

Exhibit No.:
Issue: *Storm Tracker*
Witness: *Stephen M. Rackers*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Rebuttal Testimony*
Case No.: *ER-2010-0036*
Date Testimony Prepared: *February 11, 2010*

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

STEPHEN M. RACKERS

**UNION ELECTRIC COMPANY
d/b/a AmerenUE**

CASE NO. ER-2010-0036

*Jefferson City, Missouri
February 11, 2010*

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OF

STEPHEN M. RACKERS

UNION ELECTRIC COMPANY
d/b/a AMERENUE

CASE NO. ER-2010-0036

Q. Please state your name and business address.

A. Stephen M. Rackers, 111 North 7th Street, St. Louis, MO 63101.

Q. Are you the same Stephen M. Rackers who previously filed Direct, Rebuttal and Surrebuttal testimony in this case, related to the Union Electric Company, d/b/a AmerenUE's (UE's or Company's) request for interim rates, as well as prefiled Direct testimony in support of the Missouri Public Service Commission Staff's (Staff) Revenue Requirement Cost of Service Report?

A. Yes, I am.

Q. What is the purpose of your Rebuttal testimony?

A. My Rebuttal testimony will respond to the Direct Testimony of Company Witness Ronald C. Zdellar, regarding the Company's request to establish a tracker for the operation and maintenance expense related to storms. Specifically, at page 21 of his testimony, Mr. Zdellar states:

First, the Company is asking the Commission to set the base level of storm restoration O&M costs (excluding internal labor) in the Company's revenue requirement at the actual amount incurred during the test year, which is \$10.4 million. Second, AmerenUE is asking the Commission to establish a "storm restoration tracker." Storm-related O&M expenses (excluding internal labor) would be tracked against this base amount with expenditures below the base to create a regulatory liability and expenditures above the base to create a regulatory asset, in each case along with the associated interest (at the Company's AFUDC

1 rate), to be reflected in the revenue requirement in the Company's next
2 rate case and amortized through rates in that next rate case over two
3 years.

4 Q. Is the Staff supportive of Mr. Zdellar's storm tracker proposal?

5 A. No. The Staff does not support the establishment of a storm tracker. As
6 Mr. Zdellar points out on page 19 of his testimony, storm cost has traditionally been
7 addressed through a five year amortization. If a storm occurs during the test year, the level of
8 test year expense is adjusted to reflect one-fifth of the operation and maintenance cost. If the
9 storm occurs between rate cases and the Company has the option to request an
10 Accounting Authority Order (AAO), to capture the cost and defer it for rate treatment in a
11 future rate case. These two methods have been employed recently with regard to UE. In
12 each of the Company's last two rate cases, an above average level of storm cost has existed.
13 The amount in excess of the average has been amortized over a five year period. In the
14 current rate case the Staff is also proposing a five year amortization of the cost that occurred
15 during the test year in excess of the average amount. In Case No. EU-2008-0141, the
16 Company requested an AAO to address a storm that occurred beyond the true-up date in Case
17 No. ER-2007-0002. These costs were subsequently addressed in the Company's next rate
18 case, Case No. ER-2008-0318.

19 Q. Please discuss the distinction between the two methods Staff has traditionally
20 used to address storm cost.

21 A. The distinction between these two methods is that "normal" storm costs are
22 generally included in the cost of service by including some multiyear average level. Normal
23 storms that occur during a rate case test year can be dealt with using standard ratemaking
24 practices. However, extraordinary storm costs are usually deferred through an AAO. The
25 AAO process requires the utility to justify the storm event as being extraordinary before the

1 costs can be granted deferral treatment. The appropriate recovery of the deferral, if any, can
2 be examined in relation to the utility's company's earnings. A problem with AmerenUE's
3 tracker is that it uses one procedure, to handle all storm costs, both normal and extraordinary.

4 Q. Have all the significant storms recently experienced by UE been reflected in
5 rates?

6 A. Yes. The two methods I discussed above have been used to address all the
7 significant storms recently experienced by UE.

8 Q. How do you respond to Mr. Zdellar's concerns about an amortization, which
9 he refers to as "protracted" and his proposal to include interest (carrying cost) on the
10 difference between the base amount of storm cost and the actual amount experienced?

11 A. Mr. Zdellar's is proposing to establish a mechanism that significantly reduces
12 the period during which the cost associated with "an act of God" are recognized in rates and is
13 also attempting to recover an associated financing costs. The Commission has previously
14 ruled that the cost associated with an "act of God" should not be the ratepayers' sole
15 responsibility. In Case No. WR-95-145, the Commission denied St. Louis County Water
16 Company's request to include the unamortized balance of the cost associated with the 1993
17 flood in rate base. In its Order, the Commission stated:

18 The cost incurred as a result of the flood of 1993 was a natural disaster,
19 an "act of God, and the expenditures were not intended to produce any
20 benefit other than restoring the system to its pre-flood operating
21 condition. The burden of "acts of God" should not be borne solely by
22 the ratepayers. In the case of a natural disaster, the shareholders should
23 not be completely shielded from the risk, but should share in the cost
24 with the ratepayers. Allowing County Water to recover the cost through
25 an amortization, without the inclusion of the unamortized balance in
26 rate base, achieves that sharing.

27 Q. Has Mr. Zdellar selected an appropriate level of cost to use as a base amount in
28 his tracker?

1 A. No. Mr. Zdellar uses the terms “unprecedented” and “devastation” to describe
2 the storm that occurred during the test year in Southeast Missouri. He also cites the fact that
3 Governor Nixon declared a State Of Emergency for the area affected by the storm. Yet he has
4 chosen the test year level, which includes such a storm, as the appropriate base amount on
5 which to track ongoing expense levels.

6 Q. How do you respond to Mr. Zdellar’s comparison of the storm tracker to the
7 trackers the Commission has approved for vegetation management, infrastructure inspections
8 and employee benefit costs, at page 22 of his testimony?

9 A. Vegetation management, infrastructure inspections and employee benefits are
10 ongoing programs. In addition, the Commission established trackers for vegetation
11 management (tree trimming) and infrastructure inspections in direct response to specific new
12 rules it established. The Staff believes that these trackers were designed as short-term tools to
13 allow the Company to recover the added operating and maintenance cost incurred to ramp-up
14 to the levels required by the new rules. On an ongoing annual basis, the Company will
15 continue to manage vegetation, inspect infrastructure and pay employee benefits. However,
16 the occurrence of extraordinary storms that cause significant operating and maintenance cost
17 to the Company’s system do not represent annual ongoing programs.

18 Q. Has the Company experienced any storms which caused extraordinary levels
19 of operating and maintenance cost, since the one that occurred in late January of 2009?

20 A. No. Through the date of this testimony, February 11, 2010, more than a year,
21 the Company has not experienced a storm which caused extraordinary levels of operating and
22 maintenance cost to its system.

23 Q. Will the establishment of a storm tracker reduce the risk to the Company?

1 A. Yes. The Company is trying to establish a mechanism that guarantees the
2 recovery of the costs associated with all storms. This mechanism will reduce the risk that
3 AmerenUE will not earn its authorized rate of return. However, Mr. Zdellar has not
4 acknowledged or proposed any offset to the cost of service in recognition of this risk.

5 Q. Does this conclude your rebuttal testimony?

6 A. Yes, it does.

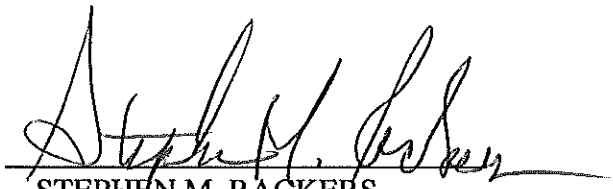
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company)
d/b/a AmerenUE's Tariffs to Increase its) Case No. ER-2010-0036
Annual Revenues for Electric Service.)

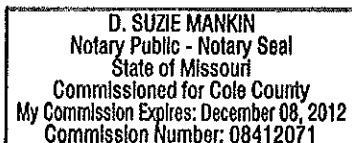
AFFIDAVIT OF STEPHEN M. RACKERS

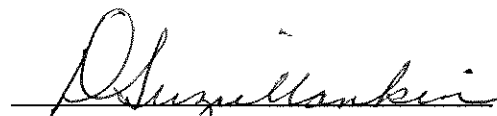
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Stephen M. Rackers, 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 5 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.


STEPHEN M. RACKERS

Subscribed and sworn to before me this 11th day of February, 2010.




Notary Public