  
10 Staff, AmerenUE, and MIEC have agreed to a package settlement regarding dues  
11 and donations, advertising and incentive compensation. Therefore, the settlement  
12 addresses the testimonies filed by James Selecky and myself regarding incentive  
13 compensation, and MIEC will not pursue further this issue.

14 In addition, it is my understanding that AmerenUE has agreed that the level of  
15 inspection repair expense will be the total expense for the 12 months ended  
16 January 31, 2010. Finally, I have reviewed the testimony and workpapers of  
17 Mr. Wakeman regarding Account 593 – Maintenance of Overhead Lines. Based on  
18 my analysis, I agree that my proposed adjustment to this account may overlap the  
19 storms adjustment I have proposed, and therefore I am not pursuing the Account 593  
20 adjustment.

21 **Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

22 A Yes, it does.

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**Schedule GRM-SR-1**  
**is CONFIDENTIAL in its entirety**