

Exhibit No.:
Issue: Fuel Expense
Witness: John P. Cassidy
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2007-0002
Date Testimony Prepared: February 5, 2007

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

JOHN P. CASSIDY

UNION ELECTRIC COMPANY
d/b/a AMERENUE

CASE NO. ER-2007-0002

Jefferson City, Missouri
February 2007

****Denotes Highly Confidential Information****

NP

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

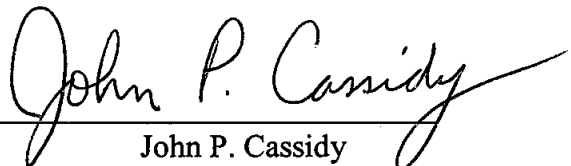
In the Matter of Union Electric Company d/b/a)
AmerenUE for Authority to File Tariffs Increasing)
Rates for Electric Service Provided to Customers in)
the Company's Missouri Service Area.)

Case No. ER-2007-0002

AFFIDAVIT OF JOHN P. CASSIDY

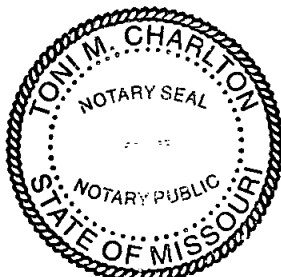
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

John P. Cassidy, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 7 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.


John P. Cassidy

Subscribed and sworn to before me this 2nd day of February 2007.


Notary Public



TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

REBUTTAL TESTIMONY

OF

JOHN P. CASSIDY

UNION ELECTRIC COMPANY d/b/a

AMERENUE

CASE NO. ER-2007-0002

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A. John P. Cassidy, 9900 Page Avenue, Suite 103, Overland, Missouri 63132.

A. I am employed by the Missouri Public Service Commission (Commission) as a
 tory Auditor.

A. Yes.

Q. Please give a brief summary of your Rebuttal Testimony.

Page 1

AMERENUE GENERATION MIX

Q. What was AmerenUE's overall generation mix for the 12 months ending June 30, 2006 as well as for the twelve months ending December 31, 2006?

A. The following table summarizes AmerenUE's actual net generation (gross generation less station use) by groupings of primary fuel source for the test year ending June 30, 2006, as well as for the 12 months ending December 31, 2006:

| <u>Primary Fuel Source</u> | <u>Net MWH Generation 6/30/2006</u> | <u>6/30/06 % of Total</u> | <u>Net MWH Generation 12/31/2006</u> | <u>12/31/06 % of Total</u> |
|---------------------------------------|--|--------------------------------------|---|---------------------------------------|
| Nuclear | 8,079,309 | 16.5% | 10,116,660 | 19.9% |
| Coal | 39,458,584 | 80.6% | 39,375,535 | 77.4% |
| CTG Gas/Oil | 451,481 | 0.9% | 409,889 | 0.8% |
| Hydro/Pump | <u>958,832</u> | <u>2.0%</u> | <u>955,563</u> | <u>1.9%</u> |
| Total | 48,948,206 | 100% | 50,857,647 | 100% |

AmerenUE also purchases power to meet native load and to make interchange sales. The following table summarizes AmerenUE's actual net generation including the amount of purchased power for both the test year June 30, 2006 and the twelve months ending December 31, 2006:

| <u>Primary Fuel Source</u> | <u>Purchases & Net MWH Generation 6/30/2006</u> | <u>6/30/06 % of Total</u> | <u>Purchases & Net MWH Generation 12/31/2006</u> | <u>12/31/06 % of Total</u> |
|---------------------------------------|--|--------------------------------------|---|---------------------------------------|
| Nuclear | 8,079,309 | 15.1% | 10,116,660 | 19.1% |
| Coal | 39,458,584 | 73.5% | 39,375,535 | 74.1% |
| CTG Gas/Oil | 451,481 | 0.8% | 409,889 | 0.8% |
| Hydro/Pump | 958,832 | 1.8% | 955,563 | 1.8% |
| Purchased Power | <u>4,706,599</u> | <u>8.8%</u> | <u>2,252,920</u> | <u>4.2%</u> |
| Total | 53,654,805 | 100% | 53,110,567 | 100% |

Both of these charts demonstrate that the majority of AmerenUE's actual net generation is provided through its use of nuclear and coal fired plants.

1 Q. What was the generation mix that the Staff determined for AmerenUE as part
2 of its direct testimony filing on December 15, 2006?

3 A. Through the use of its production cost model the Staff calculated the following
4 generation mix:

| <u>Primary Fuel Source</u> | <u>Purchases & Net MWH Generation Staff Model</u> | <u>% of Total</u> |
|--------------------------------|---|-------------------|
| Nuclear | 9,322,491 | 17.2% |
| Coal | 38,407,371 | 71.0% |
| CTG Gas/Oil | 295,669 | 0.5% |
| Hydro/Pump | 1,237,388 | 2.3% |
| Purchased Power | <u>4,888,270</u> | <u>9.0%</u> |
| Total | 54,151,189 | 100% |

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15 The Staff's production cost model included Electric Energy, Inc. (EEInc.) supplied
16 power based upon AmerenUE's 40% ownership interest as well as Taum Sauk as being fully
17 available to AmerenUE excluding the effect of the reservoir breach.

18 **ESTIMATED INCREASES IN COAL COST**

19 Q. Does AmerenUE expect that its cost of coal will continue to increase beyond
20 2007?

21 A. Yes. Based on contracts currently in place, AmerenUE will pay more for its
22 coal supply in 2008 than it did in 2007. Likewise, similar increases are expected to occur
23 again in 2009.

24 Q. Please quantify what level of increases AmerenUE faces with regard to its
25 sources of coal supply.

26 A. In its response to Staff Data Request No. 505, the Company provided a
27 calculation of the expected level of increased coal and related freight costs that it will incur

1 over the next two years. Based on the calculations that were provided in that data request
2 response, the Company estimates that it will incur an increase in coal commodity and
3 transportation costs of approximately ** _____ ** during 2008 above what it will
4 incur during 2007. Additionally the Company estimates that during 2009 it will incur an
5 increase related to coal cost of approximately ** _____ ** above what it will incur
6 during 2008.

7 Q. Is the timing of the commodity coal and transportation increases that is
8 quantified above, known at this time?

9 A. Yes. These coal and related transportation increases are contractually
10 scheduled to begin on ** _____ **.

11 **ESTIMATED INCREASE IN NUCLEAR FUEL**

12 Q. Are any increases in AmerenUE's nuclear fuel costs expected in the future?

13 A. Yes. In the response to Staff Data Request No. 501, the Company stated that
14 ** _____
15 _____
16 _____
17 _____
18 _____ **.

19 During a meeting on January 26, 2007, the Company provided the Staff with actual
20 calendar year ending 2006 nuclear fuel costs as well as its budgeted nuclear fuel costs for
21 2007, 2008 and 2009. The following chart summarizes the Company's forecast of nuclear

1 fuel costs (excluding spent fuel, decommissioning and dismantling and Westinghouse Credits)
2 through the end of 2009:

3 ** _____
4 _____ _____ _____
5 _____ _____ _____
6 _____ _____ _____
7 _____ _____ _____
8 _____ _____ _____ **

9 Q. Does the Company expect any additional increases in nuclear fuel costs
10 subsequent to the May 2007 increase?

11 A. ** _____
12 _____
13 _____
14 _____
15 _____ **

16 **NATURAL GAS AND FUEL OIL**

17 Q. What impact will natural gas and fuel oil costs have on the Company's future
18 expense levels?

19 A. The Staff has not attempted to quantify the impact of any future expected
20 increases or decreases in natural gas and fuel oil costs related to the AmerenUE's operations.
21 The Staff would note that during the test year AmerenUE's use of natural gas and oil fired
22 facilities accounted for less than 1% of its total generation mix. Any change in natural gas
23 and oil prices going forward is minimized by AmerenUE's limited reliance on natural gas and
24 oil as part of its overall generation mix.

1 Q. What coal, coal freight and nuclear fuel prices will be included as part of the
2 rate case true-up procedure for this rate case?

3 A. The Staff intends to include all contract coal and related transportation prices
4 in effect as of the cut-off date, January 1, 2007, agreed to by the parties to this case. The Staff
5 also plans to include the updated nuclear fuel costs as reported in response to Staff Data
6 Request No. 60 through the end of December 31, 2006. Through this true-up process, all
7 known and measurable increases in coal and freight costs as well as nuclear fuel price
8 increases, which will be reflected in expense by AmerenUE at January 1, 2007 will be fully
9 included in Staff's cost of service calculation.

10 Q. Based on the Staff's level of total annualized fuel and purchase power expense,
11 what percentage of increase do the estimated coal and nuclear fuel expenses represent?

12 A. ** _____

13 _____

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23 _____ **

1 ** _____

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8 **SUMMARY**

9 Q. Please summarize your Rebuttal Testimony.

10 A. For 2008 and 2009 the estimated coal and nuclear fuel expense increases are
11 approximately ** _____ ** and ** _____ ** respectively. Again, the Staff would note that
12 during the test year AmerenUE's use of natural gas and oil fired facilities accounted for less
13 than 1% of its total generation mix.

14 Q. Is the frequency of the increases in coal and nuclear fuel expense similar to
15 increases associated with other significant expense items included in the cost of service?

16 A. Yes. Much like annual wage increases that occur on known specific dates in
17 the future, AmerenUE will incur annual increases in its fuel expense for coal and related
18 freight cost at known specific dates in the future. Nuclear fuel expense increases occur over a
19 longer interval, once every eighteen months, when AmerenUE performs a refueling of its
20 Callaway plant.

21 Q. Does this conclude your Rebuttal Testimony?

22 A. Yes.