

Exhibit No.:  
Issue(s): Class Cost of Service Study  
Witness: William M. Warwick  
Sponsoring Party: Union Electric Company  
Type of Exhibit: Surrebuttal Testimony  
Case No.: ER-2010-0036  
Date Testimony Prepared: March 5, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. ER-2010-0036**

**SURREBUTTAL TESTIMONY**

**OF**

**WILLIAM M. WARWICK**

**ON**

**BEHALF OF**

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

**St. Louis, Missouri  
March 2010**

1 **SURREBUTTAL TESTIMONY**

2 **OF**

3 **WILLIAM M. WARWICK**

4  
5 **CASE NO. ER-2010-0036**

6 **Q. Please state your name and business address.**

7 A. My name is William M. Warwick. My business address is One Ameren Plaza,  
8 1901 Chouteau Avenue, St. Louis, Missouri 63103.

9 **Q. By whom and in what capacity are you employed?**

10 A. I am employed by Union Electric Company d/b/a AmerenUE (“AmerenUE” or  
11 “Company”) as Managing Supervisor of Rate Engineering and Analysis.

12 **Q. Are you the same William M. Warwick who filed direct and rebuttal**  
13 **testimony in this case?**

14 A. Yes, I am.

15 **Q. What is the purpose of your surrebuttal testimony?**

16 A. The purpose of my surrebuttal testimony is to address certain issues related to  
17 class cost of service studies (“CCOSS”) presented in the rebuttal testimonies of the Missouri  
18 Public Service Commission Staff (“Staff”) and the Missouri Industrial Energy Consumers  
19 (“MIEC”). My failure to address a particular witness’ position or argument should not be  
20 construed as endorsement of same.

21 **Q. What is the issue concerning Staff’s CCOSS rebuttal testimony?**

22 A. Schedules MSS-R-1.1 and Schedule MSS-R-1.2 inaccurately depict AmerenUE’s  
23 revenue neutral CCOSS results.

1           **Q.     What is typically meant by “revenue neutral” revenue requirement?**

2           A.     Generally speaking, a “revenue neutral” revenue requirement reflects the shifts in  
3     class revenues needed to result in equalized class rates of return before any rate increase is  
4     added.

5           **Q.     What are the correct revenue neutral class revenue shifts for AmerenUE’s**  
6     **CCOSS?**

7           A.     The results are as follows

RES	SGS	LGS/SPS	LPS	LTS
7.99%	-7.01%	-9.74%	1.21%	1.63%

8  
9           **Q.     Please explain the CCOSS issues concerning MIEC’s rebuttal testimony.**

10          A.     The issues I have with MIEC’s rebuttal testimony concern the classification of  
11     non-fuel production O&M expense, the allocation of transmission cost, and the allocation of off-  
12     system sales revenues. These issues are also addressed in my rebuttal testimony.

13          **Q.     MIEC believes that AmerenUE and Staff have understated the amount of**  
14     **non-fuel production O&M expense classified as fixed, and overstated the amount classified**  
15     **as variable (Brubaker Rebuttal Page 17, lines 5-8). Do you agree?**

16          A.     No, for the same reasons stated in my rebuttal testimony. The Company and Staff  
17     have properly classified non-fuel production O&M expense consistent with the jurisdictional  
18     classification of these costs in the Company’s rate case immediately preceding this case.

1           **Q.     On page 26, lines 10-11 of his rebuttal testimony MIEC witness Maurice**  
2 **Brubaker states that the Average & Excess method should be used to allocate transmission**  
3 **system costs. Do you agree?**

4           A.     No, for the same reasons I stated in my rebuttal testimony. As correctly pointed  
5 out on page 26, lines 9-10 of Mr. Brubaker’s rebuttal testimony, the transmission system must be  
6 built to meet the peak demands imposed on it. Considering such, it would be more reasonable to  
7 allocate transmission system costs using a peak demand method rather than a method which  
8 incorporates peak demands and average demands as is the case with the Average & Excess  
9 method.

10           **Q.     MIEC believes that allocating the net margins from off-system sales on the**  
11 **basis of a demand allocation factor to be inferior to an energy-based allocation (page 26,**  
12 **lines 16-18 of Mr. Brubaker’s rebuttal testimony). Do you agree?**

13           A.     No, as I stated in my rebuttal testimony, revenues from off-system sales are  
14 generated from fixed production assets and consistent with the “expense follows cost” theory,  
15 “revenues following costs” would dictate that the allocation of revenues associated with these  
16 fixed production assets should be consistent with the allocation of the assets (i.e. A&E 4 NCP).

17           **Q.     Does this conclude your surrebuttal testimony?**

18           A.     Yes, it does

In the Matter of Union Electric Company d/b/a	) Case No. ER-2010-0036
AmerenUE's Tariffs to Increase its Annual	) Tracking No. YE-2010-0054
Revenues for Electric Service.	) Tracking No. YE-2010-0055

**STATE OF MISSOURI            )**  
**) ss**  
**CITY OF ST. LOUIS          )**

1. My name is William M. Warwick. I work in the City of St. Louis, Missouri, and I am employed by Union Electric Company d/b/a AmerenUE as Managing Supervisor of Rate Engineering.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Subscribed and sworn to before me this 5<sup>th</sup> day of March, 2010.

My commission expires: 4-1-2010

Notary Public Mary Hoyt

