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Exhibit No.:

Issues: Revenue Requirement
Capacity Planning
Alt Reg Plan
Rate Design

Witness: Mark Drazen

Sponsoring Party: Missouri Energy Group

Type of Exhibit: Cross-Surrebuttal Testimony

Case No.: EC-2002-1

Date Testimony Prepared: June 21, 2002

AmerenUE

Case No. EC-2002-1

**Before the
Missouri Public Service Commission**

Cross-Surrebuttal of Mark Drazen

**On behalf of the
Missouri Energy Group**

Exhibit No. 111
Date 7/10/02 Case No. EC-2002-1
Reporter KRM

**Project No. 011253
June, 2002**

DRAZEN
CONSULTING GROUP

NP

AmerenUE

Case No. EC-2002-1

Affidavit of Mark Drazen

STATE OF MISSOURI)
)
COUNTY OF ST. LOUIS)

Mark Drazen, being of lawful age and duly affirmed, states the following:

1. My name is Mark Drazen. I am a consultant in the field of public utility economics and regulation and a member of Drazen Consulting Group, Inc.
2. Attached hereto and made a part hereof for all purposes is my Cross-Surrebuttal Testimony consisting of Pages 1 through 4 filed on behalf of the Missouri Energy Group.
3. I have reviewed the attached Cross-Surrebuttal Testimony and hereby affirm that my testimony is true and correct to the best of my knowledge and belief.

Mark Drazen

Mark Drazen

Duly affirmed before me this 21st day of June, 2002.

Sheryl M. Fenelon

Notary Public

My commission expires on December 29, 2002.



AmerenUE

Case No. EC-2002-1

Cross-Surrebuttal Testimony of Mark Drazen

Q PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS ADDRESS.

A Mark Drazen. I am a consultant in the field of public utility regulation and a member of Drazen Consulting Group, Inc., economic, strategic planning and regulatory consultants. The firm's offices are at 7730 Forsyth Boulevard, Suite 150, St. Louis, Missouri, USA 63105, and 255 - 5th Avenue, S.W., Suite 3180, Calgary, Alberta, Canada T2P 3G6.

Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS CASE?

A I am appearing on behalf of the Missouri Energy Group.

Q HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A Yes.

Q WHAT IS THE SUBJECT OF THIS TESTIMONY?

A This cross-surrebuttal testimony concerns Rider E, the rate that AmerenUE has proposed for backup service to customer-owned generation.

Q WHAT IS THE PURPOSE OF THIS TESTIMONY?

A In my earlier testimony, I stated that the concept and structure of Rider E are appropriate, but that some of the charges were unnecessarily high. Subsequent discussions with AmerenUE have resolved some of the issues. This testimony discusses the remaining issues.

Q WHAT ARE THOSE ISSUES?

A The first is that the Production Demand Charge is applied whenever the customer has a forced outage. Rider E requires the customer to pay a monthly Generator Backup Demand Charge, which recovers the cost of capacity to provide the backup service. No additional charge should apply when backup service is taken, unless the customer's level of outages during the year exceeds the utility's average outage rate.

The second issue is that the Wires charge is too high. In AmerenUE's view, the cost of wires to supply backup service for customer-owned generation is the same as if the customer took full requirements service from the utility. While that may be true with respect to distribution facilities and a portion of the transmission facilities, it is not entirely accurate. Part of AmerenUE's transmission investment serves a purpose of connecting generation units to the system. AmerenUE recognizes that the monthly Generator Backup Demand Charge need only reflect generation cost to the extent of the reserve margin ratio. It follows that the amount of transmission serving the generation-interconnection function should also reflect only the reserve margin ratio.

Q PLEASE EXPLAIN IN MORE DETAIL WHY THE PRODUCTION DEMAND CHARGE SHOULD APPLY ONLY WHEN THE CUSTOMER EXCEEDS THE OUTAGE RATIO OF THE UTILITY'S UNITS.

A The monthly charge covers the cost of capacity installed and needed to provide backup service. No additional charge is necessary. The reserve margin ratio reflects the fact that utility-owned generation experiences occasional forced outages. The utility need not obtain additional capacity when outages occur. The same is true of reserve for customer-owned generation.

Q HOW CAN 18% OF THE CUSTOMER-OWNED GENERATION CAPACITY BE ADEQUATE TO SERVE THE FULL BACKUP LOAD?

A The reason is that the utility has reserve capacity equal to 18% of the *entire* amount of load-serving capacity on the system. That is far more than the capacity of any *single* unit. Because forced outages occur randomly, the likelihood of multiple units experiencing simultaneous outages is small. That is why the utility does not have to install backup capacity equal to 100% of the peak load.

To serve a peak load of 8,000 MW, AmerenUE would require an additional 1,440 MW (18% of 8,000 MW) of reserve capacity. This means that capacity equal to 18% of the peak load is adequate to meet the needs of whatever units experience outages.

Q WHAT IS YOUR RECOMMENDATION?

A AmerenUE's units have an average forced outage rate of 8%-9% (see my Rebuttal Testimony, Page 22). A customer-owned generator should be allowed to have a forced outage rate that is similar before any additional charges apply.

Q WHAT CHANGE DO YOU PROPOSE IN RIDER E?

A Rider E should state that the Production Demand Charge will apply only to the extent that a customer's outages during the year exceed a 9% forced outage rate.

Q WHAT IS YOUR RECOMMENDATION REGARDING THE WIRES CHARGE?

A The generation interconnection portion of transmission cost should be treated the same as generation. That is, only a fraction (equal to $0.18/1.18$) should be included in the monthly wires charge; the balance should be added to the Production Demand Charge.

Q HAVE YOU CALCULATED THE CHANGE IN RATES?

A No, because we do not yet have information on what portion of transmission costs is for generation interconnection. This should be provided by AmerenUE.

Q DOES THAT CONCLUDE YOUR TESTIMONY AT THIS TIME?

A Yes.