

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-2012-0166
Date Testimony Prepared: September 7, 2012

MISSOURI PUBLIC SERVICE COMMISSION

Case No. ER-2012-0166

SURREBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

ON

BEHALF OF

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

**St. Louis, Missouri
September, 2012**

SURREBUTTAL TESTIMONY

OF

WILLIAM M. WARWICK

CASE NO. ER-2012-0166

Q. Please state your name and business address.

A. William M. Warwick, Union Electric Company d/b/a Ameren Missouri
 ren Missouri” or “Company”), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis,
 uri 63103.

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

A. I am Managing Supervisor of Rate Engineering for Ameren Missouri.

Q. Are you the same William M. Warwick who filed direct and rebuttal

testimony in this case?

A. Yes, I am.

Q. What is the purpose of your surrebuttal testimony?

A. The purpose of my surrebuttal testimony is to address certain issues related to most of service studies ("CCOSS") presented in the rebuttal testimony of Office of the Counsel ("OPC") witness Barbara A. Meisenheimer.

Q. In your rebuttal testimony in this case you reserved further discussion of issues with respect to OPC's original CCROSS due to your belief that OPC may have errors in their study. Have these errors been addressed by OPC?

A. Yes, OPC provided a revised CCOSS that corrected the allocation of Account Lighting and also the allocation of non-meter related distribution plant and expenses to

1 the Large Transmission Service class. Therefore, my concerns regarding these two items
2 have been alleviated.

3 **Q. In her rebuttal testimony, Ms. Meisenheimer states that the Company**
4 **allocates the customer-related portion of poles, overhead and underground conductors**
5 **and conduit, transformers and services in a manner that results in each residential**
6 **customer being allocated the same customer-related cost as a Lowe's or a Wal-Mart**
7 **store even though those types of businesses are likely served by poles that can sustain**
8 **heavier lines by higher capacity conductors, and, even more likely, by underground**
9 **conduit. Is Ms. Meisenheimer's statement correct?**

10 A. Yes, her statement regarding the results of the Company's allocation method is
11 correct, but her concerns regarding the appropriateness of this allocation method are
12 unfounded. As stated in my rebuttal testimony, the customer-related portion of these
13 accounts is the theoretical no-load cost portion of the distribution system and, by definition,
14 should be the same for all customers taking distribution service regardless of the size of poles
15 or lines required to provide service to particular customers. The remaining or demand-
16 related portion of these distribution plant accounts (Accounts 364-368) takes into account the
17 size and voltage level of the customer, and therefore properly reflects differences in demand
18 levels among the Company's respective customer classes. Said differently, the allocation of
19 the demand-related portion of these accounts properly reflects the differences in load
20 characteristics between a residential customer and a Lowe's or a Wal-Mart store.

21 As I explained in my rebuttal testimony, the Company installs distribution plant to
22 both provide service to a customer and to meet the individual customer's peak demand
23 requirements. Distribution Plant Account 364-Poles, Towers and Fixtures, Account 365-

1 Overhead Conduit, Account 366-Underground Conduit, Account 367-Underground
2 Conductors, and Account 368-Line Transformers provide both a load (i.e. capacity-related)
3 and a no-load (i.e. customer-related) function. Poles and conductors (i.e. wires) clearly
4 create a path that connects customers to an energy source, but those poles and conductors
5 also have capacity to carry load. Line transformers are integral to the service path as they
6 connect the secondary conductor system to the primary conductor system and, at the same
7 time, provide capacity to serve customers' loads. Therefore, investments in Accounts 364-
8 368 are classified as both demand-related and customer-related. The Company, Staff and
9 MIEC correctly allocated the customer-related, or theoretical no-load, investment in these
10 accounts by the generally accepted and utility-wide practice of customer counts.
11 Ms. Meisenheimer's apparent concerns about that method are inconsistent with standard
12 industry practice, and they are unfounded.

13 **Q. A significant portion of the cost in Accounts 364-368 is demand-related.**
14 **Large General Service customers like Wal-Mart and Lowe's would obviously have**
15 **larger facilities than an individual residential customer. Are those larger secondary**
16 **voltage customers therefore assigned a larger proportional amount of the cost of these**
17 **facilities in the Company's CCOSS?**

18 **A.** Absolutely. After all, Large General Service customers, like a Lowe's or a
19 Wal-Mart, have considerably more electrical demand and therefore will have larger and more
20 expensive distribution facilities than the typical residential customer. Using Account 364
21 (Poles Towers and Fixtures) investment at secondary voltage as an example, a Large General
22 Service customer, such as a Wal-Mart or a Lowe's, is assigned approximately forty-five (45)
23 times the cost of a typical residential customer.

1 In short, while the argument Ms. Meisenheimer makes regarding the result of using
2 customer counts to allocate the non-demand portion of these accounts is stated correctly, it
3 should not be broadened to suggest that allocation of the *total* investment in each of these
4 accounts (Accounts 364 – 368) is based solely on customer counts. In the Company's study,
5 those costs are equitably allocated based on customer counts for customer, no-load
6 investment, and on demand for the demand-related investment. Using this method, the larger
7 secondary voltage customer is assigned a much higher level of costs in these accounts
8 because of their higher demand.

9 Considering the foregoing, the Commission should reject Ms. Meisenheimer's
10 recommended method of allocating the customer-related component of these accounts and
11 accept the Company's, Staff's and MIEC's method as it results in the just and equitable
12 allocation of investment in these accounts.

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

14 A. Yes, it does.

In the Matter of Union Electric Company)
d/b/a Ameren Missouri's Tariffs to)
Increase Its Revenues for Electric Service.)

Case No. ER-2012-0166

AFFIDAVIT OF WILLIAM M. WARWICK

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

William M. Warwick, being first duly sworn on his oath, states:

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 Ameren Missouri as a Managing Supervisor in Rate Engineering.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony on behalf of Union Electric Company d/b/a Ameren Missouri consisting of 4 pages, and Schedule(s) N/A, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

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

William M. Warwick
William M. Warwick

Subscribed and sworn to before me this 7th day of September, 2012.

Tileen Donohue
Notary Public

My commission expires:

