

Exhibit No.:
Issues: Rate Design
Witness: James C. Watkins
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2007-0002
Date Testimony Prepared: February 27, 2007

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

JAMES C. WATKINS

UNION ELECTRIC COMPANY d/b/a, AMERENUE

CASE NO. ER-2007-0002

**Jefferson City, Missouri
February 2007**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

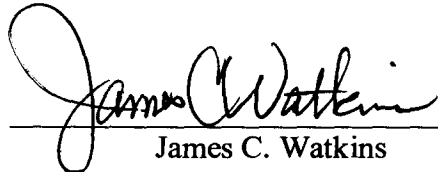
In the Matter of Union Electric Company)
d/b/a AmerenUE for Authority to File)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Company's Missouri Service Area.)

Case No. ER-2007-0002

AFFIDAVIT OF JAMES C. WATKINS


STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James C. Watkins, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 2 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



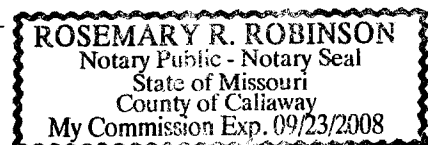
James C. Watkins

Subscribed and sworn to before me this 23rd day of February, 2007.



Notary Public

My commission expires 9-23-2008



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SURREBUTTAL TESTIMONY

OF

JAMES C. WATKINS

UNION ELECTRIC COMPANY d/b/a, AMERENUE

CASE NO. ER-2007-0002

Q. Please state your name and business address.

A. My name is James C. Watkins and my business address is Missouri Public Service Commission, 200 Madison Street, P. O. Box 360, Jefferson City, Missouri 65102.

Q. Are you the same James C. Watkins that previously filed rebuttal testimony in this case?

A. Yes.

EXECUTIVE SUMMARY

Q. What is the purpose of your surrebuttal testimony in this case?

A. The purpose of my testimony is to rebut the testimony of Noranda Aluminum, Inc. witness Donald Johnstone in regard to the elimination of the Annual Contribution Factor (ACF) component of the Large Transmission Service (LTS) rate schedule.

ELIMINATION OF THE ACF FOR LARGE TRANSMISSION SERVICE

CUSTOMERS

Q. Have you reviewed Mr. Johnstone's rebuttal testimony regarding the elimination of the Annual Contribution Factor from the Large Transmission Service Tariff?

A. Yes. Mr. Johnstone argues that the ACF was an interim measure (p.4, l.17) that should be eliminated at this time because the ACF causes the rate paid by Noranda on the

Surrebuttal Testimony of
James C. Watkins

1 LTS rate to be discriminatory (p. 7, l. 3) as compared to the LPS rate, and eliminating the
2 ACF would reduce Noranda's revenues by \$9 million (p.7, l. 4).

3 Q. Is the rate that Noranda pays on the LTS rate higher than what it would pay on
4 the Large Primary Service (LPS) rate?

5 A. No. The purpose of the ACF was to make both rates the same when applied to
6 Noranda.

7 Q. Is a comparison between how much less LPS revenues are than cost of service
8 to how much LTS revenues differ from cost of service an appropriate comparison to
9 determine whether the LTS rate is discriminatory?

10 A. No. Generally, the appropriate comparison is to compare revenues to cost of
11 service. Based on that comparison and Staff's CCOS study, the LTS rate is very close to cost
12 of service on a revenue-neutral basis.

13 Q. Would you oppose eliminating the ACF provision on the LTS tariff if the
14 other rate components were adjusted upward to produce the same annual revenue that is now
15 produced by the LTS rate with the ACF provision?

16 A. No. I would support removing the ACF provision under that condition.

17 Q. Does this conclude your surrebuttal testimony?

18 A. Yes.