Exhibit No.:
Witness: Maurice Brubaker
Type of Exhibit: Surrebuttal Testimony
Issues: Fuel Adjustment Clause and Cost of Service
Sponsoring Party: Missouri Industrial Energy Consumers
Case No.: ER-2008-0318

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-2008-0318**

Surrebuttal Testimony of

Maurice Brubaker

on Fuel Adjustment Clause and Cost of Service

On Behalf of

Missouri Industrial Energy Consumers

BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

Project 8983
November 5, 2008

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

Affidavit of Maurice Brubaker

Maurice Brubaker, being first duly sworn, on his oath states:

1. My name is Maurice Brubaker. 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 is my surrebuttal testimony which was prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. ER-2008-0318.

3. I hereby swear and affirm that the testimony is true and correct and that it shows the matters and things that it purports to show.

Maurice Brubaker

Subscribed and sworn to before me this 4th day of November, 2008.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 14, 2011
Commission # 07024862

Notary Public

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Surrebuttal Testimony of Maurice Brubaker

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, Missouri 63017.

Q ARE YOU THE SAME MAURICE BRUBAKER WHO HAS PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A Yes. I have previously filed direct and rebuttal testimony on revenue requirement, cost of service, revenue allocation and fuel adjustment issues.

Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE OUTLINED IN ANY OF THOSE PRIOR TESTIMONIES?

A Yes. This information is included in Appendix A to my direct testimony on revenue requirement issues.

INTRODUCTION AND SUMMARY

Q ON WHOSE BEHALF ARE YOU PRESENTING THIS SURREBUTTAL TESTIMONY?

A This testimony is presented on behalf of the Missouri Industrial Energy Consumers (MIEC).

Q PLEASE SUMMARIZE YOUR SURREBUTTAL TESTIMONY.

A My surrebuttal testimony may be summarized as follows:

1. If a fuel adjustment clause (FAC) is approved for AmerenUE, all applicable fuel and purchased power costs (both for native load and for off-system sales) should be included, and all of the revenues from off-system sales should be subtracted.

2. The rebuttal testimony of AmerenUE witnesses greatly overstates any negative impact that my proposed FAC could have on AmerenUE. The maximum impact of my sharing provision (compared to a 100% recovery FAC) on AmerenUE's return on equity in any given year is 50 basis points, or $15 million in after-tax earnings.

3. The cost allocation for generation and transmission fixed costs should be based only on the loads that represent peak-making conditions. Use of the same number of monthly peaks every year, regardless of the actual level of those monthly peak loads (as AmerenUE's witness Cooper apparently proposes) would not produce a proper assignment of cost responsibility.

4. The average and excess (A&E) method (variations of which are proposed by MIEC and AmerenUE) considers loads in every hour of the year, but does not double count the average load like the average and peak (A&P) method does.

5. Generation and transmission fixed costs should be allocated using the annual A&E cost allocation method.

Q WHAT IS THE PURPOSE OF YOUR SURREBUTTAL?

A In this surrebuttal I provide limited responses to the rebuttal testimony of certain other parties on the issues of FAC and cost of service. The fact that I do not respond to particular statements of other witnesses should not be interpreted to mean that I

agree with those statements. Rather, I have attempted to limit the surrebuttal testimony to clarification and to responses to points raised in the rebuttal testimony of other parties that had not been fully addressed in my prior testimony.

Response to AmerenUE Witness Lyons

Q ON PAGE 2 OF HIS REBUTTAL TESTIMONY, BEGINNING AT LINE 2, AMERENUE WITNESS LYONS STATES YOU HAVE TESTIFIED THAT THE STRUCTURE OF THE FAC PROPOSED BY AMERENUE IS APPROPRIATE. IS THIS A CORRECT STATEMENT?

A It is a correct statement in the context in which it was given. My statement refers to the fact that the AmerenUE proposed FAC includes the cost of all applicable fuel and purchased power (both for native load sales and for off-system sales), with a subtraction of 100% of the revenues received from off-system sales.

Q AT THE SAME POINT IN HIS TESTIMONY, MR. LYONS STATES THAT YOU DO NOT OPPOSE AMERENUE'S FAC, BUT ADVOCATE CERTAIN MODIFICATIONS TO IT. IS THAT CORRECT?

A It is correct as far as it goes. What he did not say, but which is evident from my testimony, is that I am not supporting or opposing an FAC for AmerenUE. My testimony addresses modifications that I believe should be made to the FAC if one is implemented.

Q MR. LYONS COMPLAINS THAT ADOPTION OF YOUR PROPOSAL WOULD HAVE A LARGE ADVERSE IMPACT ON AMERENUE, POSSIBLY FORCING IT TO ABSORB MILLIONS AND MILLIONS OF DOLLARS OF FUEL COSTS. DO YOU HAVE ANY COMMENTS ON MR. LYONS' TESTIMONY?

A Yes. I think Mr. Lyons overstates the impact. For example, on page 24 of his testimony he references increases in coal costs for 2009 and 2010 and then goes on to say that my sharing proposal could force AmerenUE to absorb $27 million of coal costs in 2010 at budgeted levels and as much as $60 million under AmerenUE's high coal cost forecast case. It is not clear how Mr. Lyons made these calculations, but it is clear that he has not applied the 50 basis point annual impact on ROE that is part and parcel of my proposal.

Q PLEASE ELABORATE.

A My proposal has a 20% sharing by AmerenUE of cost increases (and a 20% retention of cost decreases by AmerenUE), but it also has a financial protection for AmerenUE. My FAC specifically limits the financial impact on AmerenUE (positive or negative) to 50 basis points in return on equity in any year. In dollars, 50 basis points ROE is approximately $15 million after income taxes, or about $25 million before income taxes. Thus, the draconian scenarios under which Mr. Lyons suggests I could require AmerenUE to absorb $60 million of fuel cost simply cannot happen. The maximum annual after-tax impact is $15 million.

Response to AmerenUE Witness Warwick

Q AT PAGE 4 OF HIS TESTIMONY, MR. WARWICK SUGGESTS THAT MIEC CLAIMS AMERENUE ALLOCATED REVENUES FROM OFF-SYSTEM SALES ON THE BASIS OF DEMAND. IS THAT AN ACCURATE STATEMENT?

A No. If Mr. Warwick took that away from my testimony, then I was not careful in my choice of words. It is the margin on off-system sales (revenues minus estimated fuel and purchased power costs) that was allocated on demand in AmerenUE's studies. That is how I interpreted AmerenUE's studies and how I treated them in my analysis.

Response to AmerenUE Witness Cooper

Q AT PAGES 6 AND 7 OF HIS TESTIMONY, MR. COOPER SUGGESTS THAT YOUR DECISION TO USE A SINGLE SUMMER NON-COINCIDENT PEAK IN THIS CASE, RATHER THAN STICK WITH THE THREE SUMMER NON-COINCIDENT PEAKS YOU USED IN THE LAST RATE CASE, CONFLICTS WITH YOUR TESTIMONY CONCERNING THE NEED FOR ALLOCATION METHODOLOGIES TO PRODUCE MORE STABLE RESULTS OVER TIME. DO YOU AGREE?

A No. In fact, quite the contrary is true. The important fact is what demand or demands represent true peaking conditions. In the last case, there were three months where the peaks were quite close. Accordingly, it was appropriate to use those three peaks. It would not have been wrong to use the single peak, but the result would not have been much different.

In this case, however, there was only one dominant summer peak. The other summer season months did not exhibit loads typical of true peak-making conditions. Thus, using an average of three or four months (as Mr. Cooper has done) in fact

leads to unstable results because costs are not being allocated to customer classes on the basis of demands that create the peaks.

Use of a representative peak, whether that is one peak, two peaks, three peaks or four peaks in a given year is what is important. As history has shown, for some years on the AmerenUE system only one month represents peak conditions, while in other years several monthly peaks may be representative of peak conditions. It is these facts that should drive the selection of the specific peaks to be used, not some arbitrary decision to use the same number of peaks every time, regardless of the magnitude of the loads in those months.

Accordingly, it is Mr. Cooper's insistence on the use of four months, regardless of magnitude, that would produce unstable results.

Response to Commission Staff Witness Roos

Q AT PAGE 7 OF HIS REBUTTAL TESTIMONY, MR. ROOS ARGUES THAT THE AVERAGE AND EXCESS DEMAND METHOD FAILS TO TAKE INTO ACCOUNT THE FACT THAT GENERATION FACILITIES ARE BUILT TO MEET THE ENTIRE LOAD OF THE ELECTRIC UTILITY. IS HE CORRECT?

A No, he is not correct. The A&E method considers the average demand (that is the energy use) of every class, and the peak requirements of every class.

Q WHAT IS THE ESSENTIAL DIFFERENCE BETWEEN STAFF'S PROPOSED AVERAGE AND PEAK METHOD AND THE AVERAGE AND EXCESS METHOD?

A As I pointed out in my direct testimony, and as AmerenUE witness Cooper points out at pages 4 and 5 of his rebuttal testimony, the A&P method (both the one used by Staff and the one used by OPC) is inherently flawed as it double counts the average

demand of each customer class. The A&P method weights the average demand and also the full non-coincident peak demand of each class to develop an allocation factor. Double counting occurs because the average demand is a component of the non-coincident peak demand, so weighting those two numbers together provides a double weight to the average demand . . . thereby substantially over-allocating costs to high load factor customers.

The A&E method, on the other hand, recognizes that both average loads and peak loads are important, and takes account of the fact that average loads are an element of peak loads by weighting together the average demand and the difference between each class's average demand and each class's non-coincident peak demand to develop the allocation factor.

Q AT PAGE 8 OF HIS REBUTTAL TESTIMONY, WITNESS ROOS MAKES THE STATEMENT THAT PEAKS FROM EACH MONTH SHOULD BE INCLUDED IN THE ALLOCATION FACTOR BECAUSE OF THE NEED TO TAKE GENERATION FACILITIES OUT OF SERVICE FOR MAINTENANCE WHEN PEAK LOADS ARE DOWN. HAS HE PROVIDED ANY EVIDENCE THAT THERE IS A PROBLEM MAINTAINING GENERATION FACILITIES IN OFF-PEAK MONTHS?

A No, he has not. There has been no suggestion by AmerenUE or by Staff (other than this unsupported statement by Mr. Roos) that there is a problem in maintaining generation facilities during the spring and fall months.

Q DOES THE AVERAGE AND EXCESS METHOD CONSIDER ALL LOADS?

A Yes. By giving substantial weight to average demand, all loads of all customers at all times are considered in the allocation factor. Including 12 months in the peak component of the allocation factor is unnecessary and inappropriate.

Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY ON FUEL ADJUSTMENT CLAUSE AND COST OF SERVICE?

A Yes, it does.

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